

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

The following table lists out some of the training and development programmes attended by our employees over the last three (3) years. The programmes encompass external and internal training as well as development programmes:

Year	Programme	Facilitator/ Organiser
2007	Visual studio 2005: VB6 upgrade workshop	Info Trek Sdn Bhd
2007	2373-Programming with Microsoft Visual	Guidance View Sdn Bhd
2007	MasterCard Asia Pacific Vendor Conference	MasterCard International
2008	Progress to Digital and Mobile Services	Asia-Pacific Broadcasting Union
2009	Fast Track to Powerbuilder Part 1	Sybase Software (M) Sdn Bhd
2009	Workshop on Project Management and Leadership: The Winning Way	ISI Ventures Sdn Bhd
2009	Training 1: Software Testing Concepts and Methodologies, Training 2: Introduction to Testing	Alsys MSC Sdn Bhd
2010	Visa International Security Summit	Visa International
2010	MCITP Windows Server 2008 Enterprise Administrator	Trainpro Academy Sdn Bhd
2010	Developing Customer Service Excellence for Frontliners	CX Management Development
2010	Effective Management and Leadership Skills Using Neuro Linguistic Programming (NLP)	Training Zone Dot Com
2010	Arbringers Leadership and Self-Deception (Core Training) Workshop	Arbinger (Malaysia) Sdn Bhd
2010	OSBIZ Conference – JOOMLA! Workshop	Sec Training & Expo Sdn Bhd
2010	Achieving Excellence in Lean Manufacturing	ExPiTRiS Worldwide Sdn Bhd
2011	Occupational Safety and Health at the Work Place	Mindgrowth Training Consultancy
2011	An Effective Guide to Project Management	Kcom Management Sdn Bhd
2011	Leadership and Self Deception	Arbinger (Malaysia) Sdn Bhd
2011	Government Financial Assistance for Malaysian Companies and its Application Procedures	Malaysian Export Academy Sdn Bhd
2011	Successful Selling Skills, Creating Sales Warriors	I Training Expert.com
2011	Leadership & People Management Skills	Mind Growth Training Consultancy
2011	Related Party Transactions	RTC Consulting Sdn Bhd

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Year	Programme	Facilitator/ Organiser
2011	Tax Strategies in China	CCH Asia Pte Limited
2011	2012 Budget & Tax Planning	Crowe Horwath
2011	Database Management with Microsoft Excel	Kcom Management Sdn Bhd
2011	Beginning Auditors Tools and Techniques	The Institute of Internal Auditors Malaysia
2011	Cisco Certified Network Associate ("CCNA") Part 1	Trainpro Academy Sdn Bhd
2012	Cisco Certified Network Associate ("CCNA") Part 2	Trainpro Academy Sdn Bhd

8.9.3 Management Succession Plan

Our Board believes that the success of our Group depends on the ability and retention of our key management personnel and upon our ability to attract and retain skilled personnel. Therefore, we have made efforts to train our staff and remunerate them accordingly.

Our Group has a management succession plan consisting of:

- (i) Sound recruitment and selection;
- (ii) Competitive remuneration and employee benefits;
- (iii) Structured career planning and development; and
- (iv) Continuous training and education.

In addition, we will continue to provide appropriate training to promising junior staff in order to enhance their management and technical skills for the purpose of their career advancement with our Group. As part of the management succession plan, our Group has identified middle management personnel across all levels to assist the heads of various business divisions in order to facilitate skill transfer so as to ensure the smooth running and continuity of the operations of our Group. If the need arises, we will recruit qualified personnel with knowledge and expertise of the business to further enhance our operations.

We believe that our employees are valuable assets to our Group and we provide the necessary training for their future development.

9. APPROVALS AND CONDITIONS

9.1 APPROVALS FROM RELEVANT AUTHORITIES

The SC had on 27 September 2011 approved the IPO under Section 212(5) of the CMSA and equity requirement for public companies. The SC had, via the same letter, approved an exemption sought by us from having to comply with certain requirements under the Equity Guidelines and Prospectus Guidelines – Equity and Debt (“Prospectus Guidelines”) issued by the SC. The details of the conditions imposed by the SC on our IPO and the abovementioned exemption sought are as follows:

No.	Relevant Paragraph Under the Prospectus Guidelines for Which Waiver Was Sought	Details of the Waiver Granted	Status of Compliance
(i)	Relief from complying with certain requirements in Chapter 8, 11, 12 and 13 of the Prospectus Guidelines in relation to the use of Datasonic’s latest available audited financial statements for the financial year ended 31 December 2010 in the registrable prospectus, which is more than 6 months from the date of the submission of Datasonic’s registrable prospectus	Approved, subject to a copy of the audited interim financial statements and the updated prospectus being submitted 2 weeks prior to the confirmation of registration of the said prospectus by the SC.	Complied

The conditions imposed by the SC for the approval are set out below:

No.	Details on Conditions Imposed	Status of Compliance				
(i)	<p>Alliance / Datasonic must comply with the following in relation to the properties of the Datasonic Group:</p> <table border="1"> <thead> <tr> <th>Property</th> <th>Conditions</th> </tr> </thead> <tbody> <tr> <td>Lot 567 and Lot 568, Seksyen 5, Bandar Petaling Jaya, District of Petaling Jaya</td> <td> <p>(a) Obtain the approval for change of express condition within six (6) months from the date of SC’s approval letter; and</p> <p>(b) Obtain the Certificate of Fitness (CF) within six (6) months from the date of SC’s approval letter</p> </td> </tr> </tbody> </table>	Property	Conditions	Lot 567 and Lot 568, Seksyen 5, Bandar Petaling Jaya, District of Petaling Jaya	<p>(a) Obtain the approval for change of express condition within six (6) months from the date of SC’s approval letter; and</p> <p>(b) Obtain the Certificate of Fitness (CF) within six (6) months from the date of SC’s approval letter</p>	<p>To be complied. As disclosed in Section 6.12, Datasonic had appointed Urban Scale, a land planning consultant firm providing consultancy on land planning services and has submitted an application to the local authorities on 28 October 2011 for the change of the building usage for the Jalan Gasing Administrative Office. As at the LPD, Majlis Bandaraya Petaling Jaya (“MBPJ”) has granted an approval for the changed of building usage from “Bangunan Kediaman” to “Pejabat”.</p> <p>Datasonic also has by way of letter dated 31 May 2011, written to the Director of MBPJ to request for the CF. Datasonic has also appointed Urban Scale to follow up with the MBPJ on this matter. However, MBPJ has reverted via a letter dated 28 July 2011 that they were unable to locate the building plan.</p> <p>In regards to the above, Datasonic has decided to dispose the said properties and has appointed an independent real estate agent to dispose the properties by 26 September 2012 being the expiry of the first extension of time. In the event that the aforementioned properties are not disposed during the timeframe, Datasonic will still relocate its Jalan Gasing Administrative Office to a new location by that date. As at the LPD, our Group is identifying and negotiating for a suitable location for its administrative office within the Klang Valley and the abovementioned properties has not been disposed.</p>
Property	Conditions					
Lot 567 and Lot 568, Seksyen 5, Bandar Petaling Jaya, District of Petaling Jaya	<p>(a) Obtain the approval for change of express condition within six (6) months from the date of SC’s approval letter; and</p> <p>(b) Obtain the Certificate of Fitness (CF) within six (6) months from the date of SC’s approval letter</p>					

9. APPROVALS AND CONDITIONS (Cont'd)

No.	Details on Conditions Imposed	Status of Compliance
(ii)	Alliance/ Datasonic must fully comply with the relevant requirements pertaining to the implementation of the listing proposal as stipulated under the SC's Equity Guidelines and Prospectus Guidelines	To be complied

The SC noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the implementation of our Listing Scheme, as follows:

Category of shareholders	Before IPO [^] %	After IPO* %
Bumiputera	100.00	81.35
Non-Bumiputera	-	18.65
Foreigners	-	-
Total	100.00	100.00

Notes:

[^] As at incorporation

* Based on our enlarged issued and paid up share capital of 90,000,000 Shares after the IPO

The SC had vide the same letter stated that Alliance / Datasonic must inform the SC upon completion of the Listing.

The SC had vide their letter dated 18 April 2012 approved our application for an extension of time for an additional six (6) months up to 26 September 2012 for the completion of our Listing Scheme and the conditions imposed in the abovementioned SC's approval letter dated 27 September 2011. The SC had also vide their letter dated 23 July 2012 approved our dividend payment of up to RM7.00 million to the existing shareholders of Datasonic, namely Dibena Enterprise and Dato' Abu Hanifah bin Noordin. Of the total dividend payment, up to RM2.00 million would be paid by Datasonic Technologies and up to RM5.00 million by Datasonic Corporation.

Bursa Securities had on 8 March 2012 approved our admission to the Official List of the Main Market and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market. The conditions imposed by Bursa Securities and the status of the compliance with the conditions are as follows:

No.	Details on Conditions Imposed	Status of Compliance
(i)	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Main Market Listing Requirements; and	To be complied
(ii)	Furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire enlarged issued and paid up share capital of Datasonic on the first day of Listing.	To be complied

MITI has via its letter dated 16 August 2011 taken note of and has no objections to our Listing on the Main Market of Bursa Securities.

9. APPROVALS AND CONDITIONS *(Cont'd)*

9.2 MORATORIUM ON SALE OF SHARES

In compliance with the Equity Guidelines of the SC, Shares held by our Promoters at the date of our Listing are required to be placed under moratorium. Moratorium shall be imposed as follows:

Promoter	Shares held under moratorium for the first six (6) months upon Listing	
	No. of Shares held [^]	% held [*]
Dibena Enterprise	47,752,000	53.06
Dato' Abu Hanifah bin Noordin	13,942,004	15.49
Handrianov Putra bin Abu Hanifah	200,000	0.22
Total	61,894,004	68.77

Notes:

[^] Assuming full subscription of pink form shares offered.

^{*} Based on our enlarged issued and paid-up share capital after our Public Issue.

Our Promoters have accepted the moratorium and they will not be permitted to sell, transfer or assign any part of its interest in the Shares under moratorium held as at the date of Listing for a six (6) month period beginning from the date of our Listing.

The ultimate shareholders of Dibena Enterprise namely Dato' Abu Hanifah bin Noordin, and Sarana Kencana Sdn Bhd (formerly known as Bahana Kencana Sdn Bhd) will also not be permitted to sell, transfer or assign or instruct the sale, transfer or assignment of his equity interest in Dibena Enterprise for a six (6) month period beginning from the date of our Listing.

The restriction, which is fully acknowledged by our Promoters, is specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS

Save as disclosed below, our Board confirms that there are no existing or presently proposed related-party transactions entered into between our Group and our Directors, substantial shareholders, key management, key technical personnel and/or persons connected with them, during the past four (4) FYE 31 December 2008 to 31 December 2011 and the FPE 29 February 2012 as well as the forecast for the FYE 31 December 2012:

Interested Promoter/Director/ Substantial Shareholder	Nature of Relationship	Nature of Transaction	Actual				Forecast	
			2008 RM'000	FYE 31 December 2009 RM'000	2010 RM'000	2011 RM'000	FPE 29 February 2012 RM'000	FYE 31 December 2012 RM'000
Related party transactions between Datasonic Corporation and related party								
Dibena Enterprise	<ul style="list-style-type: none"> Dato' Abu Hanifah bin Noordin General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) Handrianov Putra bin Abu Hanifah Md Diah bin Ramli Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir Dato' Wan Mohd Safiain bin Wan Hasan 	Holding company Sales of consumables and maintenance and technical support services by Datasonic Corporation to Dibena Enterprise	13,137	17,666	14,049	34,819	290	2,119
Dibena Enterprise	<ul style="list-style-type: none"> Dato' Abu Hanifah bin Noordin General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) Handrianov Putra bin Abu Hanifah Md Diah bin Ramli Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir Dato' Wan Mohd Safiain bin Wan Hasan 	Holding company Management fee paid to Dibena Enterprise by Datasonic Corporation Reimbursement of other expenses such as rental and upkeep of motor vehicles and telephone charges paid to Dibena Enterprise by Datasonic Corporation	-	-	750	1,980	-	-
Dibena Enterprise	<ul style="list-style-type: none"> Dato' Abu Hanifah bin Noordin General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) Handrianov Putra bin Abu Hanifah Md Diah bin Ramli Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir Dato' Wan Mohd Safiain bin Wan Hasan 	Holding company Reimbursement of other expenses such as rental and upkeep of motor vehicles and telephone charges paid to Dibena Enterprise by Datasonic Corporation	215	313	428	174	29	73

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Related Party	Interested Promoter/Director/ Substantial Shareholder	Nature of Relationship	Nature of Transaction	Actual				Forecast	
				2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	FPE 29 February 2012 RM'000	FYE 31 December 2012 RM'000
Dibena Technologies Sdn Bhd	<ul style="list-style-type: none"> • Dato' Wan Mohd Safriain bin Wan Hasan • Dato' Abu Hanifah bin Noordin • Handrianov Putra bin Abu Hanifah • Md Diah bin Ramli • Zaiful Ayu Ibrahim bin Ibrahim 	Related company	Sales of consumables, hardware and software from Datasonic Corporation to Dibena Technologies Sdn Bhd	708	7	3	-	-	-
Dibena Enterprise	<ul style="list-style-type: none"> • Dato' Abu Hanifah bin Noordin • General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) • Handrianov Putra bin Abu Hanifah • Md Diah bin Ramli • Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir • Dato' Wan Mohd Safriain bin Wan Hasan 	Holding company	Sales of trade-in machineries from Dibena Enterprise to Datasonic Corporation/Datasonic Technologies*	-	-	-	-	-	3,600
Related party transactions between Datasonic Technologies and related party									
Dibena Enterprise	<ul style="list-style-type: none"> • Dato' Abu Hanifah bin Noordin • General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) 	Holding company	Management fee paid to Dibena Enterprise by Datasonic Technologies	-	-	500	1,200	-	-
			Reimbursement of rental	-	2	240	174	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Related Party	Interested Promoter/Director/ Substantial Shareholder	Nature of Relationship	Nature of Transaction	Actual				Forecast	
				2008 RM'000	FYE 31 2009 RM'000	December 2010 RM'000	2011 RM'000	FPE 29 February 2012 RM'000	FYE 31 December 2012 RM'000
Dibena Enterprise	<ul style="list-style-type: none"> • Handrianov Putra bin Abu Hanifah • Md Diah bin Ramli • Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir • Dato' Wan Mohd Safiain bin Wan Hasan 		charges paid to Dibena Enterprise by Datasonic Technologies	-	919	8,597	10,907	4,424	6,270
	<ul style="list-style-type: none"> • Dato' Abu Hanifah bin Noordin • General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) • Handrianov Putra bin Abu Hanifah • Md Diah bin Ramli • Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir • Dato' Wan Mohd Safiain bin Wan Hasan 	Holding company	Subcontract services in relation to Telekom Malaysia Berhad projects provided by Datasonic Technologies to Dibena Enterprise						
	<ul style="list-style-type: none"> • Dato' Abu Hanifah bin Noordin • Handrianov Putra bin Abu Hanifah • Md Diah bin Ramli • Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir • Dato' Wan Mohd Safiain bin Wan Hasan 	Related Company	Sub-contract services in relation to BPA project provided by Datasonic Technologies to Dibena Technologies Sdn Bhd	1,685	1,125	729	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Related Party	Interested Promoter/Director/ Substantial Shareholder	Nature of Relationship	Nature of Transaction	Actual			Forecast	
				2008 RM'000	FYE 31 2009 RM'000	December 2010 RM'000	FPE 29 February 2012 RM'000	FYE 31 December 2012 RM'000
Dibena Enterprise	<ul style="list-style-type: none"> • Dato' Abu Hanifah bin Noordin • General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) • Handrianov Putra bin Abu Hanifah • Md Diah bin Ramli • Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir • Dato' Wan Mohd Safrain bin Wan Hasan 	Holding company	Sales of motor vehicles from Dibena Enterprise to Datasonic Group Berhad	-	-	-	-	626

Notes:

* Based on the letter of award dated 27 April 2011, NRD will trade in eight (8) units of DC9000 back to Dibena Enterprise based on an agreed price stated in the said letter of award. However as disclosed in Section 10.3 of this Prospectus, Dibena Enterprise has undertaken, amongst others, not to engage, participate, compete (whether directly or indirectly) with Datasonic Group in similar business activities. As such Dibena Enterprise will resell these machineries to Datasonic Group to be used for the smart card personalisation projects and/or to be sold to our Group's customers.

All the related party transactions disclosed above would not give rise to any conflict of interest situation and were transacted based on terms which are not unfavourable to our Group.

Upon Listing, our Directors, through our Audit Committee, will ensure that any related party transactions (recurrent inclusive, if any) are carried out on an arm's length basis and are not prejudicial to our Group nor on terms more favourable to the related parties than those normally agreed with other customers or suppliers and are also not to our detriment and to the detriment of our minority shareholders.

Our Directors and substantial shareholders are also not aware of any other transactions that may give rise to conflict of interest situations between our Group and any of our Directors, substantial shareholders, key management and key technical personnel and/or persons connected with them.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITIONS**

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party to during the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012. Our Directors and substantial shareholders are also not aware of any transaction that is unusual in nature or condition, involving goods, services, tangible or intangible assets, to which our Group was a party.

10.3 INTERESTS IN SIMILAR BUSINESSES, INTERESTS IN BUSINESSES OF OUR CUSTOMERS OR SUPPLIERS AND OTHER CONFLICTS OF INTEREST

Our parent company, Dibena Enterprise, is owned by our Director, Promoter and controlling shareholder, Dato' Abu Hanifah bin Noordin.

Dibena Enterprise is a member of GMPC Corporation Sdn Bhd, a consortium of five companies. Since 1999, Datasonic Corporation has been appointed as the sole sub-contractor to Dibena Enterprise to undertake the NRD project. Dibena Enterprise is our single largest customer and accounts for 57.26% of revenue contribution for FYE 31 December 2010. In this regard, Dibena Enterprise is deemed to be involved in the business which is similar with the business carried out by our Group. By virtue of the sole sub-contractor relationship, Dibena Enterprise is also one of the major customers of our Group.

Due to Dato' Abu Hanifah bin Noordin's interest in Dibena Enterprise and our Group which may result in potential conflict of interest, we have taken the necessary steps to mitigate the potential conflict of interest by obtaining a letter of irrevocable undertaking dated 19 August 2011 from Dibena Enterprise to undertake the following:

- (i) Dibena Group shall not engage, participate, compete (whether directly or indirectly) with Datasonic Group in similar business activities;
- (ii) Dibena Group shall not bid or tender for any projects which are of similar business with Datasonic Group either directly or indirectly through any of the companies under Dibena Group; and
- (iii) Dibena Group shall not enter into similar business arrangement with any third party which will be in direct competition with the principal activities of Datasonic Group.

In addition, our Group has also procured a similar letter of irrevocable undertaking directly from Dato' Abu Hanifah bin Noordin.

As such, our Board is of the view that our Group has put in place the necessary arrangements and procedures which would mitigate the potential conflict of interest situation vis-a-vis Dato' Abu Hanifah bin Noordin being a Director and controlling shareholder of both Datasonic and Dibena Enterprise.

Based on the terms and conditions of the letters mentioned above and subject to compliance with the terms of the letters and Dato' Abu Hanifah bin Noordin, the due diligence working group is of the view that the above arrangements are adequate to mitigate the potential conflict of interest situation vis-a-vis Dato' Abu Hanifah bin Noordin being a Director and controlling shareholder of both Datasonic and Dibena Enterprise.

Notwithstanding the above, we wish to highlight that the NRD project was awarded by the Government. The irrevocable undertakings from Dibena Enterprise and Dato' Abu Hanifah bin Noordin, respectively are not binding on the Government. As such, there is nothing to prevent the Government from awarding any projects to other companies outside our Group as well as the Dibena Group.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Presently, our Group acts as the sole subcontractor to Dibena Enterprise for the following contracts:

No.	Date of Award	Parties to the Contract	Nature of Contract	Duration of the Contract (From / To)	Contract Value (RM'million)
1.	17.06.2008	Dibena Enterprise and Datasonic Corporation	Supply of consumables to NRD	17.06.2008 until expiry or termination of main contract	39.6
2.	31.01.2011	Dibena Enterprise and Datasonic Technologies	NGN project	29.04.2009 to 03.09.2011 which was subsequently extended until 31.12.2011	26.1
3.	01.05.2011*	Dibena Enterprise and Datasonic Corporation	Supply of 5 units of MX6000, 20 units of LCP9000 and 14 units of CP80 Plus	01.5.2011 to 30.04.2013	24.3

Note:

- * The tender was submitted by Dibena Enterprise in 2008, but only awarded by the Government in May 2011.

Our Group will continue with the above subcontracting arrangement in view of the following:

- (i) With regards to the 1st contract, as stated in the table above, the Government had already granted a letter of award dated 2 September 2010 directly to Datasonic Technologies for the supply of consumables for the NRD project. The said contract, which was effective for a period from 1 December 2010 to 30 November 2011, was subsequently extended to 30 November 2012. Arising from this, our Group has been supplying the consumables directly to the NRD without having to rely on Dibena Enterprise;
- (ii) With regards to the 2nd contract, as stated in the table above, for the NGN project, the contract has expired on 31 December 2011. Based on the terms of the contract, our Group is still fulfilling its obligation for all purchase orders received on or before 31 December 2011 for the NGN project; and
- (iii) With regards to the 3rd contract, as stated in the table above, for the supply of 5 units of MX6000, 20 units of LCP9000 and 14 units of CP80 Plus to the NRD, the delivery has commenced in December 2011. As such, the potential conflict will be resolved upon complete delivery of the said units. Pursuant to the irrevocable undertaking letter dated 19 August 2011 from Dibena Enterprise, any future order by NRD will be awarded directly to the Datasonic Group.

Save as disclosed in Sections 10.1 and 10.3 of this Prospectus, as at the LPD, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses and corporations carrying on a trade similar to that of our Group and/or any business or corporations which are also our customers or suppliers of our Group.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**10.4 LOANS MADE BY OUR GROUP TO OR FOR THE BENEFIT OF RELATED PARTIES**

Save as disclosed below, there are no outstanding loans, including guarantees of any kind, made by our Group to or for the benefit of related parties during the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012 and up to the LPD.

	Audited					Unaudited
	< ----- FYE 31 December ----- >				FPE 29 February	Up to the
	2008	2009	2010	2011	2012	LPD
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank guarantees given by Datasonic Corporation on behalf of Dibena Enterprise to GMPC	920	924	1,036	1,309	1,309	1,187 ^(a)
Bank guarantees given by Datasonic Technologies on behalf of Dibena Enterprise to Huawei Technologies (Malaysia) Sdn Bhd	-	-	-	1,448	1,448	1,448 ^(b)
Bank guarantees given by Datasonic Technologies on behalf of Dibena Technologies to Prime Minister Department	-	-	40 ^(c)	-	-	-

Notes:

- (a) As a sub-contractor to Dibena Enterprise, Datasonic Corporation had issued performance bond in the form of bank guarantees to GMPC for the service provided for customer with service contract and sale of consumables in relation to NRD project.
- (b) As a sub-contractor to Dibena Enterprise, Datasonic Technologies had issued performance bond in the form of bank guarantees to Huawei Technologies (Malaysia) Sdn Bhd for the service provided for customer with service contract in relation to NGN project.
- (c) As a sub-contractor to Dibena Technologies, Datasonic Technologies had issued performance bond in the form of bank guarantees to the Prime Minister Department for the provision of support and maintenance services for BPA system.

Our Group was the sub-contractor for Dibena Enterprise for the respective projects in the table above and based on the respective sub contract agreements, these bank guarantees were issued on behalf of Dibena Enterprise. The bank guarantees were issued on an arms-length basis and the amounts were determined based on the terms and amounts as stated in the respective letter of awards to Dibena Enterprise. As at the date of the Prospectus, Dibena Enterprise has provided the said bank guarantees to GMPC Corporation and Huawei Technologies (Malaysia) Sdn Bhd to replace the bank guarantees given by our Group. Our Group has retrieved and cancelled the bank guarantee provided to Huawei Technologies (Malaysia) Sdn Bhd and is in the midst of retrieving and cancelling the bank guarantee provided to GMPC Corporation. Nevertheless, our Group has informed GMPC Corporation that the bank guarantees provided are no longer valid and effective.

10.5 DECLARATION BY EXPERTS

Alliance confirms that there is no existing or potential conflict of interests in its capacity as the Principal Adviser, Underwriter and Placement Agent for our Listing.

HwangDBS confirms that there is no existing or potential conflict of interests in its capacity as the Joint Underwriter for our Listing.

MainStreet Advisers confirms that there is no existing or potential conflict of interests in its capacity as the Joint Adviser for our Listing.

Crowe Horwath confirms that there is no existing or potential conflict of interests in its capacity as the Reporting Accountants and Auditors for our Listing.

Azman Davidson & Co. confirms that there is no existing or potential conflict of interests in its capacity as the Solicitors for our Listing.

Protégé Associates confirms that there is no existing or potential conflict of interests in its capacity as the independent market researcher for our Listing.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION

Our proforma consolidated financial information as illustrated below has been compiled based on the accounting principles and bases consistent with those adopted by our Group which are set out in the notes and assumptions included in the Reporting Accountants' Letter on Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus. The financial statements used in the preparation of our proforma consolidated financial information were prepared in accordance with Financial Reporting Standards in Malaysia. Any adjustments that were dealt with when preparing our proforma consolidated financial information have been highlighted and disclosed in Section 11.4 of this Prospectus. There has been no audit qualification on our audited financial statements for the past four (4) FYE 31 December 2008 to FYE 31 December 2011 and the FPE 29 February 2012.

11.1 PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets out our proforma consolidated statements of comprehensive income for the FYE 31 December 2008 to 2011 and the FPE 29 February 2012. The proforma consolidated statements of comprehensive income for the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012 are provided for illustrative purposes assuming that our Group's current structure has been in existence throughout the financial years and financial periods under review.

You should read the summary of our proforma consolidated financial information which has been presented below together with the management's discussion and analysis of financial conditions and results of operations and the Reporting Accountants' Letter on Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus and the Accountants' Report as set out in Section 13 of this Prospectus. Additionally, the following selected unaudited historical combined financial information for the FPE 28 February 2011 has been prepared for information only.

	Audited				Unaudited	Audited
	< ----- FYE 31 December ----- >				FPE 28	FPE 29
	2008	2009	2010	2011	February	February
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	27,524	32,149	39,551	78,407	7,303	17,316
Cost of sales	(7,374)	(8,031)	(14,155)	(35,318)	(1,798)	(6,296)
Gross profit	20,150	24,118	25,396	43,089	5,505	11,020
Other income	362	233	326	143	21	348
	20,512	24,351	25,722	43,232	5,526	11,368
Administrative expenses	(8,392)	(9,842)	(13,194)	(20,194)	(2,399)	(3,280)
Other expenses	(517)	(1,627)	(1,037)	(1,158)	(136)	(121)
Profit from operations	11,603	12,882	11,491	21,880	2,991	7,967
Finance costs	(67)	(155)	(133)	(163)	(31)	(102)
PBT	11,536	12,727	11,358	21,717	2,960	7,865
Income tax expense	(2,956)	(3,624)	(3,746)	(5,837)	(710)	(2,170)
PAT	8,580	9,103	7,612	15,880	2,250	5,695
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	8,580	9,103	7,612	15,880	2,250	5,695

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

	Audited				Unaudited	Audited
	< ----- FYE 31 December ----- >				FPE 28	FPE 29
	2008	2009	2010	2011	February	February
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PAT / Total comprehensive income attributable to:						
Owners of the Company	8,580	9,103	7,612	15,880	2,250	5,695
PBT	11,536	12,727	11,358	21,717	2,960	7,865
Depreciation	1,039	1,270	1,699	2,079	128	340
Interest expense	65	151	126	143	31	54
Interest income	(55)	(51)	(43)	(85)	(18)	(19)
EBITDA	12,585	14,097	13,140	23,854	3,101	8,240
No. of Shares ('000)*	69,626	69,626	69,626	69,626	69,626	69,626
Gross EPS (sen)**	16.57	18.28	16.31	31.19	25.50^	67.80^
Net EPS (sen)***	12.32	13.07	10.93	22.81	19.38^	49.08^
Gross profit margin (%)	73.21	75.02	64.21	54.96	75.37	63.64
PBT margin (%)	41.91	39.59	28.72	27.70	40.53	45.42
PAT margin (%)	31.17	28.32	19.25	20.25	30.81	32.89

Notes:

- * Number of Shares in issue after the Acquisitions but before the Public Issue.
** The gross EPS is computed based on the consolidated PBT divided by the number of Shares in issue after the Acquisitions but before the Public Issue.
*** The net EPS is computed based on the consolidated PAT divided by the number of Shares in issue after the Acquisitions but before the Public Issue.
^ Annualised to twelve (12) months for comparison purposes.

11.2 PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Our proforma consolidated statements of financial position have been prepared for illustrative purpose only based on our audited statements of financial position as at FPE 29 February 2012 and has been prepared on the assumption that Datasonic Group had been in existence as at 29 February 2012.

We advise you to read the proforma consolidated statements of financial position presented below together with the notes included in the Reporting Accountants' Letter on Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

	<----- Proforma ----->		
		(I)	(II)
	As at 29 February 2012 RM'000	After the Acquisitions^ RM'000	After (I), Public Issue and Utilisation of Listing Proceeds RM'000
ASSETS			
Non-Current Assets			
Investments in club membership	-	110	110
Property, plant and equipment	614	13,373	40,473
Development costs	-	5,707	11,707
	614	19,190	52,290
Current Assets			
Work-in-progress	-	5,818	5,818
Inventories	-	1,350	1,350
Trade receivables	-	24,863	24,863
Other receivables, deposits and prepayments	1,279	3,190	1,980
Amount owing by immediate holding company	-	11,789	11,789
Amount owing by related companies	5,151	1,253	1,253
Cash and cash equivalents	2	2,878	9,088
	6,433	51,141	56,141
TOTAL ASSETS	7,047	70,331	108,431
EQUITY AND LIABILITIES			
Equity			
Share capital	#	34,813	45,000
Share premium	-	-	29,398
Retained profits / (Accumulated losses)	41	24,778	23,293
Merger deficit	-	(11,072)	(11,072)
TOTAL EQUITY	41	48,519	86,619
Non-Current Liabilities			
Term loans	-	4,105	4,105
Deferred taxation	-	315	315
	-	4,420	4,420

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

	<----- Proforma ----->		
		(I)	(II)
	As at 29 February 2012 RM'000	After the Acquisitions^ RM'000	After (I), Public Issue and Utilisation of Listing Proceeds RM'000
Current Liabilities			
Trade payables	-	5,068	5,068
Other payables and accruals	151	5,342	5,342
Amount owing to immediate holding company	642	1,759	1,759
Amount owing to related companies	-	747	747
Term loans	-	1,062	1,062
Amount owing to a director	6,174	-	-
Provision for taxation	39	3,413	3,413
Dividend payable	-	1	1
	7,006	17,392	17,392
TOTAL LIABILITIES	7,006	21,812	21,812
TOTAL EQUITY AND LIABILITIES	7,047	70,331	108,431
Number of Shares in issue ('000)	*	69,626	90,000
NA / (Net liabilities) (RM'000)	41	48,519	86,619
NA / (Net liabilities) per Share (RM)	10,250.00	0.70	0.96

Notes:

RM2.00.

^ After adjusting for dividend payment of RM5.00 million paid by Datasonic Corporation and RM2.00 million by Datasonic Technologies respectively.

* Being issued and paid-up share capital of RM2.00 comprising 4 Shares of RM0.50 each.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)
11.3 PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS

Our proforma consolidated statement of cash flows for the FPE 29 February 2012 as set out below has been prepared for illustrative purposes only, based on our audited financial statement for the FPE 29 February 2012, after incorporating such adjustments necessary for the elimination of all inter-company transactions and balances and on the assumption that our Group's current structure had been in existence since 29 February 2012.

	Proforma
	FPE 29 February 2012
	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
PBT	7,865
<u>Adjustments for:</u>	
Depreciation of property, plant and equipment	340
Gains on disposal of plant and equipment	(48)
Interest expense	54
Interest income	(19)
Unrealised gain on foreign exchange	(190)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	8,002
Decrease in work-in-progress	290
Decrease in inventories	826
Increase in trade and other receivables	(5,651)
Decrease in trade and other payables	(1,220)
Increase in amount owing by immediate holding company	8,757
CASH FROM OPERATIONS	11,004
Income tax paid	(2,792)
Interest paid	(54)
NET CASH FROM OPERATING ACTIVITIES	8,158

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

	Proforma
	FPE 29 February 2012
	RM'000
CASH FLOWS FOR INVESTING ACTIVITIES	
Interest received	19
Development costs	(352)
Advances to related company	(1)
Proceeds from disposal of plant and equipment	48
Purchase of plant and equipment	(631)
NET CASH FOR INVESTING ACTIVITIES	(917)
CASH FLOWS FOR FINANCING ACTIVITIES	
Repayment of term loan	(5,804)
Advances from immediate holding company	102
Advances from related companies	13
Dividend paid	(7,000)
NET CASH FOR FINANCING ACTIVITIES	(12,689)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,448)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	8,326
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	2,878

Note:

- (1) *The proforma consolidated statement of cash flows of the Datasonic Group has been prepared before taking into account the proceeds from the Public Issue and the utilisation of proceeds from the Public Issue.*

II. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

II.4 REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED FINANCIAL INFORMATION



24 JUL 2012

The Board of Directors
Datasonic Group Berhad
Level 6, Bangunan Setia 1,
No. 15 Lorong Dungun,
Damansara Heights,
50490 Kuala Lumpur.

Crowe Horwath AF 1018
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info@crowehorwath.com.my

Dear Sirs

DATASONIC GROUP BERHAD ("DATASONIC" OR "THE COMPANY") PROFORMA CONSOLIDATED FINANCIAL INFORMATION

We have reviewed the proforma consolidated financial information of Datasonic and its subsidiaries ("Datasonic Group" or "the Group") for the financial years ended 31 December 2008 to 2011 and the two-month financial period ended 29 February 2012, together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the accompanying statements (initialled by us for the purpose of identification only), prepared for the purpose of inclusion in the prospectus of Datasonic to be dated **03 AUG 2012**

It is our responsibility to form an opinion on the proforma consolidated financial information as required by the Prospectus Guidelines issued by the Securities Commission and to report our opinion to you.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information with the audited financial statements, considering the evidence supporting the adjustments, and discussing the proforma consolidated financial information with the Directors of the Group.

As the proforma consolidated financial information has been prepared for illustrative purposes only, such information may not, because of its nature, reflect the actual financial position, results and cash flows of the Group. Furthermore, such information does not purport to predict the future financial position, results and cash flows of the Group.

In our opinion,

- (a) the proforma consolidated financial information has been properly prepared on the bases set out in the accompanying notes to the proforma consolidated financial information and such bases are consistent with the accounting policies of Datasonic Group;
- (b) the financial statements used in the preparation of the proforma consolidated financial information were prepared in accordance with Malaysian Financial Reporting Standards, which is in line with the International Financial Reporting Standards; and
- (c) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing such proforma consolidated financial information.

Page 1 of 2

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11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

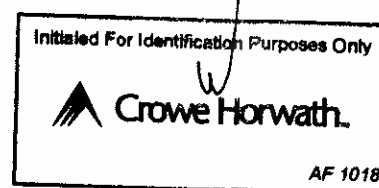


We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned transactions. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully


Crowe Horwath
Firm No : AF 1018
Chartered Accountants


Lee Kok Wai
Approval No : 2760/06/14 (J)
Chartered Accountant

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)**DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")****PROFORMA CONSOLIDATED FINANCIAL INFORMATION****1. PROFORMA GROUP AND BASIS OF PREPARATION****1.1 PROFORMA GROUP**

The proforma consolidated financial information of Datasonic Group comprises the financial information of Datasonic, Datasonic Corporation Sdn. Bhd. ("Datasonic Corporation"), Datasonic Technologies Sdn. Bhd. ("Datasonic Technologies") and Smart Consult Solutions Sdn Bhd ("Smart Consult Solutions"), and are presented for the purpose of illustration only.

The relevant financial periods for the purpose of this report ("Relevant Financial Period") are as follows:-

Company	Relevant Financial Period
Datasonic	Financial period from 13 March 2008 (date of incorporation) to 31 December 2008 ("FPE 2008"), financial years ended ("FYE") 31 December 2009 ("FYE 2009"), 31 December 2010 ("FYE 2010") and 31 December 2011 ("FYE 2011") and Financial Period from 1 January 2012 to 29 February 2012 ("FPE 2012").
Datasonic Corporation	FYE2008, FYE 2009, FYE 2010, FYE 2011 and FPE 2012.
Datasonic Technologies	FYE2008, FYE 2009, FYE 2010, FYE 2011 and FPE 2012.
Smart Consult Solutions	FYE2008, FYE 2009, FYE 2010, FYE2011 and FPE 2012.

The proforma consolidated financial information of Datasonic Group is prepared on the assumption that Datasonic Group had been in existence throughout the FYE 2008 to 2011 and FPE 2012. The proforma consolidated financial information comprises the following:-

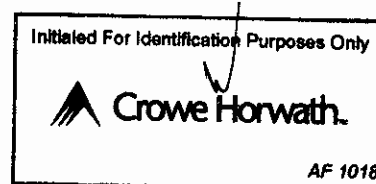
- Section 2 - Proforma Consolidated Statements of Comprehensive Income for the Relevant Financial Period;
- Section 3 - Proforma Consolidated Statements of Financial Position as at 29 February 2012; and
- Section 4 - Proforma Consolidated Statement of Cash Flows for the FPE 2012.

1.2 BASIS OF PREPARATION

The proforma consolidated financial information is prepared using the audited financial statements of Datasonic, Datasonic Corporation, Datasonic Technologies and Smart Consult Solutions for the Relevant Financial Period.

The audited financial statements of Datasonic, Datasonic Corporation, Datasonic Technologies and Smart Consult Solutions for the relevant financial years and period under review were not subject to any qualification.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

**DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")****PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****1.2 BASIS OF PREPARATION (CONT'D)**

The unaudited consolidated financial statements of Datasonic Group for the financial period from 1 Jan 2011 to 28 February 2011 was prepared on the assumption that Datasonic Group had been in existence throughout the financial period from 1 Jan 2011 to 28 Feb 2011 ("FPE2011") and solely prepared for comparison purposes to the audited consolidated financial statements of the Group for the FPE2012.

The proforma consolidated financial information has been prepared in accordance with Malaysian Financial Reporting Standards, which is in line with the International Financial Reporting Standards consistent with those previously adopted in the preparation of the audited financial statements of Datasonic Group for the FPE 2012 and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

The proforma consolidated financial information has been prepared using the merger method. Under the merger method,

- (i) if the cost of merger is lower than the nominal value of the share capital of the subsidiaries acquired, a credit balance will arise and be treated as merger reserve.
- (ii) If the cost of merger exceeds the nominal value of the share capital of the subsidiaries acquired, a debit balance will arise and be treated as merger deficit under the proforma consolidated statement of financial position.

The proforma consolidated financial information has been prepared solely to illustrate:-

- (i) the financial results of Datasonic Group for the FYE 31 December 2008 to 2011 and FPE 2012 on the assumption that Datasonic Group had been in existence throughout the Relevant Financial Period;
- (ii) the proforma consolidated statements of financial position of Datasonic Group as at 29 February 2012 which incorporate the effects of the listing scheme as described below had the scheme been implemented; and
- (iii) the cash flows of Datasonic Group for the FPE 2012 on the assumption that the Group structure had been in place since the beginning of the financial period.

This report covers the financial information derived from the audited financial statements of Datasonic Group for the Relevant Financial Period. The financial statements of Datasonic Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards, which is in line with the International Financial Reporting Standards and the provisions of the Companies Act 1965 in Malaysia.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")**PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****1.2 BASIS OF PREPARATION (CONT'D)**

The listing scheme comprises the following:-

(a) Acquisition of Datasonic Corporation Sdn. Bhd. ("Datasonic Corporation")

- (i) Datasonic acquired the entire equity interest in Datasonic Corporation of RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM19,441,000 which is satisfied entirely by the issuance of 38,882,000 Datasonic shares at an issue price of RM0.50 per Datasonic Share.

Pursuant to the conditional Share Sale Agreement dated 24 June 2011, Datasonic acquired the entire equity interest in Datasonic Corporation from the existing shareholders of Datasonic Corporation as follows:

Shareholders of Datasonic Corporation	No. of Datasonic Corporation Shares held	%	No. of new Datasonic Shares issued
Dibena Enterprise Sdn Bhd	7,550,000	75.50	29,356,000
Dato' Abu Hanifah Bin Noordin	2,449,999	24.50	9,525,996
Nor'aini Binti Mat	1	*	4
Total	10,000,000	100.00	38,882,000

Note:-

* *Negligible*

The purchase consideration of RM19,441,000 was arrived at on a willing buyer-willing seller basis and represented approximately the audited net assets of Datasonic Corporation as at 31 December 2010 of RM19,440,600.

- (ii) Dato' Abu Hanifah Bin Noordin assigned his rights to receive net dividend declared from Datasonic Corporation amounting to RM6,174,000 to Datasonic for a consideration of RM6,174,000 which is satisfied by the issuance of 12,348,000 Datasonic shares at an issue price of RM0.50 per Datasonic share.
- (iii) Datasonic Corporation has two subsidiaries. They are 99.99% owned Hong Zhong Systems & Solutions (HK) Ltd ("Hong Zhong") and 51% owned Million Mega Network Sdn Bhd ("Million Mega"). As part of the Listing Scheme, Datasonic Corporation will dispose of Hong Zhong and Million Mega to Dibena Enterprise for a consideration of RM1.00 and RM765,000 respectively.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")**PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****1.2 BASIS OF PREPARATION (CONT'D)**

(b) Acquisition of Datasonic Technologies Sdn. Bhd. ("Datasonic Technologies")

Datasonic acquired the entire equity interest in Datasonic Technologies of RM7,466,667 comprising 7,466,667 ordinary shares of RM1.00 each for a total purchase consideration of RM9,098,000 which is satisfied entirely by the issuance of 18,196,000 Datasonic Shares at an issue price of RM0.50 per Datasonic Share.

Pursuant to the conditional Share Sale Agreement dated 24 June 2011, Datasonic acquired the entire equity interest in Datasonic Technologies from the existing shareholder of Datasonic Technologies as follows:

Shareholder of Datasonic Technologies	No. of Datasonic Technologies Shares held	%	No. of new Datasonic Shares issued
Dibena Enterprise Sdn Bhd	7,466,667	100.00	18,196,000

The purchase consideration of RM9,098,000 is arrived at on a willing buyer-willing seller basis and represents approximately the audited net assets of Datasonic Technologies as at 31 December 2010 of RM9,098,508.

(c) Acquisition of Smart Consult Solutions Sdn. Bhd. ("Smart Consult Solutions")

Datasonic acquired the entire equity interest in Smart Consult Solutions of RM100,001 comprising 100,001 ordinary shares of RM1.00 each for a total purchase consideration of RM100,000 which is satisfied entirely by the issuance of 200,000 Datasonic Shares at an issue price of RM0.50 per Datasonic Share.

Pursuant to the Share Sale Agreement dated 24 June 2011, Datasonic acquired the entire equity interest in Smart Consult Solutions from the existing shareholder of Smart Consult Solutions as follows:

Shareholder of Smart Consult Solutions	No. of Smart Consult Solutions Shares held	%	No. of new Datasonic Shares issued
Dibena Enterprise Sdn Bhd ("DESB")	100,001	100.00	200,000

The purchase consideration of RM100,000 was arrived at on a willing buyer-willing seller basis and represents approximately the paid-up capital of Smart Consult Solutions as at 31 December 2010 of RM100,001.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")**PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****1.2 BASIS OF PREPARATION (CONT'D)****(d) Public Issue**

In conjunction with the Listing, Datasonic will undertake a public issue of 20,373,996 new Shares, representing approximately 22.64% of our enlarged issued and paid-up share capital at the IPO price to be allocated in the following manner:-

Public Issue	No. of New Datasonic Shares to be allotted	% of the Enlarged Share Capital
Malaysian public of which at least 50% shall be set aside for bumiputera investors including individuals, companies, societies, co-operatives and institutions	6,000,000	6.67
Eligible directors, employees and persons who have contributed to the success of the Group	4,009,996	4.46
Bumiputera investors approved by the Ministry of international Trade and Industry	8,517,000	9.46
Placement to selected investors	1,847,000	2.05
	20,373,996	22.64

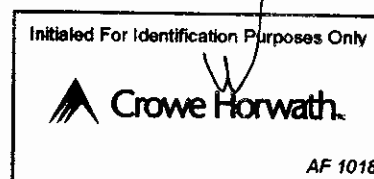
(e) Offer for Sale

The Offeror will offer up to 7,932,000 Offer Shares, representing approximately up to 8.81% of Datasonic's enlarged issued and paid-up share capital to selected investors, identified by way of Placement Agent.

(f) Proposed Listing

The admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of RM45,000,000 comprising 90,000,000 Datasonic Shares on the Main Market of Bursa Securities will be sought.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



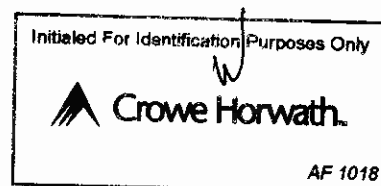
DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PROFORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF DATASONIC GROUP

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Revenue	27,524	32,149	39,551	78,407	7,303	17,316
Cost of sales	(7,374)	(8,031)	(14,155)	(35,318)	(1,798)	(6,296)
Gross profit ("GP")	20,150	24,118	25,396	43,089	5,505	11,020
Other income	362	233	326	143	21	348
	20,512	24,351	25,722	43,232	5,526	11,368
Administrative expenses	(8,392)	(9,842)	(13,194)	(20,194)	(2,399)	(3,280)
Other expenses	(517)	(1,627)	(1,037)	(1,158)	(136)	(121)
Profit from operations	11,603	12,882	11,491	21,880	2,991	7,967
Finance costs	(67)	(155)	(133)	(163)	(31)	(102)
Profit before taxation ("PBT")	11,536	12,727	11,358	21,717	2,960	7,865
Depreciation	1,039	1,270	1,699	2,079	128	340
Interest expense	65	151	126	143	31	54
Interest income	(55)	(51)	(43)	(85)	(18)	(19)
Earning before interest, taxation, depreciation and amortisation	12,585	14,097	13,140	23,854	3,101	8,240
Depreciation	(1,039)	(1,270)	(1,699)	(2,079)	(128)	(340)
Interest expense	(65)	(151)	(126)	(143)	(31)	(54)
Interest income	55	51	43	85	18	19
PBT	11,536	12,727	11,358	21,717	2,960	7,865
Income tax expense	(2,956)	(3,624)	(3,746)	(5,837)	(710)	(2,170)
Profit after taxation ("PAT")	8,580	9,103	7,612	15,880	2,250	5,695
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the financial year	8,580	9,103	7,612	15,880	2,250	5,695
Profit after taxation/Total comprehensive income attributable to:-						
Owners of the Company	8,580	9,103	7,612	15,880	2,250	5,695

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

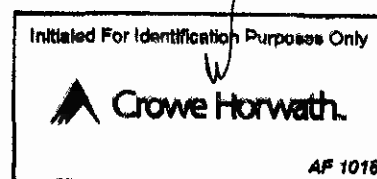
2. PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF DATASONIC GROUP (COND'T)

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
GP margin (%)	73.21	75.02	64.21	54.96	75.37	63.64
PBT (%)	41.91	39.59	28.72	27.70	40.53	45.42
PAT (%)	31.17	28.32	19.25	20.25	30.81	32.89
Effective tax rate (%)	25.62	28.47	32.98	26.88	23.99	27.59
Interest coverage (times)	178	85	91	153	96	147
Number of ordinary shares of RM0.50 each in issue after the acquisition of DCSB, DTSE and SCSSB ('000) ⁽⁵⁾	69,628	69,626	69,626	69,626	69,626	69,626
Number of ordinary shares of RM0.50 each assumed in issue upon listing ('000)	90,000	90,000	90,000	90,000	90,000	90,000
Gross earnings per share ("EPS") (sen) ⁽¹⁾	16.57	18.28	16.31	31.19	4.25	11.30
Gross earnings per share ("EPS") (sen) ⁽²⁾	12.82	14.14	12.62	24.13	3.29	8.74
Net EPS (sen) ⁽³⁾	12.32	13.07	10.93	22.81	3.23	8.18
Net EPS (sen) ⁽⁴⁾	9.53	10.11	8.46	17.64	2.50	6.33

Note:-

- (1) - Derived by dividing PBT by the issued and paid-up ordinary share capital immediate prior to the public issue.
- (2) - Derived by dividing PBT by the enlarged issued and paid-up ordinary share capital upon public issue.
- (3) - Derived by dividing PAT by the issued and paid-up ordinary share capital.
- (4) - Derived by dividing PAT by the enlarged issued and paid-up ordinary share capital upon listing.
- (5) - DCSB: Datasonic Corporation Sdn Bhd.
DTSE: Datasonic Technologies Sdn Bhd.
SCSSB: Smart Consult Solutions Sdn Bhd.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

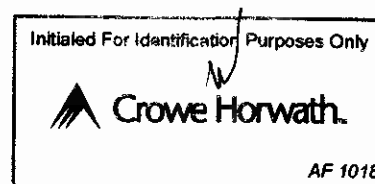
3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP

	Note	Datasonic Audited as at 29 February 2012 RM'000	Proforma I After the Acquisition of Subsidiaries RM'000	Proforma II After Proforma I and Proposed Public Issue and Utilisation of Listing Proceeds RM'000
ASSETS				
NON-CURRENT ASSETS				
Investments in club membership	-	-	110	110
Property, plant and equipment	3.3	614	13,373	40,473
Development costs	3.4	-	5,707	11,707
		<u>614</u>	<u>19,190</u>	<u>52,290</u>
CURRENT ASSETS				
Work-in-Progress	3.5	-	5,818	5,818
Inventories	3.6	-	1,350	1,350
Trade receivables	3.7	-	24,863	24,863
Other receivables, deposits and prepayments	3.8	1,279	3,190	1,980
Amount owing by immediate holding company	3.9	-	11,789	11,789
Amount owing by related companies	3.10	5,151	1,253	1,253
Cash and cash equivalents	3.11	3	2,878	9,088
		<u>6,433</u>	<u>51,141</u>	<u>56,141</u>
TOTAL ASSETS		<u>7,047</u>	<u>70,331</u>	<u>108,431</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital	3.12	#	34,813	45,000
Share premium	3.13	-	-	29,398
Retained profits/(Accumulated losses)	3.14	41	24,778	23,293
Merger deficit	3.15	-	(11,072)	(11,072)
TOTAL EQUITY		<u>41</u>	<u>48,519</u>	<u>86,619</u>

Note:-

- RM2

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

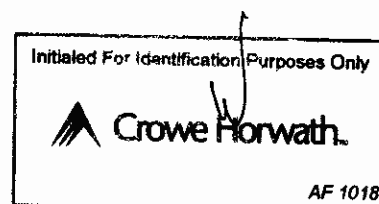
3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP

	Note	Datasonic Audited as at 29 February 2012 RM'000	Proforma I After the Acquisition of Subsidiaries RM'000	Proforma II After Proforma I and Proposed Public Issue and Utilisation of Listing Proceeds RM'000
NON-CURRENT LIABILITIES				
Term loans	3.16	-	4,105	4,105
Deferred taxation		-	315	315
		-	4,420	4,420
CURRENT LIABILITIES				
Trade payables	3.17	-	5,068	5,068
Other payables and accruals	3.18	151	5,342	5,342
Amount owing to immediate holding company	3.9	642	1,759	1,759
Amount owing to related companies	3.10	-	747	747
Term loans	3.16	-	1,062	1,062
Amount owing to a director		6,174	-	-
Provision for taxation		39	3,413	3,413
Dividend payable		-	1	1
		7,006	17,392	17,392
TOTAL LIABILITIES		7,006	21,812	21,812
TOTAL EQUITY AND LIABILITIES		7,047	70,331	108,431
Number of ordinary shares of RM0.50 each ('000)		*	69,626	90,000
Net assets/(liabilities) ("NA/(NL)") (RM'000)		41	48,519	86,619
NA/(NL) per ordinary share (RM)		10,250.00	0.70	0.96

Note:-

* - 4

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP (CONT'D)

3.1 Proforma I

Proposed Acquisition of Subsidiaries

Proforma I incorporates the effects of the Proposed Acquisition of Datasonic Corporation, Datasonic Technologies and Smart Consult Solutions.

3.2 Proforma II

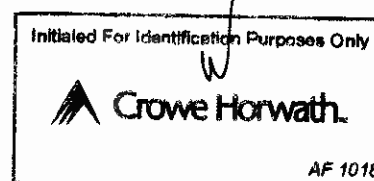
Proforma II incorporates the effects of Proforma I and the Proposed Public Issue and Utilisation of Listing Proceeds. The proceeds from the Proposed Public Issue will be utilised as follows:-

	RM'000	Expected time frame for utilisation
Personalisation Centre cum Headquarters	8,000	Within 2 years
R&D centre/manufacturing plant for production of smart card	19,100	Within 3 years
R&D expenditure	6,000	Within 2 years
Working capital	5,000	Within 1 year
Estimated scheme expenses*	2,648	Upon Listing
Total	40,748	

Note:

* The total estimated scheme expenses for the issue of new shares is RM2,648,000 of which RM1,163,000 will be written off against the share premium account under Section 60 of the Companies Act, 1965. The balance of the estimated scheme expenses of RM1,485,000 will be expensed off against the statements of comprehensive income and this represents a one-off expenditure pursuant to the IPO.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

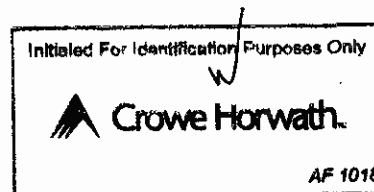
3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP (CONT'D)

3.3 PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are illustrated below:-

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
At 29 February 2012			
Office equipment	10	(1)	9
Motor vehicles	626	(21)	605
	<u>636</u>	<u>(22)</u>	<u>614</u>
<u>Acquisition of Datasonic Corporation</u>			
Leasehold land	4,755	(164)	4,591
Building	2,507	(32)	2,475
Office equipment	2,246	(1,943)	303
Furniture and fittings	526	(429)	97
Motor vehicles	10	(10)	-
Machinery	12,082	(7,532)	4,550
Renovation	135	(135)	-
	<u>22,261</u>	<u>(10,245)</u>	<u>12,016</u>
<u>Acquisition of Datasonic Technologies</u>			
Office equipment	663	(359)	304
Furniture and fittings	215	(207)	8
Computer equipment	687	(397)	290
	<u>1,565</u>	<u>(963)</u>	<u>602</u>
<u>Acquisition of Smart Consult Solutions</u>			
Furniture and fittings	54	(2)	52
Office equipment	64	(16)	48
Renovation	42	(1)	41
	<u>160</u>	<u>(19)</u>	<u>141</u>
As per Proforma I	<u>24,622</u>	<u>(11,249)</u>	<u>13,373</u>
Utilisation of Proceeds	27,100	-	27,100
As per Proforma II	<u>51,722</u>	<u>(11,249)</u>	<u>40,473</u>

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP (CONT'D)

3.4 DEVELOPMENT COSTS

	RM'000
At 29 February 2012	-
Acquisition of Datasonic Corporation	-
Acquisition of Datasonic Technologies	-
Acquisition of Smart Consult Solutions	5,707
As per Proforma I	<u>5,707</u>
Utilisation of Proceeds	<u>6,000</u>
As per Proforma II	<u><u>11,707</u></u>

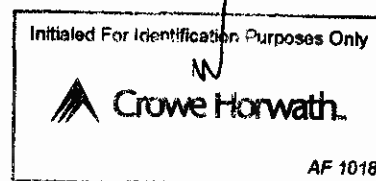
3.5 WORK-IN-PROGRESS

	RM'000
At 29 February 2012	-
Acquisition of Datasonic Corporation	4,825
Acquisition of Datasonic Technologies	993
Acquisition of Smart Consult Solutions	-
As per Proforma I/II	<u><u>5,818</u></u>

3.6 INVENTORIES

	RM'000
At 29 February 2012	-
Acquisition of Datasonic Corporation	1,350
Acquisition of Datasonic Technologies	-
Acquisition of Smart Consult Solutions	-
As per Proforma I/II	<u><u>1,350</u></u>

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP (CONT'D)

3.7 TRADE RECEIVABLES

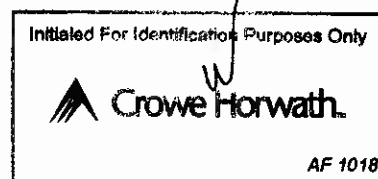
	RM'000
At 29 February 2012	-
Acquisition of Datasonic Corporation	2,000
Acquisition of Datasonic Technologies	22,863
Acquisition of Smart Consult Solutions	-
As per Proforma I/II	24,863

3.8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The details of the other receivables, deposits and prepayments are as follows:-

	RM'000
At 29 February 2012	
Prepayments	1,279
<u>Acquisition of Datasonic Corporation</u>	
Other receivables	16
Deposits	142
Prepayments	922
	1,080
<u>Acquisition of Datasonic Technologies</u>	
Other receivables	125
Deposits	285
Prepayments	1
	411
<u>Acquisition of Smart Consult Solutions</u>	
Other receivables	3
Deposits	377
Prepayments	40
	420
As per Proforma I	3,190
Scheme expenses	(1,210)
As per Proforma II	1,980

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

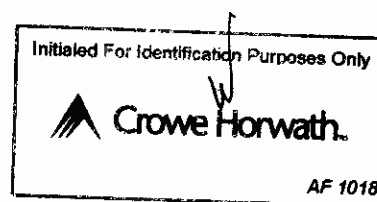
3.9 AMOUNT OWING BY/(TO) IMMEDIATE HOLDING COMPANY

	RM'000
Amount Owing by:-	
At 29 February 2012	-
Acquisition of Datasonic Corporation	7,170
Acquisition of Datasonic Technologies	4,619
Acquisition of Smart Consult Solutions	-
As per Proforma I/II	<u>11,789</u>
Amount Owing to:-	
At 29 February 2012	642
Acquisition of Datasonic Corporation	-
Acquisition of Datasonic Technologies	1,116
Acquisition of Smart Consult Solutions	1
As per Proforma I/II	<u>1,759</u>

3.10 AMOUNT OWING BY/(TO) RELATED COMPANIES

	Note	RM'000
Amount Owing by:-		
At 29 February 2012		5,151
Acquisition of Datasonic Corporation		1,243
Acquisition of Datasonic Technologies		10
Acquisition of Smart Consult Solutions		-
Acquisition of Datasonic Corporation	1.2 (a) (ii)	6,404
Effect of acquisition of Datasonic Corporation		(6,174)
Effect of acquisition of Datasonic Technologies		1,423
		(400)
As per Proforma I/II		<u>1,253</u>
Amount Owing to:-		
At 29 February 2012		-
Acquisition of Datasonic Corporation		347
Acquisition of Datasonic Technologies		400
Acquisition of Smart Consult Solutions		-
As per Proforma I/II		<u>747</u>

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

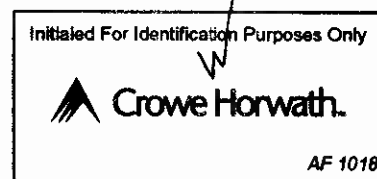
PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP (CONT'D)

3.11 CASH AND CASH EQUIVALENTS

	RM'000
At 29 February 2012	3
<u>Acquisition of Datasonic Corporation</u>	
Fixed deposits with a licensed bank	592
Cash and bank balances	1,388
	1,980
<u>Acquisition of Datasonic Technologies</u>	
Fixed deposits with a licensed bank	1,411
Cash and bank balances	6,420
	7,831
<u>Acquisition of Smart Consult Solutions</u>	
Cash and bank balances	64
	9,878
Dividend paid	(7,000)
	2,878
As per Proforma I	
Utilisation of Proceeds	6,210
	9,088
Proforma II	9,088

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP (CONT'D)

3.12 SHARE CAPITAL

The issued and paid-up share capital of Datasonic as of the date of this report is RM2 comprising 4 ordinary shares of RM0.50 each.

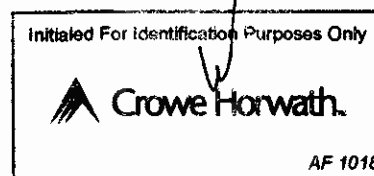
The movements in the issued and paid-up share capital of Datasonic are as follows:-

	Number of Ordinary Shares '000	Amount of Share Capital RM'000
Ordinary shares of RM0.50 each At 29 February 2012	*	#
Issuance of shares for the Proposed Acquisition of Subsidiaries		
- Datasonic Corporation	51,230	25,615
- Datasonic Technologies	18,196	9,098
- Smart Consult Solutions	200	100
As per Proforma I	69,626	34,813
Proposed Public Issue	20,374	10,187
As per Proforma II	90,000	45,000

Notes:-

- * - 4 ordinary shares
- RM2

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP (CONT'D)

3.13 SHARE PREMIUM

The movements in the share premium of Datasonic are as follows:-

	RM'000
At 29 February 2012/As per Proforma I	-
Arising from Proposed Public issue	30,561
Estimated scheme expenses*	(1,163)
As per Proforma II	<u>29,398</u>

Note:

* The total estimated scheme expenses for the issue of new shares is RM2,648,000 of which RM1,163,000 will be written off against the share premium account under Section 60 of the Companies Act, 1965. The balance of the estimated scheme expenses of RM1,485,000 will be expensed off against the statements of comprehensive income and this represents a one-off expenditure pursuant to the IPO.

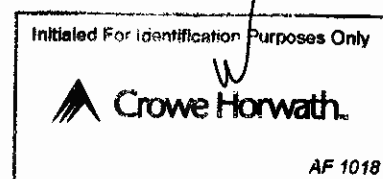
3.14 RETAINED PROFITS/(ACCUMULATED LOSSES)

	RM'000
At 29 February 2012	41
Acquisition of Datasonic Corporation	18,918
Acquisition of Datasonic Technologies	7,428
Acquisition of Smart Consult Solutions	(1,609)
As per Proforma I	<u>24,778</u>
Estimated scheme expenses*	(1,485)
As per Proforma II	<u>23,293</u>

Note:

* The total estimated scheme expenses for the issue of new shares is RM2,648,000 of which RM1,163,000 will be written off against the share premium account under Section 60 of the Companies Act, 1965. The balance of the estimated scheme expenses of RM1,485,000 will be expensed off against the statements of comprehensive income and this represents a one-off expenditure pursuant to the IPO.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP (CONT'D)

3.15 MERGER DEFICIT

The merger deficit arose from the acquisition of subsidiaries using the merger method of accounting for consolidation.

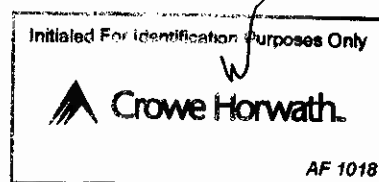
3.16 TERM LOANS

	RM'000
At 29 February 2012	-
Acquisition of Datasonic Corporation	5,167
Acquisition of Datasonic Technologies	-
Acquisition of Smart Consult Solutions	-
As per Proforma I/II	<u>5,167</u>
Current portion:	
- not later than one year	1,062
Non-current portion:	
- later than one year and not later than two years	583
- later than two year and not later than five years	1,574
- later than five years	1,948
	<u>4,105</u>
As per Proforma I/II	<u>5,167</u>

3.17 TRADE PAYABLES

	RM'000
At 29 February 2012	-
Acquisition of Datasonic Corporation	2,517
Acquisition of Datasonic Technologies	2,313
Acquisition of Smart Consult Solutions	238
As per Proforma I/II	<u>5,068</u>

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

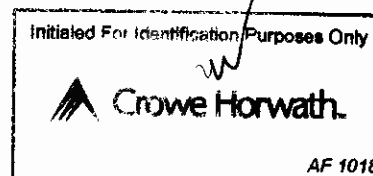
3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF DATASONIC GROUP (CONT'D)

3.18 OTHER PAYABLES AND ACCRUALS

The details of other payables and accruals are as follows:-

	RM'000
At 29 February 2012	151
<u>Acquisition of Datasonic Corporation</u>	
Other payables	112
Provisions	1,094
Accruals	717
	1,923
<u>Acquisition of Datasonic Technologies</u>	
Other payables	12
Provisions	519
Accruals	403
Deferred revenue	2,218
	3,152
<u>Acquisition of Smart Consult Solutions</u>	
Other payables	1
Provisions	107
Accruals	8
	116
As per Proforma I/II	5,342

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



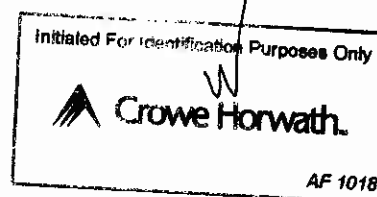
DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF DATASONIC GROUP

	FPE 2012 RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Profit before taxation	7,865
<u>Adjustments for:-</u>	
Depreciation of property, plant and equipment	340
Gain on disposal of plant and equipment	(48)
Interest expense	54
Interest income	(19)
Unrealised gain on foreign exchange	(190)
Operating profit before working capital changes	8,002
Decrease in work-in-progress	290
Decrease in inventories	826
Increase in trade and other receivables	(5,651)
Decrease in trade and other payables	(1,220)
Increase in amount owing by immediate holding company	8,757
CASH FROM OPERATIONS	11,004
Income tax paid	(2,792)
Interest paid	(54)
NET CASH FROM OPERATING ACTIVITIES	8,158

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

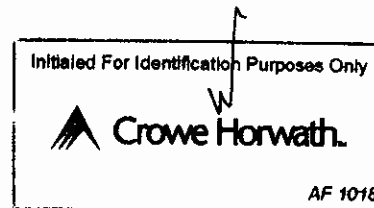
4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF DATASONIC GROUP (CONT'D)

	FPE 2012 RM'000
<u>CASH FLOWS FOR INVESTING ACTIVITIES</u>	
Interest received	19
Development costs	(352)
Advances to related company	(1)
Proceeds from disposal of plant and equipment	48
Purchase of plant and equipment	(631)
NET CASH FOR INVESTING ACTIVITIES	<u>(917)</u>
<u>CASH FLOWS FOR FINANCING ACTIVITIES</u>	
Repayment of term loans	(5,804)
Advances from immediate holding company	102
Advances from related companies	13
Dividend paid	(7,000)
NET CASH FOR FINANCING ACTIVITIES	<u>(12,689)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,448)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>8,326</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>2,878</u>

Note:

The Proforma Consolidated Statement of Cash Flows of Datasonic Group has been prepared before taking into account the proceeds from the Public Issue and the utilisation of proceeds from the Public Issue.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



DATASONIC GROUP BERHAD ("DATASONIC") AND ITS SUBSIDIARIES ("DATASONIC GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF DATASONIC GROUP (CONT'D)

4.1 CASH AND CASH EQUIVALENTS

	29.02.2012 RM'000
Fixed deposits with a licensed bank - Pledged	2,003
Cash and bank balances - Pledged	3,378
Cash and bank balances	4,497
	<hr/>
	9,878
Dividend paid	(7,000)
	<hr/>
	2,878
	<hr/>

Note:

As at 14 June 2012, our group has cash and cash equivalents of RM8.19 mil (after providing for the amount pledged for banking facilities of RM6.60mil and dividend payment of RM7.00mil).

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated **24 JUL 2012**

On behalf of the Board,

Dato' Abu Hanifah Bin Noordin

Chew Ben Ben

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

Investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the proforma consolidated financial information and the related notes thereon for the past four (4) FYE 31 December 2008 to 2011 and the audited FPE 29 February 2012 and unaudited FPE 28 February 2011, as set out in Section 12.2 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

12.1 OVERVIEW

Revenue

Our Group is principally involved in the provision of ICT solutions as follows:

- (a) Sales of products (consumables among others, ribbons, cleaners, and products for card lamination, sale of contact and contactless smart cards, sale of national identification documents and sale of centralised issuance systems, printing system and decentralised desktop) and provision of services such as machinery servicing and spare parts replacement.
- (b) Smart card printer software development for system design, installation, integration, maintenance and technical supports of our smart card system solutions and services for all the Government and non-Government customers.
- (c) Smart card personalisation services arriving from printing, embossing, indent printing, vision verification, laminating, topcoat application and envelop insertion for issuance of credit / debit and ATM cards.

With regard to revenue recognition for sale of goods, revenue is recognised upon delivery of goods and customer's acceptance and where applicable, net of returns and trade discounts.

With regard to revenue recognition for services, revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

For the financial years under review, our Group's revenue is derived from the following business segments:

- (a) Sales of products and provision of services
 - (i) Services provided for customers with service contract

Services provided for customers with service contract refer to revenue derived from machinery servicing and spare parts replacement for customers with a signed contract or agreement.
 - (ii) Services provided for customers with non-service contract

Services provided for customers with non-service contract revenue refer to revenue derived from ad hoc servicing and spare parts replacement based on purchase orders i.e. where there are no signed contracts or agreements.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(iii) Sale of consumables

Sale of consumables comprises revenue derived from sale of, among others, ribbons, cleaners, and products for card lamination. These consumables are sold to our customers who have purchased Datacard® printers and other equipment from us, and are used in the various card personalisation processes.

(iv) Sale of cards

Sale of cards comprises revenue derived from sale of contact and contactless smart cards for major corporations and Government. These cards are used as ID and loyalty cards for the storage of customer information for these major corporations and as national identification documents by Government.

(v) Sale of equipment

The Group conducts the sale of centralised issuance systems like MX6000, MX2000, MX1000, Maxsys printing system and decentralised desktop printers like SP25, SP35, SP55, SP75 and other equipment e.g. embossers like DC280P & 150i (as illustrated below). Datasonic Group specialises in printers and equipment bearing the Datacard® trademark as it is the sole distributor of Datacard® products in Malaysia. The sole distributorship is for Datacard® Central Issuance products and services in Malaysia.

(b) Smart card printer software development

Smart card printer software development refers to revenue derived from system design, installation, integration, maintenance and technical supports of our smart card system solutions and services for all the Government and non-Government customers.

(c) Smart card personalisation services

Smart card personalisation services refer to revenue derived from printing, embossing, indent printing, vision verification, laminating, topcoat application and envelop insertion using the Datacard® Card Issuance Systems to enable our customers to quickly and efficiently produce the credit / debit and ATM cards. The smart card personalisation services are available for all major banks.

In terms of business segments, the three (3) main contributors to our revenue are the services provided for customers with service contract, sale of consumables and sale of equipment which contributed 45.03%, 20.83% and 26.86% respectively towards our revenue for the FYE 31 December 2011 and 25.11%, 23.64% and 48.13%, respectively towards our FPE 29 February 2012.

Although our business is not subject to any seasonal fluctuations, our revenue is affected by several factors, one of which is the Government initiatives and budget allocations for customised software and hardware solutions. This is in view that the Government sector contributed 77.89% and 91.57% of our revenue for the FYE 31 December 2011 and the FPE 29 February 2012 respectively while the non-Government sector contributed 22.11% and 8.43% of our revenue for the FYE 31 December 2011 and the FPE 29 February 2012 respectively. Similarly, the Government sector has been the principal contributor to our revenue, with a contribution of more than 65.0% each for the FYE 31 December 2008 and the FYE 31 December 2009, respectively.

Another factor which may affect our revenue is the amount of consumables sold by us to our customers. The consumables sold are for replenishment of stocks to be used by our customers who have purchased Datacard® printers and other equipment from us.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Our total revenue can also be affected by demand conditions of smart ID and smart card personalisation solutions market from the non-Government customers, namely banking and commercial sectors in Malaysia. Our Group's revenue will depend, to a large extent, on our ability to retain and increase our market share.

Our Group's revenue was contributed by Datasonic Corporation and Datasonic Technologies over the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012. However, Smart Consult Solutions which has only commenced business operations in January 2012 has yet to record any revenue. Datasonic Corporation was the main contributor to our Group's revenue and contributed more than 58.00% of our Group's revenue for each of the past four (4) FYE 31 December 2008 to 2011 and Datasonic Technologies was the main contributor which contributed more than 60.00% for the FPE 29 February 2012.

In terms of proportion of revenue contribution by Datasonic Corporation towards our Group's revenue, it has declined to 37.98 % in FPE 29 February 2012 in comparison with 83.92% in FYE 31 December 2008, 82.42% in FYE 31 December 2009, 61.56% in FYE 31 December 2010 and 58.24% in FYE 31 December 2011. This was attributable to the increase in revenue contribution from Datasonic Technologies from 16.08% in FYE 31 December 2008 to 62.02% in the FPE 29 February 2012 due to new projects secured by Datasonic Technologies, i.e. provision of maintenance of data center and helpdesk system to the Immigration Department of Malaysia Helpdesk project and maintenance of passport printers.

Please also refer to Section 12.2.1 of this Prospectus for a segmental analysis of our Group's revenue for the past past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012.

Cost of sales

Cost of sales consists of costs of consumables, equipment, spare parts, software, freight charges, custom duties, sales tax, shipping and handling, marine insurance, travel and staff costs, as well as sub-contractor fees, consultancy fees and other direct overheads as the case may be.

Factors that affect our cost of sales include:

- (i) Cost of printing system and solutions, hardware and software, consumables, spare parts and professional services from Datacard Corporation.
- (ii) Exposure to foreign exchange fluctuations given that overseas purchases accounted for 63.53% and 70.97% of our Group's total purchases for the FYE 31 December 2011 and the FPE 29 February 2012 respectively. Given that 54.77% and 61.37% of our total purchases were transacted in USD for the FYE 31 December 2011 and the FPE 29 February 2012 respectively, the strengthening of the USD against RM will have a negative effect on our Group's financial results.
- (iii) Changes in incidental costs such as custom duties, sales tax, freight charges, shipping / handling fees and cost of insurance. Given that we mainly import from US and the goods are subjected to the custom duties, sales tax, freight charges, shipping / handling fees and cost of insurance, the fluctuation in rates in any of these sectors will increase our cost of sales.
- (iv) Changes in staffing cost and sub-contractor / consultancy fees. Staffing cost relates to project manpower which are recruited for the purpose of project requirement directly associated with the generation of revenue. Sub-contractor / consultancy fees include cost for the provision of hardware and software solutions, licensing and project management from vendors. Any increase in the staffing cost and sub-contractor / consultancy fees, which are mainly driven by the conditions in the labour market, will increase our cost of sales.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Cost of sales constituted approximately 26.79%, 24.98%, 35.79% 45.04% and 36.36% of our Group's revenue for the FYE 31 December 2008 to 2011 and the FPE 29 February 2012 respectively. The significant increase in the cost of sales in FYE 31 December 2010 was largely due to the recruitment undertaken to build the required expertise and outsourcing of specific work to sub-contractors and other costs incurred in relation to the services provided for customers with service contracts.

Gross profit

Our Group's gross profit is derived from total Group revenue less cost of sales. Datasonic Corporation was the main contributor to our Group's gross profit and contributed more than 65.00% of our Group's gross profit for each of the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012. The balance was contributed by our other wholly-owned subsidiary, Datasonic Technologies.

Generally, the gross profit margin generated by Datasonic Corporation is higher than the gross profit margin generated by Datasonic Technologies. The gross profit margin from Datasonic Corporation has been consistently above 55.00% for each of the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012 reflecting the higher margins from sales generated by the Company. On the other hand, the gross profit margin of Datasonic Technologies is much lower and has fluctuated from 48.87% in FYE 31 December 2008, to 64.98% in FYE 31 December 2009, to 34.58% in FYE 31 December 2010, and 40.09% in FYE 31 December 2011 and to 22.48% in the FPE 29 February 2012.

As set out under Sections 12.2.1 and 12.2.2 of this Prospectus, the revenue of Datasonic Corporation amounted to 58.24% and 37.98% of total group revenue in FYE 31 December 2011 and the FPE 29 February 2012 respectively, with Datasonic Technologies accounting for the balance 41.76% and 62.02% respectively. However, the gross profit contribution to our Group from Datasonic Corporation was higher at 66.46% and 67.56% for the FYE 31 December 2011 and the FPE 29 February 2012 respectively compared to 33.54% and 32.44% respectively from Datasonic Technologies. This was principally due to the projects carried out by Datasonic Technologies having a higher cost of sales, which has affected its gross profit margin.

Operating costs

Our operating costs comprise administrative expenses and other expenses. Administrative charges mainly consist of items such as depreciation charges, office rental, travelling expenses, professional fees and staff costs such as salaries, bonuses, statutory contribution, allowances and overtime charges whilst other expenses consist of allowance for doubtful debts, allowance for slow-moving inventories, depreciation, equipment and inventories written off, listing expenses, realised and unrealised loss on foreign exchange and loss on disposal of plant and equipment.

Operating costs constituted approximately 32.36%, 35.67%, 35.98%, 27.23% and 19.56% of our Group's revenue for the FYE 31 December 2008 to 2010 and the FPE 29 February 2012 respectively. The higher operating cost in FYE 31 December 2009 was mainly due to one-off charge in relation to the expenses incurred in respect of our application for listing which was subsequently withdrawn, and increase in the number of employees, rental of premises and general expenses. The higher operating cost in FYE 31 December 2010 was mainly due to an increase in professional fees, management fee, salaries and depreciation charges. The operating costs, as a proportion to our Group's revenue for the FYE 31 December 2011 and the FPE 29 February 2012, were lower due to higher revenue generated.

Other income

Other income comprises mainly interest income, realised and unrealised foreign exchange gain, gain on disposal of equipment, rental income, write back of bad debts and write back of doubtful debts.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Finance costs

Finance costs are mainly interest charged for bank borrowings which consist of term loans utilised by our Group.

Income tax expenses

Income tax expenses comprise the current year provision for taxation, under or overprovision of taxation in the previous year and deferred taxation. The statutory tax rate applicable to our Group for the FYE 31 December 2008 was 26.00% whereas the statutory tax rate applicable to our Group for the FYE 31 December 2009 to 2011 and the FPE 29 February 2012 was 25.00%.

Our effective tax rate, being tax expenses as a percentage of our PBT, was 25.62% for the FYE 31 December 2008, which was in line with the statutory tax rate of 26.00%. For the FYE 31 December 2009, our effective tax rate was 28.47% which was higher than the statutory rate of 25.00%, as a result of add back of disallowed expenses incurred in respect of our listing application which was subsequently withdrawn, of approximately RM0.836 million. For the FYE 31 December 2010, our effective tax rate of 32.98% was higher than the statutory rate of 25.00%, mainly due to additional income tax incurred of RM0.524 million as tax penalty as a result of an under-provision in the previous financial years.

The effective tax rate for the FYE 31 December 2011 was 26.88% which is higher than the statutory tax rate of 25.00%, as a result of higher non-deductible expenses such as marketing expenses of approximately RM0.848 million and entertainment of approximately RM0.443 million.

For the FPE 29 February 2012, our effective tax rate of 27.54% was higher than the statutory tax rate of 25.00% as a result of non-deductible expenses such as marketing expenses of RM0.320 million.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

12.2 RESULTS OF OPERATIONS

The following is segmental analysis of our results for the four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012 based on the assumption that our current Group structure has been in existence throughout the financial years and financial periods under review.

12.2.1 Segmental analysis of revenue

(i) Revenue by companies

The breakdown of our revenue by our subsidiaries is as follows:

Revenue	Audited							
	< ----- FYE 31 December ----- >							
	2008		2009		2010		2011	
RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Datasonic Corporation	23,098	83.92	26,555	82.42	26,608	61.56	50,281	58.24
Datasonic Technologies	4,426	16.08	5,663	17.58	16,615	38.44	36,048	41.76
Smart Consult Solutions	-	-	-	-	-	-	-	-
Consolidation adjustments*	27,524	100.00	32,218	100.00	43,223	100.00	86,329	100.00
	-		(69)		(3,672)		(7,922)	
Total	27,524		32,149		39,551		78,407	

Revenue	Unaudited		Audited	
	FPE 28 February 2011		FPE 29 February 2012	
	RM'000	%	RM'000	%
Datasonic Corporation	5,298	62.79	9,910	37.98
Datasonic Technologies	3,139	37.21	16,183	62.02
Smart Consult Solutions	-	-	-	-
Consolidation adjustments*	8,437	100.00	26,093	100.00
	(1,134)		(8,777)	
Total	7,303		17,316	

Note:

* *The consolidation adjustments are in relation to inter-company sales.*

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(ii) Revenue by business segments

The table below sets forth the breakdown of our Group's revenue by business segments as follows:

Revenue	Audited							
	< ----- FYE 31 December ----- >							
	2008		2009		2010		2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales of products and provision of services:								
• Services provided for customers with service contract	11,436	41.55	9,664	30.00	20,705	47.90	38,877	45.03
• Services provided for customers with non-service contract	142	0.52	1,081	3.35	740	1.71	560	0.65
• Sale of consumables	7,881	28.63	13,841	42.96	12,546	29.03	17,984	20.83
• Sale of cards	724	2.63	1,118	3.47	1,695	3.92	653	0.76
• Sale of equipment	1,238	4.50	730	2.27	2,233	5.17	23,191	26.86
Smart card printer software development	642	2.33	554	1.72	1,113	2.57	295	0.34
Smart card personalisation services	5,461	19.84	5,230	16.23	4,191	9.70	4,769	5.53
	27,524	100.00	32,218	100.00	43,223	100.00	86,329	100.00
Consolidation adjustments*	-		(69)		(3,672)		(7,922)	
Total	27,524		32,149		39,551		78,407	

Revenue	Unaudited		Audited	
	FPE 28 February 2011		FPE 29 February 2012	
	RM'000	%	RM'000	%
Sales of products and provision of services:				
• Services provided for customers with service contract	3,967	47.02	6,553	25.11
• Services provided for customers with non-service contract	121	1.43	7	0.03
• Sale of consumables	3,177	37.66	6,169	23.64
• Sale of cards	64	0.76	12,558	48.13
• Sale of equipment	144	1.71	241	0.92
Smart card printer software development	117	1.38	41	0.16
Smart card personalisation services	847	10.04	524	2.01
	8,437	100.00	26,093	100.00
Consolidation adjustments*	(1,134)		(8,777)	
Total	7,303		17,316	

Note:

* The consolidation adjustments are in relation to inter-company sales.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)
(iii) Revenue by end customer category

The breakdown of our revenue by end customer category is as follows:

Revenue	Audited							
	< ----- FYE 31 December ----- >							
	2008		2009		2010		2011	
RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Government	18,222	66.20	22,475	69.76	23,899	55.29	67,239	77.89
Non-Government	9,302	33.80	9,743	30.24	19,324	44.71	19,090	22.11
Consolidation adjustments*	27,524	100.00	32,218	100.00	43,223	100.00	86,329	100.00
	-		(69)		(3,672)		(7,922)	
Total	27,524		32,149		39,551		78,407	

Revenue	Unaudited		Audited	
	FPE 28 February 2011		FPE 29 February 2012	
	RM'000	%	RM'000	%
Government	5,834	69.15	23,894	91.57
Non-Government	2,603	30.85	2,199	8.43
Consolidation adjustments*	8,437	100.00	26,093	100.00
	(1,134)		(8,777)	
Total	7,303		17,316	

Note:

* The consolidation adjustments are in relation to inter-company sales.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.2 Segmental analysis of gross profit

(i) Gross profit by companies

The breakdown of our gross profit by our subsidiaries is as follows:

	Audited							
	< ----- FYE 31 December ----- >							
	2008		2009		2010		2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gross Profit								
Datasonic Corporation	17,987	89.27	20,438	84.74	19,650	77.37	28,637	66.46
Datasonic Technologies	2,163	10.73	3,680	15.26	5,746	22.63	14,452	33.54
Smart Consult Solutions	-	-	-	-	-	-	-	-
Consolidation adjustments*	20,150	100.00	24,118	100.00	25,396	100.00	43,089	100.00
Total	20,150		24,118		25,396		43,089	
Gross profit margin^								
Datasonic Corporation		77.87%		76.96%		73.85%		56.95%#
Datasonic Technologies		48.87%		64.98%		34.58%		40.09%
Smart Consult Solutions		-		-		-		-

	Unaudited		Audited	
	FPE 28 February 2011		FPE 29 February 2012	
	RM'000	%	RM'000	%
Gross Profit				
Datasonic Corporation	4,232	76.88	7,576	67.56
Datasonic Technologies	1,273	23.12	3,638	32.44
Smart Consult Solutions	-	-	-	-
Consolidation adjustments*	5,505	100.00	11,214 (194)	100.00
Total	5,505		11,020	
Gross profit margin^				
Datasonic Corporation		79.88%		76.45%
Datasonic Technologies		40.55%		22.48%
Smart Consult Solutions		-		-

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Notes:

- * The consolidation adjustments are in relation to inter-company sales.
 ^ The gross profit margin is calculated based on the respective gross profit before consolidation adjustments.
 # The lower gross profit margin was mainly due to the higher cost incurred for the Decentralised Printing Projects in 2011.

(ii) Gross profit by business segments

The breakdown of our gross profit by our business segments is as follows:

	Audited							
	< ----- FYE 31 December ----- >							
	2008		2009		2010		2011	
RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Gross profit								
Sales of products and provision of services:								
• Services provided for customers with service contract	8,964	44.49	7,872	32.64	10,031	39.50	19,000	44.09
• Services provided for customers with non-service contract	123	0.61	1,048	4.34	723	2.85	544	1.26
• Sale of consumables	5,826	28.91	10,491	43.50	10,174	40.06	12,674	29.41
• Sale of cards	140	0.69	187	0.78	309	1.22	102	0.24
• Sale of equipment	597	2.96	161	0.67	837	3.30	7,155	16.61
Smart card printer software development	346	1.72	360	1.49	444	1.75	211	0.49
Smart card personalisation services	4,154	20.62	3,999	16.58	2,878	11.32	3,403	7.90
	20,150	100.00	24,118	100.00	25,396	100.00	43,089	100.00
Consolidation adjustments*	-	-	-	-	-	-	-	-
Total	20,150		24,118		25,396		43,089	
Gross profit margin^								
Sales of products and provision of services:								
• Services provided for customers with service contract	78.38%		81.46%		48.45%		48.87%	
• Services provided for customers with non-service contract	86.62%		96.95%		97.70%		97.14%	
• Sale of consumables	73.92%		75.80%		81.09%		70.48%	
• Sale of cards	19.34%		16.73%		18.23%		15.61%	
• Sale of equipment	48.22%		22.05%		37.48%		30.85%	
Smart card printer software development	53.89%		64.98%		39.89%		71.40%	
Smart card personalisation services	76.07%		76.46%		68.67%		71.36%	

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

	Unaudited		Audited	
	FPE 28 February 2011		FPE 29 February 2012	
	RM'000	%	RM'000	%
Gross profit				
Sales of products and provision of services:				
• Services provided for customers with service contract	1,999	36.31	2,765	24.66
• Services provided for customers with non-service contract	119	2.16	5	0.04
• Sale of consumables	2,547	46.27	2,212	19.73
• Sale of cards	18	0.33	5,776	51.51
• Sale of equipment	80	1.45	101	0.90
Smart card printer software development	112	2.03	40	0.36
Smart card personalisation services	630	11.44	315	2.81
	5,505	100.00	11,214	100.00
Consolidation adjustments*	-	-	(194)	-
Total	5,505		11,020	
Gross profit margin[^]				
Sales of products and provision of services:				
• Services provided for customers with service contract	50.39%		42.19%	
• Services provided for customers with non-service contract	98.35%		71.43%	
• Sale of consumables	80.17%		35.86%	
• Sale of cards	28.13%		45.99%	
• Sale of equipment	55.56%		41.91%	
Smart card printer software development	95.73%		97.56%	
Smart card personalisation services	74.38%		60.11%	

Notes:

* The consolidation adjustments are in relation to inter-company sales.

[^] The gross profit margin is calculated based on the respective gross profit before consolidation adjustments.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(iii) Gross profit by end customer category

The breakdown of our gross profit by our end customer category is as follows:

	Audited							
	< ----- FYE 31 December ----- >							
	2008		2009		2010		2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gross profit								
Government	14,248	70.71	17,684	73.32	16,835	66.29	33,571	77.91
Non-Government	5,902	29.29	6,434	26.68	8,561	33.71	9,518	22.09
	20,150	100.00	24,118	100.00	25,396	100.00	43,089	100.00
Consolidation adjustments*	-	-	-	-	-	-	-	-
Total	20,150		24,118		25,396		43,089	
Gross profit margin[^]								
Government	78.19%		78.68%		70.44%		49.93% ^{^^}	
Non-Government	63.45%		66.04%		44.30%		49.86%	
Gross profit margin after inter-company elimination								
Government	78.19%		78.93%		81.00%		56.57% ^{^^}	
Non-Government	63.45%		66.04%		45.62%		49.92%	

	Unaudited		Audited	
	FPE 28 February 2011		FPE 29 February 2012	
	RM'000	%	RM'000	%
Gross profit				
Government	3,859	70.10	10,306	91.90
Non-Government	1,646	29.90	908	8.10
	5,505	100.00	11,214	100.00
Consolidation adjustments*	-	-	(194)	
Total	5,505		11,020	
Gross profit margin[^]				
Government	66.15%		43.13% [#]	
Non-Government	63.23%		41.29%	
Gross profit margin after inter-company elimination				
Government	81.97%		67.31% [#]	
Non-Government	63.43%		35.61%	

Notes:

* The consolidation adjustments are in relation to inter-company sales.

[^] The gross profit margin is calculated based on the respective gross profit before consolidation adjustments.

^{^^} The decrease in gross profit margin in FYE 31 December 2011 as compared to FYE 31 December 2010 was mainly due to the higher equipment and consumable cost incurred for the Decentralised Printing Project.

[#] The decrease in gross profit margin in FPE 29 February 2012 as compared to FPE 28 February 2011 was mainly due to the higher consumable cost incurred for the Decentralised Printing Project.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.3 Commentary on our Group's past operating results**FYE 31 December 2009 compared to FYE 31 December 2008****Revenue**

Our Group's revenue increased by 16.80% or by approximately RM4.625 million from RM27.524 million in FYE 31 December 2008 to RM32.149 million in FYE 31 December 2009. This was mainly due to an increase in the sale of consumables of RM5.960 million which was offset by a decline in the revenue generated from services provided for customers with service contract of RM1.772 million.

The proportion of contribution to our Group's revenue between Datasonic Corporation and Datasonic Technologies has been relatively stable for the FYE 31 December 2008 and FYE 31 December 2009 at approximately 82.00%. In terms of revenue contribution by customer category, there was an increase in the revenue generated from the Government sector of approximately RM4.253 million, from RM18.222 million in FYE 31 December 2008 to RM22.475 million in FYE 31 December 2009, in line with the above increase in sale of consumables which was mainly made to the Government sector.

Similar to FYE 31 December 2008, the three (3) main business segments which contributed to our Group revenue are the services provided for customers with service contract, the sale of consumables and smart card personalisation services categories which contributed in aggregate 89.18% of our total revenue. The total contribution from these three (3) segments for the FYE 31 December 2008 was 90.02%.

In terms of revenue contribution by customer category, there was an increase in the proportion of contribution from the Government sector, from 66.20% in FYE 31 December 2008 to 69.76% in FYE 31 December 2009 as a result of an increase in the sale of consumables to NRD. The proportion of contribution from the non-Government sector decreased from 33.80% in FYE 31 December 2008 to 30.24% in FYE 31 December 2009.

Cost of sales

Our Group's cost of sales totalled RM8.031 million or 24.98% of our Group's revenue for the FYE 31 December 2009 as compared to RM7.374 million or 26.79% of our Group's revenue for the FYE 31 December 2008. Our cost of sales, as a percentage of revenue, decreased slightly by 1.81% in FYE 31 December 2009 compared to FYE 31 December 2008, as a result of better prices negotiated for the sale of consumables and services provided for customers with non-service contract during the year, which has resulted in slightly better margin.

Gross profit

From FYE 31 December 2008 to FYE 31 December 2009, our Group's gross profit improved by 19.69% or approximately RM3.968 million, from RM20.150 million to RM24.118 million, on the back of higher turnover. Our Group's gross profit margin increased slightly from 73.21% in FYE 31 December 2008 to 75.02% in FYE 31 December 2009.

This was mainly due to an increase in the sale of consumables during the year which resulted in an increase in gross profit of approximately RM4.665 million and an increase in the services provided for customers with non-service contract during the year which resulted in an increase in gross profit of RM0.925 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

The proportion of gross profit contribution to our Group from Datasonic Corporation dropped from 89.27% in FYE 31 December 2008 to 84.74% in FYE 31 December 2009. There is no major drop in the gross profit margin for Datasonic Corporation which remained in the range of 77% to 78%. However, the gross profit contribution from Datasonic Technologies to our Group increased from 10.73% in FYE 31 December 2008 to 15.26% in FYE 31 December 2009 as a result of better margins generated from services provided for customers with service contract and non-service contract during the financial year.

The gross profit margin for services provided for customers with non-service contract increased due to the provision of services for project management office for NGN project which has incurred operating cost and no direct cost. Therefore, the gross profit margin increased from 86.62% for the FYE 31 December 2008 to 96.95% for the FYE 31 December 2009. The gross profit margin for sale of cards decreased from 19.34% for the FYE 31 December 2008 to 16.73% for the FYE 31 December 2009 due to higher order for non-chip cards which has lower gross profit margin compared to chip cards. The gross profit margin for sale of equipment decreased from 48.22% for the FYE 31 December 2008 to 22.05% for the FYE 31 December 2009 mainly due to additional depreciation for new machineries.

In terms of gross profit by customer category, the gross profit margin after intercompany elimination for the Government sector has remained stable at approximately 78.00% for the FYE 31 December 2008 and FYE 31 December 2009. The gross profit margin after intercompany elimination for the non-Government sector has improved from 63.45% in FYE 31 December 2008 to 66.04% in FYE 31 December 2009 due to improvement in gross profit margin generated from sales made during FYE 31 December 2009.

Operating costs

Our operating costs which consist of administrative and other expenses increased by 28.73% or approximately RM2.560 million from RM8.909 million in FYE 31 December 2008 to RM11.469 million in FYE 31 December 2009. This was mainly due to one-off charge in relation to the expenses incurred in respect of our application for listing which was subsequently withdrawn, and increase in consultant fees, the number of employees, rental of premises and general expenses as set out below:

Operating costs	FYE 31 December		Difference		
	2008	2009	RM'000	%	Note
	RM'000	RM'000			
Listing expenses	-	836	836	100.00	(a)
Consultation fees	241	632	391	162.24	(b)
Salaries	2,780	3,085	305	10.97	(c)
Rental of premises	484	736	252	52.07	(d)
General expenses	7	258	251	3,585.71	(e)

Notes:

- (a) One-off charge in relation to the expenses incurred in respect of our application for listing which was subsequently withdrawn.
- (b) Consultant fees in relation to the NRD and HIS projects.
- (c) Increase in staff cost arising from the recruitment of 27 new staff.
- (d) Rental of new project office at Wisma UOA Pantai.
- (e) Consist mainly of refund to our customers in relation to the smart card personalisation services segment.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Other income

In FYE 31 December 2009, our Group recorded a lower level of other income of RM0.233 million as compared with other income of RM0.362 million in FYE 31 December 2008. This was mainly due to the unrealised foreign exchange gain of approximately RM0.160 million registered for the FYE 31 December 2008.

Finance costs

In FYE 31 December 2009, our Group recorded a higher level of finance costs of RM0.155 million as compared with finance costs of RM0.067 million for the FYE 31 December 2008. This was due to the full year finance costs incurred for existing bank borrowing and additional borrowings taken to finance the purchase of the property located in Jalan Gasing, Petaling Jaya, Selangor, during the year.

PBT

As a result of the foregoing factors, our Group's PBT increased by 10.32% or approximately RM1.191 million, i.e. from RM11.536 million in FYE 31 December 2008 to RM12.727 million in FYE 31 December 2009.

The PBT margin for the FYE 31 December 2009 decreased by approximately 2.32% from 41.91% in FYE 31 December 2008 to 39.59% in FYE 31 December 2009. Although the gross profit margin has increased from 73.21% in FYE 31 December 2008 to 75.02% in FYE 31 December 2009, the operating costs which consists of administrative and other expenses increased by 28.73% or approximately RM2.560 million from RM8.909 million in FYE 31 December 2008 to RM11.469 million in FYE 31 December 2009.

This was mainly due to one-off charge in relation to the expenses incurred in respect of our application for listing which was subsequently withdrawn, and increase in consultancy fees, the number of employees and rental of premises and general expenses.

Income tax expense

For the FYE 31 December 2009, our Group registered an increase in income tax expense by RM0.668 million to RM3.624 million compared to the income tax expense of RM2.956 million in the previous financial year. This was mainly due to an increase in PBT of RM1.191 million and an increase in taxable income of approximately RM0.836 million as a result of the add back of expenses incurred in respect of our listing application which was subsequently withdrawn.

PAT

Based on the foregoing factors, our Group's PAT consequently increased by 6.10% or approximately RM0.523 million, i.e. from RM8.580 million in FYE 31 December 2008 to RM9.103 million in FYE 31 December 2009.

FYE 31 December 2010 compared to FYE 31 December 2009**Revenue**

Our Group's revenue for the FYE 31 December 2010 increased by 23.02% or approximately RM7.402 million, from RM32.149 million in FYE 31 December 2009 to RM39.551 million in FYE 31 December 2010. This was mainly due to the increase in revenue generated from services provided for customers with service contracts, sale of equipment and smart card printer software development. The above has resulted in an increase in revenue of approximately RM13.103 million. However, the increase in revenue was partly offset by the decline in revenue from sales of consumables and smart card personalisation services by RM2.334 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Despite maintaining revenue of RM26.608 million for the FYE 31 December 2010 (FYE 31 December 2009: RM26.555 million), the proportion of contribution to our Group's revenue by Datasonic Corporation decreased to 61.56% in comparison with 82.42% in FYE 31 December 2009. This was mainly due to the increase in revenue contribution by Datasonic Technologies from RM5.663 million in FYE 31 December 2009 to RM16.615 million in FYE 31 December 2010.

In terms of revenue contribution by customer category, there was a decline in the proportion of contribution from the Government sector, from 69.76% in FYE 31 December 2009 to 55.29% in FYE 31 December 2010. The proportion of contribution from the non-Government sector increased from 30.24% in FYE 31 December 2009 to 44.71% in FYE 31 December 2010 from revenue generated by the NGN project in relation to the services provided for customers with service contracts.

Cost of sales

Our Group's cost of sales totalled RM14.155 million or 35.79% of our Group's revenue for the FYE 31 December 2010 which was higher as compared to RM8.031 million or 24.98% of our Group's revenue in FYE 31 December 2009. Unlike the previous financial year, cost of sales increased by 76.25% or RM6.124 million in FYE 31 December 2010 compared to FYE 31 December 2009, reflecting deterioration in margins. This was mainly attributed to the recruitment undertaken to build the required expertise and outsourcing of specific work to sub-contractors and other costs incurred of RM5.550 million in relation to the services provided for customers with service contracts.

Gross profit

Given the higher revenue, our Group's gross profit improved by 5.30% or approximately RM1.278 million, from RM24.118 million in FYE 31 December 2009 to RM25.396 million for the FYE 31 December 2010. However, our Group's gross profit margin declined significantly from 75.02% in FYE 31 December 2009 to 64.21% in FYE 31 December 2010. This was mainly due to the projects carried out by Datasonic Technologies which have a higher cost of sales of an average 65.42% of revenue in 2010 as compared to an average 35.02% of revenue in 2009.

In terms of gross profit contribution by companies, Datasonic Corporation was the main contributor and contributed 84.74% and 77.37% of our Group's gross profit for the FYE 31 December 2009 and FYE 31 December 2010 respectively. The lower proportion of gross profit contribution by Datasonic Corporation for the FYE 31 December 2010 was due to an increase in gross profit contribution by Datasonic Technologies of RM2.066 million.

In terms of gross profit generated by customer category, the Government sector contributed 66.29% of our Group's gross profit for the FYE 31 December 2010 as compared with 73.32% for the FYE 31 December 2009. This was mainly attributable to the increase in our Group's gross profit which was mainly derived from the non-Government sector.

The gross profit margin for services provided for customers with service contracts decreased from 81.46% for the FYE 31 December 2009 to 48.45% for the FYE 31 December 2010 due to the NGN project which has high cost of sales. The gross profit margin for sale of equipment increased from 22.05% for the FYE 31 December 2009 to 37.48% for the FYE 31 December 2010 due to increase in sales of decentralise desktop printers to a non-government categories. The gross profit margin for smart card printer software development decreased from 64.98% for the FYE 31 December 2009 to 39.89% for the FYE 31 December 2010 due to securing a project with higher cost of sales. The gross profit margin for smart card personalisation services decreased from 76.46% for the FYE 31 December 2009 to 68.67% for the FYE 31 December 2010 due to additional depreciation for new machineries.

Moving forward, our Group expects that the new contracts awarded in 2011 as disclosed in Section 5.5 of the Prospectus and our existing order book for our services provided for customers with service contracts and services provided for customers with non-service contracts as at 1 August 2011, would be able to contribute positively to the gross profit margin of these two (2) business segments.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

The gross profit margin for the sale of consumables is relatively higher due to the following factors:

- Datacard Corporation used to hold 49% equity interest in Datasonic Corporation and granted Datasonic Corporation the competitive pricing for the consumables. After Dibena's acquisition of Datasonic Corporation in 2006, our Group continues to enjoy the competitive pricing and further discount for bulk purchase;
- According to distributorship agreement, the purchase price is in US dollars and US dollars has weakened against Ringgit over the last few years; and
- In 2010, our management has managed to obtained approval from the Royal Malaysian Custom for the new classification of color and monochrome ribbons which removed the import duties and sales tax of these items.

Given the long established relationship with Datacard Corporation since 1983 and the relatively stable purchases of Datacard Corporation's products for the past three (3) FYE 31 December 2008 to 2010, we expect to be able to maintain similar profit margins going forward.

In terms of gross profit by customer category, the gross profit margin after intercompany elimination for the Government sector has remained stable at 78.93% for the FYE 31 December 2008 and 81.00% for the FYE 31 December 2009. For non-Government, the gross profit margin after intercompany elimination reduced from 66.04% for the FYE 31 December 2009 to 44.30% for the FYE 31 December 2010, mainly due to higher cost of sales incurred for the NGN project.

Operating costs

Our Group's operating costs which consist of administrative and other expenses, increased by 24.08% or approximately RM2.762 million from RM11.469 million in FYE 31 December 2009 to RM14.231 million in FYE 31 December 2010. This was mainly due to increase in professional fees, management fees, number of employees and depreciation.

Operating costs	FYE 31 December		Difference		Note
	2009	2010			
	RM'000	RM'000	RM'000	%	
Professional fees	138	1,446	1,308	947.83	(a)
Management fees	-	1,250	1,250	>100.00	(b)
Salaries	3,085	3,328	243	7.88	(c)
Depreciation	482	774	292	60.58	(d)

Notes:

- (a) Professional services fees rendered for marketing and feasibility study for project tender.
- (b) Comprise mainly management fees paid to Dibena Enterprise in respect of consultant management, rental of motor vehicle and telephone charges for the benefit of our Group pursuant to the Management Service Agreements entered between Datasonic Corporation and Dibena Enterprise on 2 August 2010 and between Datasonic Technologies and Dibena Enterprise on 2 August 2010.
- (c) Increase in staff cost due to the increase of 4 indirect headcounts, average increment of staffs' salary by 4% and compensation paid to buy out 2 staffs due to insufficient resignation notice given to their respective ex-employers.
- (d) Additions in furniture and fittings, computer equipment and office equipment for new project offices.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Other income

In FYE 31 December 2010, our Group recorded a higher total of RM0.326 million (FYE 31 December 2009: RM0.233 million) in other income. This was due to write back of bad debts due to changes in foreign exchange rates, write back of allowance for doubtful debts for debts recovered during the year and write back of slow-moving stocks.

Finance costs

In FYE 31 December 2010, our Group recorded a lower level of finance costs of RM0.133 million as compared with finance costs of RM0.155 million for the FYE 31 December 2009. This was due to part repayment of the borrowings which resulted in lower finance costs.

PBT

As a result of the foregoing factors, our Group's PBT for the FYE 31 December 2010 declined by 10.76% or approximately RM1.3769 million, i.e. from RM12.727 million in FYE 31 December 2009 to RM11.358 million in FYE 31 December 2010.

The PBT margin for the FYE 31 December 2010 decreased by approximately 10.87% from 39.59% in FYE 31 December 2009 to 28.72% in FYE 31 December 2010. This is due to the decline in the gross profit margin by 10.81% from 75.02% in FYE 31 December 2009 to 64.21% in FYE 31 December 2010.

In addition, the Group's operating costs increased by 24.08% or approximately RM2.762 million from RM11.469 million in FYE 31 December 2009 to RM14.231 million in FYE 31 December 2010. This was mainly due to increase in professional fees, management fees, number of employees and depreciation.

Income tax expense

Despite the lower PBT registered for the FYE 31 December 2010, our Group registered a marginal increase in income tax expense of RM0.122 million to RM3.746 million. This was due to additional income tax incurred of RM0.524 million as tax penalty due to an underprovision for the FYE 31 December 2006 and FYE 31 December 2007.

PAT

Based on the aforesaid factors, our Group's PAT consequently declined by 16.38% or approximately RM1.491 million for the FYE 31 December 2010, i.e. from RM9.103 million in FYE 31 December 2009 to RM7.612 million in FYE 31 December 2010.

FYE 31 December 2011 compared to FYE 31 December 2010**Revenue**

Our Group's revenue for the FYE 31 December 2011 increased by 98.24% or approximately RM38.856 million, from RM39.551 million in FYE 31 December 2010 to RM78.407 million in FYE 31 December 2011. This was mainly due to the increase in revenue generated from services provided for customers with service contracts, sale of equipment and sale of consumables. The aforementioned segments have contributed an increase in revenue of approximately RM44.568 million. However, the increase in revenue was partly offset by the decline in revenue from sales of cards and smart card printer software development by RM1.860 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Despite maintaining revenue of RM50.281 million for the FYE 31 December 2011 (FYE 31 December 2010: RM26.608 million), Datasonic Corporation's proportion of contribution to our Group's revenue decreased to 58.24% in comparison with 61.56% in FYE 31 December 2010. This was mainly due to the increase in revenue contribution by Datasonic Technologies from RM16.615 million in FYE 31 December 2010 to RM36.048 million in FYE 31 December 2011 due to new projects secured by Datasonic Technologies, i.e. provision of maintenance of data center and helpdesk system to the Immigration Department of Malaysia Helpdesk project and maintenance of passport printers.

In terms of revenue contribution by customer category, there was an increased in the proportion of contribution from the Government sector, from 55.29% in FYE 31 December 2010 to 77.89% in FYE 31 December 2011 from revenue generated by the new projects which have been awarded during the year 2011 i.e. Decentralised Printing Project in relation to the sale of equipment and sale of consumables, Helpdesk & Datacenter and Maintenance of Passport Machines for the Immigration Department of Malaysia in relation to the services provided for customers with service contract as well as maintenance project in relation to sale of consumables for the National Registration Department of Malaysia. Consequently, the proportion of contribution from the non-Government sector declined from 44.71% in FYE 31 December 2010 to 22.11% in FYE 31 December 2011.

Cost of sales

Our Group's cost of sales totalled to RM35.318 million or 45.04% of our Group's revenue for the FYE 31 December 2011 which was higher as compared to RM14.155 million or 35.79% of our Group's revenue in FYE 31 December 2010. This represents an increase of approximately 149.51% amounting to approximately RM21.163 million in FYE 31 December 2011 compared to FYE 31 December 2010, reflecting lower margins. This was mainly attributed to the recruitment undertaken to build the required expertise and outsourcing of specific work to sub-contractors and other costs incurred in relation to the new projects mentioned above.

Gross profit

Given the higher revenue, our Group's gross profit improved by 69.67% or approximately RM17.693 million, from RM25.396 million in FYE 31 December 2010 to RM43.089 million for the FYE 31 December 2011. However, our Group's gross profit margin declined significantly from 64.21% in FYE 31 December 2010 to 54.96% in FYE 31 December 2011. This was mainly due to the projects carried out by Datasonic Corporation which have a higher cost of sales of an average 43.05% of revenue in 2011 as compared to an average 26.15% of revenue in 2010.

In terms of gross profit contribution by companies, Datasonic Corporation was the main contributor with 77.37% and 66.46% of our Group's gross profit for the FYE 31 December 2010 and FYE 31 December 2011 respectively. The lower proportion of gross profit contribution by Datasonic Corporation for the FYE 31 December 2011 was due to an increase in gross profit contribution by Datasonic Technologies of RM14.452 million.

The increase in our Group's gross profit was mainly attributable from the Government sector in terms of gross profit generated by customer category. The Government sector contributed 77.91% of our Group's gross profit for the FYE 31 December 2011 as compared with 66.29% for the FYE 31 December 2010.

The gross profit margin for sale of consumables decreased from 81.09% for the FYE 31 December 2010 to 70.48% for the FYE 31 December 2011 although the gross profit for the FYE 31 December 2011 increased by RM2.500 million. The lower gross profit margin is due to the contribution of income which derived from new projects with lower gross profit margin as a result of higher consumable cost incurred for the Decentralised Printing Projects in 2011.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

The gross profit margin for sale of equipment decreased from 37.48% for the FYE 31 December 2010 to 30.85% for the FYE 31 December 2011 due to income derived from a new project which has relatively lower gross profit margin as a result of a higher equipment cost and additional depreciation of machineries which was transferred from inventories to machineries.

The gross profit margin for sale of smart card printer software development increased from 39.89% for the FYE 31 December 2010 to 71.40% for the FYE 31 December 2011. This is mainly due to the recognition of most of the software development cost in prior years and hence the cost incurred in FYE 31 December 2011 is mainly attributable to the marketing expenses in relation to our Group's software.

There is no material fluctuation of gross profit margin for the other categories of sales.

Operating costs

Our Group's operating costs which consist of administrative and other expenses, increased by 50.04% or approximately RM7.121 million from RM14.231 million in FYE 31 December 2010 to RM21.352 million in FYE 31 December 2011. The increased was mainly due to the following operating costs:

Operating costs	FYE 31 December		Difference		Note
	2010	2011	RM'000	%	
	RM'000	RM'000			
Consultation fees	358	1,911	1,553	433.80	(a)
Marketing expenses	217	952	735	338.71	(b)
Management fees	1,250	3,180	1,930	154.40	(c)
Professional fees	1,446	1,036	(410)	(28.35)	(a)
Bonus	-	1,053	1,053	>100.00	(d)
Salaries	28	257	229	817.86	(e)
Entertainment	157	530	373	237.58	(f)
Commission	28	257	229	817.86	(g)
EPF and SOCSO	497	738	241	48.49	(h)

Notes:

- (a) *The Consultation fees in FYE 31 December 2011 is higher as compared to FYE 31 December 2010 due to some of the professional fees have been classified as consultancy fees in FYE 31 December 2011. Thus, we should compared consultation fees and professional fees together.*

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Operating costs	FYE 31 December		Difference	
	2010	2011	RM'000	%
	RM'000	RM'000		
Consultation fees	358	1,911	1,553	433.80
Professional fees	1,446	1,036	(410)	(28.35)
Total	1,804	2,947	1,143	63.36

Based on the table above, the net increase is RM1.143 million. The increase is due to the consultation service provided on software development for new projects i.e. Decentralised Printing Project and the Immigration Department of Malaysia-Toppan & Helpdesk amounting to approximately RM1.272 million.

- (b) The increase was in relation to GMPC Project of RM30,000 and other potential projects of RM817,500.
- (c) The management fee was paid to Dibena Enterprise amounting to RM0.150 million per month and RM0.100 million per month by Datasonic Corporation and Datasonic Technologies respectively commencing from August 2010. The management fee for Datasonic Corporation increased to RM0.165 million per month effective January 2011 whereas there was no increased in the management fee for Datasonic Technologies.
- (d) The bonus consists of bonus paid for the FYE 31 December 2010 which amounting to RM0.323 million and provision for the FYE 31 December 2011 amounting to RM0.730 million.
- (e) The increase in salaries is due to the increase in number of employees..
- (f) The increased was in relation to the new projects.
- (g) The increase was due to rewarding the staff for successfully securing new projects for our Group.
- (h) The increase was due to higher salary and bonus.

Other income

In FYE 31 December 2010, our Group recorded RM0.326 million in other income as compared to FYE 31 December 2011 of RM0.143 million in other income. This was due to write back of bad debts from changes in foreign exchange rates, write back of allowance for doubtful debts for debts recovered and write back of slow-moving stocks during the FYE 31 December 2010. This write back did not occurred in FYE 31 December 2011.

Finance costs

In FYE 31 December 2011, our Group recorded a higher level of finance costs of RM0.163 million as compared with finance costs of RM0.133 million for the FYE 31 December 2010. This was due to additional borrowings and charges to finance new projects undertaken by our Group, which resulted in higher finance costs.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)**PBT**

As a result of the foregoing factors, our Group's PBT for the FYE 31 December 2011 increased by 91.20% or approximately RM10.359 million, i.e. from RM11.358 million in FYE 31 December 2010 to RM21.717 million in FYE 31 December 2011.

There is no material fluctuation to our Group's PBT margin. The PBT margin decreased by approximately 1.02% from 28.72% in FYE 31 December 2010 to 27.70% in FYE 31 December 2011.

Income tax expense

Our Group's income tax expenses increased by RM2.091 million from RM3.746 million in FYE 31 December 2010 to RM5.837 million in FYE 31 December 2011, representing an increase of approximately 55.82%. The increased in our Group's income tax expenses is due to the increased in our Group's profit before taxation as mentioned above.

PAT

Based on the aforesaid factors, our Group's PAT consequently increased by 108.62% or approximately RM8.268 million for the FYE 31 December 2011, i.e. from RM7.612 million in FYE 31 December 2010 to RM15.880 million in FYE 31 December 2011.

FPE 29 February 2012 compared to FPE 28 February 2011**Revenue**

Our Group's revenue for FPE 29 February 2012 increased by 137.11% or approximately RM10.012 million, from RM7.303 million in FPE 28 February 2011 to RM17.316 million in FPE 29 February 2012. This was mainly due to the increase in revenue generated from services provided for customers with service contracts, sale of cards and sale of consumable.

Despite achieving a revenue of RM9.910 million for FPE 29 February 2012 (FPE 28 February 2011: RM5.298 million), Datasonic Corporation's proportion of contribution to our Group's revenue decreased to 37.98% in comparison with 62.79% in FPE 28 February 2011. This was mainly due to the increase in revenue contribution by Datasonic Technologies from RM3.139 million in FPE 28 February 2011 to RM16.183 million in FPE 29 February 2012 mainly due to the continuation of projects secured by Datasonic Technologies, i.e. provision of maintenance of data center and helpdesk system to the Immigration Department of Malaysia Helpdesk project and maintenance of passport printers.

In terms of revenue contribution by customer category, there was an increase in the proportion of contribution from the Government sector, from 69.15% in FPE 28 February 2011 to 91.57% in FPE 29 February 2012 from revenue generated by the new project which have been implemented from January 2012 onwards i.e. new raw MyKad with 100% polycarbonate material in relation to the sale of cards.

The increase was also due to the continuation of other projects from the Government sector i.e. Immigration Department of Malaysia in relation to the services provided for customers with service contract and Decentralised Printing Project in relation to sale of consumables.

Consequently, the proportion of contribution from the non-Government sector declined from 30.85% in FPE 28 February 2011 to 8.43% in FPE 29 February 2012.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Cost of sales

Our Group's cost of sales totalled to RM6.296 million or 36.36% of our Group's revenue for FPE 29 February 2012 which was higher as compared to RM1.798 million or 24.62% of our Group's revenue in FPE 28 February 2011.

Cost of sales increased by 250.17% or RM4.498 million in FPE 29 February 2012 compared to FPE 28 February 2011. This was mainly attributed to the costs incurred in relation to the new raw MyKad with 100% polycarbonate material project as mentioned above.

Gross profit

Given the higher revenue, our Group's gross profit improved by 100.18% or approximately RM5.515 million, from RM5.505 million in FPE 28 February 2011 to RM11.020 million for FPE 29 February 2012. However, our Group's gross profit margin declined from 75.38% in FPE 28 February 2011 to 63.64% in FPE 29 February 2012.

In terms of gross profit contribution by companies, Datasonic Corporation was the main contributor with 76.88% and 67.56% of our Group's gross profit for FPE 28 February 2011 and FPE 29 February 2012 respectively. The lower proportion of gross profit contribution by Datasonic Corporation for FPE 29 February 2012 was due to an increase in gross profit contribution by Datasonic Technologies of RM3.638 million. The increase in gross profit for Datasonic Technologies was mainly due to the continuation of projects secured by Datasonic Technologies, i.e. provision of maintenance of data center and helpdesk system to the Immigration Department of Malaysia Helpdesk project and maintenance of passport printers.

In terms of gross profit generated by customer category, the Government sector contributed 91.90% of our Group's gross profit for FPE 29 February 2012 as compared with 70.10% for FPE 28 February 2011.

The gross profit margin for sale of consumables decreased from 80.17% for FPE 28 February 2011 to 35.86% for FPE 29 February 2012. The decrease was partly due to the lower gross profit margin contribution from the Decentralised Printing Project in relation to sale of consumables as a result of the higher consumable cost for this project.

The gross profit margin for sale of cards increased from 28.13% for FPE 28 February 2011 to 45.99% for FPE 29 February 2012 mainly due to the commencement of delivery of the new raw MyKad with 100% polycarbonate material project to the NRD during FPE 29 February 2012.

The gross profit margin for Smart card personalisation services decreased from 74.38% for FPE 28 February 2011 to 60.11% for FPE 29 February 2012 due to lower order received during the financial period while the fixed costs, such as depreciation of equipment expenses, remain similar to the FPE 28 February 2011.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Operating costs

Our Group's operating costs which consist of administrative and other expenses, increased by 34.16% or approximately RM0.866 million from RM2.535 million in FPE 28 February 2011 to RM3.401 million in FPE 29 February 2012. This was mainly due to increase in consultation fees, marketing fees and management fees.

Operating costs	FPE 28 February	FPE 29 February	Difference		Note
	2011	2012	RM'000	%	
	RM'000	RM'000	RM'000	%	
Consultation fees	147	822	675	459.18	(a)
Marketing expenses	30	360	330	1,100.00	(b)
Management fees	530	-	(530)	(100.00)	(c)

Notes:

- (a) *The Consultation fees in FPE 29 February 2012 is higher as compared to FPE 28 February 2011, due to the following:*
- (i) *Our Group has now directly engaged the services of the consultants, previously engaged by Dibena Enterprise, to promote and source for new projects for our Group;*
 - (ii) *To advise on the establishment of the implementation process with regards to the new raw MyKad with 100% polycarbonate material project, as well as the sharing of technical knowledge; and*
 - (iii) *In relation to potential projects proposal or tender.*
- (b) *The increase was in relation to marketing expenditures for new and potential projects.*
- (c) *The management fees of RM0.165 million per month and RM0.100 million per month payable by Datasonic Corporation and Datasonic Technologies respectively to Dibena Enterprise was terminated with effect from January 2012.*

Other income

In FPE 29 February 2012, our Group recorded a higher other income of RM0.348 million as compared to FPE 28 February 2011 of RM0.021 million. The increase was mainly due to realised and unrealised gain on foreign exchange amounting to RM0.278 million during the FPE 29 February 2012.

Finance costs

In FPE 29 February 2012, our Group recorded a higher level of finance costs of RM0.102 million as compared with RM0.031 million for FPE 28 February 2011. The increase was mainly due to additional borrowings and charges for the acquisition of Wisma Sinflora which resulted in the higher finance costs.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

PBT

As a result of the foregoing factors, our Group's PBT for FPE 29 February 2012 increased by 165.71% or approximately RM4.905 million, i.e. from RM2.960 million in FPE 28 February 2011 to RM7.865 million in FPE 29 February 2012.

The PBT margin for FPE 29 February 2012 increased by approximately 4.89% from 40.53% in FPE 28 February 2011 to 45.42% in FPE 29 February 2012. There is no material fluctuation on PBT margin.

Income tax expense

Our Group registered an increased in income tax expenses of RM1.460 million from RM0.710 million in FPE 28 February 2011 to RM2.170 million in FPE 29 February 2012, representing an increase of approximately 205.63%. The increase was mainly due to the higher PBT in FPE 29 February 2012 as well as under provision of income tax expenses in FPE 28 February 2011.

PAT

Based on the aforesaid factors, our Group's PAT consequently increased by 153.11% or approximately RM3.445 million for FPE 29 February 2012, i.e. from RM2.250 million in FPE 28 February 2011 to RM5.695 million in FPE 29 February 2012.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.4 Liquidity and capital resources

(i) Working capital

Our business has been financed via a combination of internal and external sources of funds. The former comprises our shareholders' equity and cash generated from our operations. The latter mainly comprises bank borrowings.

Our principal utilisations of funds have been for working capital and purchase of property, plant and equipment. As at the end of 29 February 2012, we had cash and cash equivalents of RM2.878 million (after adjusting for dividend payment of RM7.000 million) and term loans of RM5.167 million, before taking into consideration the proceeds to be raised from the Public Issue. As at LPD, our Group has cash and cash equivalents of RM8.186 million (after providing for the amount pledged for banking facilities of RM6.599 million and dividend payment of RM7.000 million, which was paid on 24 July 2012).

Further, as at 29 February 2012, we have bank guarantee facility available to our Group amounting to RM9.276 million, out of which RM7.157 million has been utilised, with a balance of RM2.119 million available. Out of the total RM7.157 million bank guarantee facility utilised, approximately RM2.875 million will be discharged in the financial period from March 2012 to December 2012 and shall be available should our Group need additional bank guarantee facility.

Our Directors are of the opinion that, after taking into consideration the cash and cash equivalents, the expected funds to be generated from operating activities, amounts available under our existing banking facilities, new banking facilities which may be granted to our Group and the proceeds expected to be raised from the Public Issue, our Group will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

(ii) Cash flows

A summary of our Group's proforma cash flow position as at 29 February 2012 based on the proforma consolidated statement of cash flows as set out in Section 11.3 of this Prospectus is as follows:

FPE 29 February 2012	RM'000
Net cash generated from operating activities	8,158
Net cash used in investing activities	(917)
Net cash used in financing activities	(12,689)
Net decrease in cash and cash equivalents	(5,448)
Cash and cash equivalents at beginning of financial year	8,326
Cash and cash equivalents at end of financial year*	2,878
Current ratio (times) ^	2.94

Notes:

* Components of cash and cash equivalents as at 29 February 2012:

	<u>RM'000</u>
Fixed deposits with licensed banks - Pledged	2,003
Cash and bank balances - Pledged	3,378
Cash and bank balances	4,497
	<u>9,878</u>
Dividend paid	<u>(7,000)</u>
	2,878

^ Computed based on current assets divided by current liabilities.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Brief commentaries on our Group's consolidated cash flow statement for the FPE 29 February 2012 are as follows:

Net cash flow generated from operating activities

For FPE 29 February 2012, our Group generated a positive net cash flow from operating activities amounting to RM8.158 million. This was mainly attributable to PBT registered for the financial year of RM7.865 million.

Net cash flow used in investing activities

For FPE 29 February 2012, the net cash used in investing activities amounted to RM0.917 million. This was mainly due to R&D expenditures mainly for the OS for new MyKad / new full polycarbonate cards of RM0.352 million which was capitalised as development costs. Our Group also utilised RM0.631 million for the purchase of plant and equipment.

Net cash flow used in financing activities

For FPE 29 February 2012, the net cash used in financing activities amount to RM12.689 million. This was mainly due to the dividend payment of RM7.000 million and repayment of term loan of RM5,804 million during the FPE 29 February 2012 for the property purchased and the financing taken for the Decentralised Printing Project by Datasonic Corporation.

(iii) Borrowings

As at 29 February 2012, our Group had total outstanding bank borrowings of RM5.167 million, all of which are interest-bearing, secured and denominated in RM, the details of which are set out below:

Outstanding bank borrowings as at 29 February 2012	RM'000
<u>Long term borrowings (interest-bearing):</u>	
- Term loan	4,105
<u>Short term borrowings (interest-bearing):</u>	
- Term loan	1,062
Total borrowings	5,167
Gearing ratio (times) ^	0.11

Note:

^ Computed based on total interest-bearing borrowings over our proforma shareholders' funds attributable to our Group (after the Acquisitions but before the Public Issue and utilisation of proceeds) as at 29 February 2012 of RM RM48.519 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Both our Group's short term and long term borrowings are term loans.

As at 29 February 2012, our Group did not have any fixed rate borrowings while the amount for floating rate borrowings amounted to RM5.167 million. For FPE 29 February 2012, the weighted average effective interest rate for bank borrowings ranged from 4.95% to 6.10%..

There was no default on payments of either interest and/or principal sums in respect of any borrowings throughout FYE 31 December 2011 and up to the LPD. Our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations, or the investments by holders of securities in us.

Currently, our Group does not have any interest rate hedging policy or any foreign borrowings. We will monitor the interest rate movement and will take the necessary steps to minimise interest rate risk whenever deemed appropriate such as implementing a hedge policy. We will endeavour to manage our interest rate risk by maintaining a mix of fixed and floating rate borrowings where necessary. However, no assurance can be given that any future significant movement in interest rate will not have a material adverse impact on our business, operating results and financial position.

(iv) Treasury policies and objectives

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

The normal credit terms granted to our Group by our suppliers range from 30 days to 60 days due to the good relationship which we have established with our suppliers. Our Group's borrowings from financial institutions consist of term loans which are used for the purchase of property and equipment. In addition, our Group has bank guarantee facility which is used for issuance of performance bond, tender bond and security deposit.

Our short term borrowings are the portion of term loans which are payable within one (1) year. The interest rates for these short term borrowings are based on the prevailing cost of funds plus or minus a margin as the case may be as agreed upon by our bankers when the respective term loans were granted.

Our long term borrowings are the portion of term loans which are payable after one (1) year. The interest rates for these long term borrowings are based on the prevailing cost of funds minus a margin as agreed upon by our bankers when the respective term loans were granted.

The decision to either utilise banking facilities or internally generated funds for our operations depend on, inter alia, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, inter alia, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(v) Financial instruments for hedging purposes

The functional and reporting currency of our Group is in RM.

For the FYE 31 December 2011 and the FPE 29 February 2012, approximately 63.53% and 70.97% of our Group's purchases came from the overseas market. Therefore, our Group is subject to fluctuating currency exchange risk. Our Group does not have any export sales.

Our foreign currency risk is mitigated by maintaining foreign currency accounts for the purpose of holding foreign currencies for future payments on purchases to be transacted in foreign currencies. We constantly monitor our foreign exchange exposure and will convert part of our cash into foreign currency as and when it is necessary, mainly based on expected payments to be made in near future and our expectation on the movement of the exchange rate.

As at the LPD, our Group did not have any forward foreign exchange contract. Our Group will endeavour to regularly monitor foreign currency exposures and review the need to enter into any forward foreign exchange contract.

Our Group has not entered into any interest rates swap to hedge against the possibility of adverse fluctuations in the interest rates. Our Group will endeavour to manage our interest rate exposure by maintaining a mix of fixed and floating rate borrowings where necessary.

(vi) Capital expenditure and divestment

Our Group's capital expenditure and divestment for the past four (4) FYE 31 December 2008 to 2011 and up to the LPD is as follows:

Investments	Audited					Unaudited
	< ----- FYE 31 December ----- >				FPE 29 February	Up to the LPD
	2008	2009	2010	2011	2012	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land	2,155	-	-	2,600	-	-
Buildings	533	30	-	1,911	33	97
Office equipment	298	223	668	256	31	63
Furniture and fittings	413	26	10	68	19	37
Motor vehicles	5	-	-	626	-	-
Machinery	2,579	1,131	1,031	546	547	1,899*
Renovation	-	-	-	42	-	-
Computer equipment	186	52	69	436	-	12
Total investments	6,169	1,462	1,778	6,485	630	2,108

Note:

* The amount was incurred to purchase one (1) additional demonstration unit of MX6000 and two (2) units of machines used for the production of our Group's four (4) million new raw MyKad with 100% polycarbonate material, new security features, OS and chips to NRD.

12. **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)**

Divestment	Audited					Unaudited Up to the LPD
	< ----- FYE 31 December ----- >				FPE 29 February	
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	RM'000
Leasehold land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Office equipment	1	3	9	-	-	10
Furniture and fittings	1	-	81	-	-	79
Motor vehicles	1	-	-	-	-	-
Machinery	-	-	-	-	-	-
Renovation	-	-	-	-	-	-
Computer equipment	3	2	-	-	-	-
Total divestment	6	5	90	-	-	89

For the financial years and financial period under review, our capital expenditure was mainly concentrated on the purchase of leasehold land, machineries for R&D and smart card personalisation which is in line with our efforts to expand our business operations to meet the increase in demand for our services and products.

Save as disclosed above and in Section 3.6, 6.12, 6.14.1 and 6.15.1(ii) of this Prospectus, we do not have any material plan on capital expenditure and divestment as at the LPD.

(vii) **Material capital commitments**

As at the LPD, save as disclosed in the table below, our Board is not aware of any material capital commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on our financial results / position.

	RM'000
Approved but not contracted for:	
Renovation for new headquarter cum RPS centre	2,900
Acquisition / purchase of new manufacturing plant for production of smart cards	8,000
Renovation of manufacturing plant	1,680
Total capital commitments	12,580

The above said capital expenditure will be financed via proceeds from the IPO, internally generated funds and/or bank borrowings.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(viii) Material Contingent Liabilities

As at the LPD and save as disclosed below, our Board is not aware of any material contingent liability, which in the opinion of our Board, will or may substantially affect our financial results or position upon becoming enforceable.

	Notes	RM'000
Bank guarantees given by Datasonic Corporation on behalf of Dibena Enterprise to GMPC	(a)	1,187
Bank guarantees given by Datasonic Technologies on behalf of Dibena Enterprise to Huawei Technologies (Malaysia) Sdn Bhd	(b)	1,448

Notes:

- (a) As a sub-contractor to Dibena Enterprise, Datasonic Corporation had issued performance bond in the form of bank guarantees to GMPC for the service provided for customer with service contract and sale of consumables in relation to NRD project.
- (b) As a sub-contractor to Dibena Enterprise, Datasonic Technologies had issued performance bond in the form of bank guarantees to Huawei Technologies (Malaysia) Sdn Bhd for the service provided for customer with service contract in relation to NGN project.

Dibena Enterprise undertakes to replace the said bank guarantees with bank guarantees issued by Dibena Enterprise to GMPC Corporation and Huawei Technologies (Malaysia) Sdn Bhd prior to the issuance of the Prospectus. As at the date of the Prospectus, Dibena Enterprise has provided the said bank guarantees to GMPC Corporation and Huawei Technologies (Malaysia) Sdn Bhd to replace the bank guarantees given by our Group. Our Group has retrieved and cancelled the bank guarantee provided to Huawei Technologies (Malaysia) Sdn Bhd and is in the midst of retrieving and cancelling the bank guarantee provided to GMPC. Nevertheless, our Group has informed GMPC Corporation that the bank guarantees provided are no longer valid and effective.

(ix) Material litigation, claims or arbitration

Save as disclosed in Section 15.4 of this Prospectus, as at the LPD, neither our Company nor our Group is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our Group and our Board has no knowledge of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Company or our Group.

(x) Key financial ratios

The key financial ratios of our Group for the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012 are as follows:

	< ----- FYE 31 December ----- >				FPE 29 February
	2008	2009	2010	2011	2012
Trade receivables turnover ratio (months) ⁽¹⁾	1.00	2.02	1.48	1.49	0.35
Trade payables turnover ratio (months) ⁽²⁾	4.70	3.61	1.65	3.70	1.61
Inventory turnover ratio (months) ⁽³⁾	5.59	5.30	3.72	0.74	0.43

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Notes:

- (1) Trade receivables as at respective financial year / financial period over revenue.
- (2) Trade payables as at respective financial year / financial period over cost of sales.
- (3) Inventory as at respective financial year / financial period over cost of sales.

Trade receivables turnover

Our Group's normal credit period granted to our customers ranges from 30 days to 60 days. Other credit terms are assessed and approved on a case-to-case basis.

Generally, over the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012, our Group's trade receivables turnover period is within the specified credit period.

The ageing analysis of our Group's trade receivables as at 29 February 2012 is as follows:

As at 29 February 2012	Within credit period		Exceeding credit period			Total RM'000
	0-30 days	31-60 days	61-90 days	91-180 days	>180 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Trade receivables	561	1,033	1,158	276	991	4,020
Less: Allowance for doubtful debts	-	-	-	-	(988)	(988)
	561	1,033	1,158	276	3	3,032
Accrued income	21,831	-	-	-	-	21,831
Total Trade Receivables	22,392	1,033	1,158	276	3	24,863
% of total trade receivables (%)	90.06	4.16	4.66	1.11	0.01	100.00
Total Subsequent Collection	20,607	1,033	1,148	236	4	23,028
% Subsequent Collection	89.49	4.49	4.98	1.02	0.02	100.00

As at the LPD, we have collected approximately RM23.028 million of the total trade receivables outstanding as at FPE 29 February 2012. We have collected RM1.388 million or 96.59% of the amount exceeding the credit period. Our Directors are of the opinion that the remaining approximately RM0.049 million or 3.41% of the amount exceeding the credit period (net of provision for doubtful debts) are recoverable after taking into consideration the long-term relationship with most of these customers and the various credit control measures implemented by us to minimise the incidence of customer default.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Trade payables turnover

Our Group's normal payment credit period granted by our suppliers ranges from 30 days to 60 days. Our Group believes that the timely settlement of our trade payables will benefit our Group for more favourable pricings from our suppliers. The timely settlement also enhances our good relationship with these suppliers.

Over the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012, our Group's payables turnover period exceeded the specified credit period. Nevertheless, our Group's payables turnover ratio has been declining from 4.70 months for the FYE 31 December 2008 to 1.61 months in FPE 29 February 2012 due to prompt payment by our Group.

For the FYE 31 December 2008, the trade payables turnover ratio was higher as compared to the three (3) subsequent financial years and the FPE 29 February 2012 under review because of higher purchases made in the month of December for consumables and equipment to be held as stock.

For the FYE 31 December 2009, the trade payables turnover ratio was higher than the normal payment credit period due to higher purchases made in the month of December for consumables.

For the FYE 31 December 2011, the trade payables turnover ratio exceed the normal payment credit period due to higher purchases made in the month of December for the new raw MyKad with 100% polycarbonate material project.

The ageing analysis of our Group's trade payables as at 29 February 2012 is as follows:

As at 29 February 2012	Within credit period		Exceeding credit period			Total RM'000
	0-30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-180 days RM'000	>180 days RM'000	
Trade payables	1,497	1,065	863	709	935	5,069
% of total trade payables (%)	29.53	21.02	17.02	13.99	18.44	100.00

The trade payables exceeding the normal payment credit period amounting to RM2.507 million was mainly due to the extended credit term granted by our suppliers for the provision of maintenance services to the data center and helpdesk system in the Immigration Department of Malaysia project and supply of four (4) million of new raw MyKad with 100% polycarbonate material, new security features, OS and chips to NRD project. As at the LPD, 93.02% of the amount exceeding credit period has been fully settled.

As at the LPD, no legal or other action has been taken against us due to non-payment or late payment in the amount owed to our trade suppliers.

Inventory turnover

Our inventories consist of spare parts, consumables, equipment and software. Our Group's practice is to maintain a sustainable level of inventories to support operations, to reduce lead time for our operations and prevent shortages of spare parts in our operations. The inventory turnover period has declined from approximately 5.59 months for the FYE 31 December 2008 to approximately 0.43 months for the FPE 29 February 2012. The significant reduction in the inventory turnover period for the FPE 29 February 2012 was due to the significant increase in the cost of sales, as set out in Section 12.1 of this Prospectus as well as the lower inventory level kept by our Group.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Current ratio and gearing ratio

The current ratio and gearing ratio of our Group for the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012 are as follows:

	< ----- FYE 31 December ----- >				FPE 29 February
	2008	2009	2010	2011	2012
Current ratio (times)	6.23	7.64	4.35	2.15	2.94
Gearing ratio (times)	0.08	0.05	0.05	0.22	0.11

Our Group's current ratio exhibits that we have the ability to meet its debts as and when they come due and with surplus working capital. The surplus working capital comprise mainly of trade receivables and cash and cash equivalents which are easily convertible to cash.

Our Group's gearing ratio is on a decreasing trend from FYE 31 December 2008 to 2010 due to the repayment of the earlier borrowings. However the gearing ratio increase to 0.22 times for the FYE 31 December 2011 from 0.05 times for the FYE 31 December 2010 as our Group has drawn down a term loan as a project financing for the purchase of equipment, such as MX6000 and LCP9000 in relation to the Decentralised Printing Project. As at LPD, this term loan has been fully repaid. The increased was also due to part finance the acquisition of Wisma Sinflora. Please refer to Section 6.15.1(ii) of this Prospectus for further details on Wisma Sinflora. The reduction in our Group's gearing ratio for the FPE 29 February 2012 was due to the repayment of the previously drawn down term loan for the purchase of equipment in relation to the Decentralised Printing Project. This ratio shows that we are predominantly financed by equity with minimal reliance on borrowings for a significant proportion of our capital requirements.

12.2.5 Trend analysis

The following discussion regarding industry trends includes forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those projected in these forward-looking statements.

For the financial years under review up to the LPD, our Board has observed the following trends based on the sales and operations of our Group:

(i) Steady growth of smart cards market

As mentioned in the IMR Report, the smart cards market in Malaysia was estimated to have reached RM482.6 million in 2011. Growth in the market is further expected to continue with a CAGR of 3.7% from 2012 to 2016, bringing the total market to reach a size of RM576.3 million.

In contrast, the smart card solutions market in Malaysia was estimated to have reached RM258.7 million in 2011. Growth in the market is further expected to continue with a CAGR of 4.5% from 2012 to 2016, bringing the total market to reach a size of RM319.3 million.

As a whole, the growth rates for the smart cards market and the smart cards solutions market in Malaysia from next year onwards are also expected to increase steadily, between 3.4% to 3.9% for the former; and between 3.5% to 4.8% for the latter.

The market outlook for both these markets is therefore positive, with demand being driven from existing applications, adoption by new market areas, new technology and improvements as well as new applications being driven by the Government and non-Government sectors. With the positive market outlook for both the above markets, market players including ourselves are expected to benefit and continue to grow during the forecast period.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)**(ii) Continued support by the Government and Non-Government Sectors**

The smart cards market in Malaysia has been given the biggest impetus for growth at the initial stages due to Government support via the GMPC and the non-Government sector support in the PMPC initiative. The historical push by the Government and the non-Government sectors in the use of smart cards has brought about a vibrant market which is expected to continue in its growth trend and new developments in smart cards applications are expected to enhance the use of smart cards across the industries. The continued support by both the Government and non-Government sectors has ensured that Government policies, initiatives and regulations are pro-industry and positive for the market. All these initiatives and developments will bode well for the smart cards industry in which we are expected to benefit in the growing market in the form of smart cards, solutions, services and other applications.

(iii) Reliable and constant supply of raw materials

There is a ready and stable supply of raw materials such as IC chips for smart card manufacturers in Malaysia. Raw materials, such as smart card IC chips are easily available from Europe, South Korea, China, Taiwan and Singapore. The emergence of these global scale manufacturers / suppliers has further reduced the risk of over-reliance on any particular country / region in the supply of raw materials.

(iv) Selling price of our products and solutions

Our Group has been in the business of secure ID and smart card personalisation system and solutions since 1990s and we offer our solutions and services across the governmental and non-Government sectors. We have established long-term relationships with most of our customers. The selling price of our products is generally maintained at a stable level except for some scenarios where we have been able to pass on our savings arising from lower cost of material and/or increase in production efficiency to our customers in recognition of their continued support and contribution to our business.

In addition, in view of the threats of increased competition and availability of substitutes in the market that we operate, our Board believes that we would be able to maintain our selling prices and move away from the direct competition by providing more value added product and service and customised software solutions and project management services through our technical capabilities, experience and know-how, proven track record as well as our established presence across the markets and industries.

Save as disclosed above, our Directors are not aware of any circumstances which would result in significant adverse fluctuations of our gross profit margins.

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

- (i) other known trends, demands, commitments, events or uncertainties that have had or that we expect to have, a material favourable or unfavourable impact on our Group's financial performance, position, operations and liquidity and capital resources other than those discussed in this section, Sections 4, 6 and 7 of this Prospectus;
- (ii) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position;
- (ii) material commitments for capital expenditure; and

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

- (iv) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, positions and operations of our Group.

12.3 CAPITALISATION AND INDEBTEDNESS

The following information shall be read in conjunction with the Reporting Accountants' Letter on Proforma Consolidated Financial Information and Accountants' Report set out in Sections 11.4 and 13 of this Prospectus.

The following table shows our Group's cash and cash equivalents, capitalisation and indebtedness:

- (i) based on our proforma financial position as at 29 February 2012; and
(ii) as adjusted for the proceeds arising from our IPO.

	Audited	After
	As at 29 February 2012 [^]	Public Issue
	RM'000	RM'000
Cash and cash equivalents	2,878	9,088
Indebtedness		
<i>Current</i>		
Term loans	1,062	1,062
<i>Non-current</i>		
Term loans	4,105	4,105
Total indebtedness	5,167	5,167
Shareholders' equity	48,519	86,619
Total capitalisation and indebtedness	53,686	91,786

Note:

- [^] Based on the proforma financial information after taking into account the Acquisition and dividend payment.

The indebtedness shown in the table above are guaranteed, secured and interest-bearing in nature.

12.4 ORDER BOOK

As at the LPD, we have secured total contracts amounting to RM531.564 million as follows:

Segment	Value
	RM'million
Sales of products and provision of services:	
• Services provided for customers with service contract	80.494
• Sale of equipment	26.519
• Services provided for customers with non-service contract	2.068
Sale of consumables	63.244
Sale of cards	357.800
Sale of equipment and smart card printer software development	1.439
Total	531.564

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Out of the total contracts amounting to RM531.564 million, of which RM81.769 million has been recognised in the past four (4) FYE31 December 2008 to 2011. Approximately RM116.407 million is expected to be recognised during the FYE 31 December 2012.

Nevertheless, our total contract may not result in the actual realisation of our revenue as the revenue will only be recognised:

- (i) upon delivery of goods and customer's acceptance and where applicable, net of returns and trade discounts; and/or
- (ii) upon rendering of services and when the outcome of the transaction can be estimated reliably.

Therefore, our contract value as stated above may not be indicative of our revenue for any succeeding period.

12.5 IMPACT OF INFLATION

Our Group's financial performances for the past four (4) FYE 31 December 2008 to 2011 and the FPE 29 February 2012 were not materially affected by the impact of inflation. Nevertheless, although we believe that we will be able to pass on any future increase in the price of raw materials and cost of our operations to our customers, we cannot assure you that any future increase in inflation rates will not have an impact on our business and performance.

12.6 GOVERNMENT / ECONOMIC / FISCAL / MONETARY POLICIES

Risks relating to Government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 4 of this Prospectus. Save for the risks disclosed in Section 4 of this Prospectus and to the best of our knowledge, there are no Government, economic, fiscal or monetary policies or factors that have had a material impact on our profitability and financial position.

12.7 DIVIDEND POLICY

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to declare dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Our Board will consider the following factors that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (i) The level of cash and level of indebtedness;
- (ii) Required and expected interest expense, cash flow, our profits and return on equity and retained earnings;
- (iii) Our expected results of operations and future level of operations; and
- (iv) Our projected levels of capital expenditure and other investment plans.

The payment and amount of any dividends and distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above. There can be no assurance as to whether dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

13. ACCOUNTANTS' REPORT



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8 June 2012

The Board of Directors
Datasonic Group Berhad
Level 6, Bangunan Setia 1,
No. 15 Lorong Dungun,
Damansara Heights,
50490 Kuala Lumpur.

Dear Sirs

**DATASONIC GROUP BERHAD ("Datasonic")
ACCOUNTANTS' REPORT**

1. PURPOSE OF REPORT

This report has been prepared by Messrs. Crowe Horwath, an approved company auditor and a firm of chartered accountants registered in Malaysia, for inclusion in the Prospectus of Datasonic in connection with the listing of Datasonic on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in paragraph 2.2 of this report.

2. DETAILS OF THE LISTING SCHEME

2.1 THE COMPANY

Datasonic was incorporated in Malaysia on 13 March 2008 under the Companies Act 1965 as a public limited company. Datasonic is principally engaged in the business of investment holding.

13. ACCOUNTANTS' REPORT (Cont'd)



2.2 LISTING SCHEME

The listing scheme comprises the following events:-

- (a) Acquisition of Datasonic Corporation Sdn. Bhd. ("Datasonic Corporation")
- (i) Datasonic acquired the entire equity interest in Datasonic Corporation of RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM19,441,000 satisfied entirely by the issuance of 38,882,000 Datasonic shares at an issue price of RM0.50 per Datasonic Share.

Pursuant to the conditional Share Sale Agreement dated 24 June 2011, Datasonic acquired the entire equity interest in Datasonic Corporation from the existing shareholders of Datasonic Corporation as follows:

Shareholders of Datasonic Corporation	No. of Datasonic Corporation Shares held	%	No. of new Datasonic Shares issued
Dibena Enterprise Sdn Bhd	7,550,000	75.50	29,356,000
Dato' Abu Hanifah Bin Noordin	2,449,999	24.50	9,525,996
Nor'aini Binti Mat	1	*	4
Total	10,000,000	100.00	38,882,000

Note:

* Negligible

The purchase consideration of RM19,441,000 was arrived at on a willing buyer-willing seller basis and represents approximately the audited net assets of Datasonic Corporation as at 31 December 2010 of RM19,440,600.

- (ii) Dato' Abu Hanifah Bin Noordin assigned his rights to receive net dividend declared from Datasonic Corporation amounting to RM6,174,000 to Datasonic for a consideration of RM6,174,000 which is satisfied by the issuance of 12,348,000 Datasonic shares at an issue price of RM0.50 per Datasonic share.
- (iii) Datasonic Corporation has two subsidiaries. They are 99.99% owned Hong Zhong Systems & Solutions (HK) Ltd ("Hong Zhong") and 51% owned Million Mega Network Sdn Bhd ("Million Mega"). As part of the Listing Scheme, Datasonic Corporation will dispose of Hong Zhong and Million Mega to Dibena Enterprise for a consideration of RM1.00 and RM765,000 respectively.

13. ACCOUNTANTS' REPORT (Cont'd)



2.2 LISTING SCHEME (CONT'D)

(b) Acquisition of Datasonic Technologies Sdn. Bhd. ("Datasonic Technologies")

Datasonic acquired the entire equity interest in Datasonic Technologies of RM7,466,667 comprising 7,466,667 ordinary shares of RM1.00 each for a total purchase consideration of RM9,098,000 satisfied entirely by the issuance of 18,196,000 Datasonic Shares at an issue price of RM0.50 per Datasonic Share.

Pursuant to the conditional Share Sale Agreement dated 24 June 2011, Datasonic acquired the entire equity interest in Datasonic Technologies from the existing shareholder of Datasonic Technologies as follows:

Shareholder of Datasonic Technologies	No. of Datasonic Technologies Shares held	%	No. of new Datasonic Shares issued
Dibena Enterprise Sdn Bhd	7,466,667	100.00	18,196,000

The purchase consideration of RM9,098,000 was arrived at on a willing buyer-willing seller basis and represented approximately the audited net assets of Datasonic Technologies as at 31 December 2010 of RM9,098,508.

(c) Acquisition of Smart Consult Solutions Sdn. Bhd. ("Smart Consult Solutions")

Datasonic acquired the entire equity interest in Smart Consult Solutions of RM100,001 comprising 100,001 ordinary shares of RM1.00 each for a total purchase consideration of RM100,000 satisfied entirely by the issuance of 200,000 Datasonic Shares at an issue price of RM0.50 per Datasonic Share.

Pursuant to the Share Sale Agreement dated 24 June 2011, Datasonic acquired the entire equity interest in Smart Consult Solutions from the existing shareholder of Smart Consult Solutions as follows:

Shareholder of Smart Consult Solutions	No. of Smart Consult Solutions Shares held	%	No. of new Datasonic Shares issued
Dibena Enterprise Sdn Bhd	100,001	100.00	200,002

The purchase consideration RM100,000 was arrived at on a willing buyer-willing seller basis and represented approximately the paid-up capital of Smart Consult Solutions as at 31 December 2010 of RM100,001.

13. ACCOUNTANTS' REPORT (Cont'd)



2.2 LISTING SCHEME (CONT'D)

(d) Public Issue

In conjunction with the Listing, Datasonic will undertake a public issue of 20,373,996 new Shares, representing approximately 22.64% of our enlarged issued and paid-up share capital at the IPO Price to be allocated in the following manner:

Public Issue	No. of New Datasonic Shares to be allotted	% of the Enlarged Share Capital
Malaysian public of which at least 50% shall be set aside for bumiputera investors including individuals, companies, societies, co-operatives and institutions	6,000,000	6.67
Eligible directors, employees and persons who have contributed to the success of the Group	4,009,996	4.46
Bumiputera investors approved by the Ministry of international Trade and Industry	8,517,000	9.46
Placement to selected investors	1,847,000	2.05
	20,373,996	22.64

(e) Offer for Sale

The Offeror will offer up to 7,932,000 Offer Shares, representing approximately up to 8.81% of the enlarged issued and paid-up share capital to selected investors, identified by Datasonic or our Placement Agent.

(f) Proposed Listing

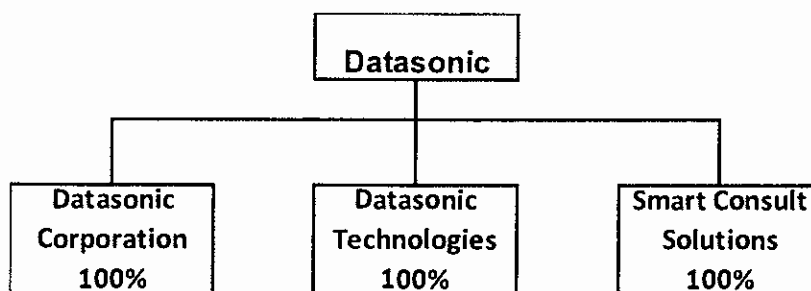
The admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of RM45,000,000 comprising 90,000,000 Datasonic Shares on the Main Market of Bursa Securities will be sought.

13. ACCOUNTANTS' REPORT (Cont'd)



3 GROUP STRUCTURE

The Group structure of Datasonic as at the date of this report is as follows:-



Datasonic is an investment holding company to facilitate the listing exercise. Details of the subsidiaries are as follows:-

Name of Company	Date of Incorporation	Country of Incorporation	Issued Paid-up Share Capital	Effective Equity Interest	Principal Activities
Datasonic Corporation	22 October 1980	Malaysia	RM10,000,000	100%	Smart card personalisation.
Datasonic Technologies	26 June 1991	Malaysia	RM7,466,667	100%	Customisation of software and hardware solutions, project management and consultancy.
Smart Consult Solutions	02 April 2004	Malaysia	RM100,001	100%	R&D and technical consultancy services

13. ACCOUNTANTS' REPORT (Cont'd)**4. RELEVANT FINANCIAL PERIODS AND AUDITORS**

The relevant financial periods of the audited financial statements provided in this report ("Relevant Financial Periods") and the auditors of the respective companies for the Relevant Financial Periods are as follows:-

Company	Relevant Financial Period	Auditors	Auditors' Report
Datasonic Group Berhad	Audited financial period ("FP") from 13 March 2008 (date of incorporation) to 31 December 2008 ("FPE 2008"), audited financial years ended ("FYE") 31 December 2009 ("FYE 2009"), 2010 ("FYE2010") and 2011 ("FYE 2011") and Financial Period from 1 January 2012 to 29 February 2012 ("FPE 2012").	Messrs. Crowe Horwath	Appendix I
Datasonic Corporation Sdn Bhd	Audited FYE 2008, FYE 2009, FYE 2010, FYE 2011 and FPE 2012	Messrs. Crowe Horwath	Appendix II
Datasonic Technologies Sdn Bhd	Audited FYE 2008, FYE 2009, FYE 2010, FYE 2011 and FPE 2012	Messrs. Crowe Horwath	Appendix III
Smart Consult Solutions Sdn Bhd	Audited FYE 2008, FYE 2009, FYE 2010, FYE 2011 and FPE 2012	Messrs. Crowe Horwath	Appendix IV

The audited financial statements of Datasonic, Datasonic Corporation, Datasonic Technologies and Smart Consult for the Relevant Financial Periods under review were not subject to any audit qualification.

5. ACCOUNTING STANDARDS AND POLICIES**5.1 BASIS OF PREPARATION**

Datasonic Group ("the Group") only existed after completion of the acquisitions of Datasonic Corporation, Datasonic Technologies and Smart Consult by Datasonic on 11 June 2012. Hence, there are no consolidated financial statements of the Group for FYE 2008, FYE 2009, FYE 2010, FYE 2011 and FPE 2012. For the purpose of this report, the audited financial statements of Datasonic for FYE2008, FYE2009, FYE2010, FYE2011 and FPE 2012 are also presented where Datasonic had existed.

The audited financial statements of the Company for the financial period from 1 January 2011 to 28 February 2011 ("FPE 2011") were prepared for comparison purposes to the audited financial statements of the Company for the FPE 2012.

The financial information of the respective companies in Datasonic Group as presented in Section 6.1, Section 6.2, Section 6.3 and Section 6.4, are based on the respective audited financial statements, modified as appropriate, for the purpose of this report.

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES

5.1 BASIS OF PREPARATION (CONT'D)

This report covers the financial information derived from the audited financial statements of Datasonic, Datasonic Corporation, Datasonic Technologies and Smart Consult Solutions ("Relevant Companies") for the Relevant Financial Periods. The financial statements of the Relevant Companies are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRS") and the Companies Act 1965 in Malaysia. These are the Relevant Companies' first set of financial statements prepared in accordance with MFRSs, which is in line with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The accounting policies set out in Note 5.3 have been applied in preparing the financial statements of the Relevant Companies for Relevant Financial Periods, the comparative information presented in these financial statements and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Relevant Companies' date of transition to MFRSs). The Relevant Companies have early adopted the amendment to MFRS 101, Presentation of Financial Statements which is originally effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

- (a) During the FPE 2012, the Relevant Companies have adopted the following new accounting standards and interpretations (including the consequential amendments):

MFRSs and IC Interpretations (including the Consequential Amendments)

MFRS 124 (Revised) Related Party Disclosures

Amendments to MFRS 1 (Revised): Severe Hyperinflation and Removal of Fixed dates for First-time Adopters

Amendments to MFRS 7: Disclosures – Transfers of Financial Assets

Amendments to MFRS 112: Recovery of Underlying Assets

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.1 BASIS OF PREPARATION (CONT'D)

- (b) The Relevant Companies have 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 FPE 2012:-

MFRS and IC Interpretations (including the Consequential Amendments)	Effective Date
MFRS 9 Financial instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 (Revised) Employee Benefits	1 January 2013
MFRS 127 (2011) Separate Financial Statements	1 January 2013
MFRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.1 BASIS OF PREPARATION (CONT'D)

- (b) The initial application of a standard which will be applied prospectively or which requires extended disclosures is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

5.2 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

This report is prepared on the basis consistent with the accounting policies adopted by the Relevant Companies as disclosed in paragraph 5.3 below. There were no changes in the significant accounting policies adopted by the Relevant Companies during the Relevant Financial Periods other than the adoption of all the new and revised MFRSs issued by the Malaysian Accounting Standards Board which are relevant to their operations.

13. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Critical Accounting Estimates And Judgements**

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Relevant Companies' accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Relevant Companies anticipate that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Relevant Companies recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements (Cont'd)

(iii) *Impairment of Non-financial Assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) *Amortisation of Development Costs*

Changes in the expected level of usage and technological development could impact the economic useful lives therefore future amortisation charges could be revised.

(v) *Impairment of Available-for-sale Financial Assets*

The Relevant Companies review its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Relevant Companies also record impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their costs. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Relevant Companies evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(vi) *Impairment of Trade and Other Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) *Writedown of Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(viii) *Classification of Leasehold Land*

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated the fair value of the land at the inception of the lease. Accordingly, management judged that the Relevant Companies have acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(ix) *Fair Value Estimates for Certain Financial Assets and Liabilities*

The Relevant Companies carry certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Relevant Companies use different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(b) Functional and Foreign Currencies

(i) *Functional and Presentation Currency*

The functional currency of each of the Relevant Companies is the currency of the primary economic environment in which the Relevant Company operates.

The financial statements of the Related Companies are presented in Ringgit Malaysia ("RM") which is the Relevant Companies' functional and presentation currency.

(ii) *Transactions and Balances*

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the statement of comprehensive income.

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial Instruments

Financial instruments are recognised in the statement of financial position when the Relevant Companies have become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Relevant Companies have a legally enforceable right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Relevant Companies' right to receive payment is established.

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- *Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Relevant Companies' right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment loss, if any.

13. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(c) Financial Instruments (Cont'd)****(ii) Financial Liabilities**

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment

Property, plant and equipment, are stated at cost less accumulated depreciation or amortisation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Over the lease period of 58 - 64 years
Buildings	2%
Computer equipment	33.33%
Office equipment	10 - 50%
Furniture and fittings	10%
Motor vehicles	25%
Machinery	25%
Renovation	25%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Relevant Companies and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Relevant Companies is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

In the previous financial year, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring leasehold land that was accounted for as an operating lease represents prepaid lease payments.

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Research and Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits.

Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed asset; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as asset in the subsequent period.

(g) Impairment

(i) *Impairment of Financial Assets*

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

13. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(g) Impairment (Cont'd)****(i) Impairment of Financial Assets (Cont'd)**

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Non-financial Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

13. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(g) Impairment (Cont'd)***(ii) Impairment of Non-Financial Assets (Cont'd)*

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statement of comprehensive income, a reversal of that impairment loss is recognised as income in the statement of comprehensive income.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all obsolete, damaged and slow-moving items.

13. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(i) Income Taxes**

Income taxes for the period comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Relevant Companies.

(ii) Defined Contribution Plans

The Relevant Companies' contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Relevant Companies have no further liabilities in respect of the defined contribution plans.

13. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Related Parties

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
 - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(n) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Relevant Companies. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

13. ACCOUNTANTS' REPORT *(Cont'd)*

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue Recognition

(i) *Sale of Goods*

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) *Services*

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) *Rental Income*

Rental income is recognised on an accrual basis.

(iv) *Interest Income*

Interest income is recognised on an accrual basis.

(v) *Deferred Income*

Revenue invoiced in advance is deferred and recognised as revenue upon provision of the service.

(vi) *Management Fee*

Management fee is recognised on an accrual basis.

6. AUDITED FINANCIAL STATEMENTS

FINANCIAL INFORMATION

The financial information of Datasonic, Datasonic Corporation, Datasonic Technologies and Smart Consult Solutions as presented in Notes 6.1 to 6.4 has been prepared based on the audited financial statements, modified as appropriate, for the purpose of this report. The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

All information are extracted from the audited financial statements except for those in italics which are prepared based on calculations, representations and/or explanations provided by the management of the Relevant Companies.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD ("Datasonic")

6.1.1 STATEMENTS OF COMPREHENSIVE INCOME

		Audited FPE2008	Audited FYE2009	Audited FYE2010	Audited FYE 2011	Unaudited FPE2011	Audited FPE2012
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6.1.5	-	-	-	-	-	800
Other income		-	-	-	-	-	1
		-	-	-	-	-	801
Administrative expenses		(3)	(6)	(5)	(33)	(1)	(652)
Other expenses		-	-	-	(1)	-	(21)
(Loss)/Profit before taxation	6.1.6	(3)	(6)	(5)	(34)	(1)	128
Depreciation		-	-	-	1	-	21
Earning before depreciation, interest and taxation		(3)	(6)	(5)	(33)	(1)	149
Depreciation		-	-	-	(1)	-	(21)
(Loss)/Profit before taxation		(3)	(6)	(5)	(34)	(1)	128
Income tax expense	6.1.7	-	-	-	-	-	(39)
(Loss)/Profit after taxation		(3)	(6)	(5)	(34)	(1)	89
Other comprehensive income		-	-	-	-	-	-
Total comprehensive (expenses)/income for the financial year/period		(3)	(6)	(5)	(34)	(1)	89
Total comprehensive (expenses)/income attributable to:-							
Owners of the Company		(3)	(6)	(5)	(34)	(1)	89
Number of ordinary shares of RM0.50 each in issue		4	4	4	4	4	4
Gross (loss)/profit per share ("LPS)/GPS" (RM)	*	(947)	(1,500)	(1,250)	(8,500)	(250)	32,000
Net (LPS)/GPS (RM)	*	(947)	(1,500)	(1,250)	(8,500)	(250)	22,250

Note:-

* - The Net LPS was computed by dividing the annualised loss for the FPE2008, FYE2009, FYE2010, FYE 2011, FPE 2011 and FPE 2012 respectively by the number of ordinary shares issue during those period. The Net (LPS)/GPS computed was annualised.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.2 STATEMENTS OF FINANCIAL POSITION

		Audited 31.12.2008	Audited 31.12.2009	Audited 31.12.2010	Audited 31.12.2011	Audited FPE2012
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
ASSET						
NON-CURRENT ASSET						
Equipment	6.1.8	-	-	-	635	614
CURRENT ASSET						
Prepayment	6.1.9	-	-	-	1,279	1,279
Amount owing by related parties	6.1.10	-	-	-	4,851	5,151
Cash and bank balances		#	#	#	2	3
		-	-	-	6,132	6,433
TOTAL ASSETS		#	#	#	6,767	7,047
EQUITY AND LIABILITIES						
EQUITY						
Share capital	6.1.11	#	#	#	#	#
(Accumulated losses)/Retained profits	6.1.12	(3)	(9)	(14)	(48)	41
TOTAL EQUITY		(3)	(9)	(14)	(48)	41
CURRENT LIABILITIES						
Other payables and accruals		3	6	3	15	151
Amount owing to related parties	6.1.10	-	3	11	626	642
Amount owing to a director	6.1.13	-	-	-	6,174	6,174
Provision of taxation		-	-	-	-	39
TOTAL LIABILITIES		3	9	14	6,815	7,006
TOTAL EQUITY AND LIABILITIES		#	#	#	6,767	7,047

Note:-

- RM2

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.3 STATEMENTS OF CASH FLOWS

	Audited FPE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE2011 RM'000	Audited FPE2012 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES						
(Loss)/Profit before taxation	(3)	(6)	(5)	(34)	(1)	128
Adjustments for:-						
Depreciation of equipment	-	-	-	1	-	21
Interest income	-	-	-	-	-	(1)
Operating (loss)/profit before working capital changes	(3)	(6)	(5)	(33)	(1)	148
Increase in prepayment				(1,279)	-	-
Increase/(Decrease) in other payables	3	3	(3)	12	1	136
NET CASH (FOR)/FROM OPERATING ACTIVITIES	-	(3)	(8)	(1,300)	-	284
CASH FLOWS FOR INVESTING ACTIVITIES						
Interest income	-	-	-	-	-	1
Advances to related parties	-	-	-	-	-	(300)
Purchase of equipment	-	-	-	(10)	-	-
NET CASH FOR INVESTING ACTIVITIES	-	-	-	(10)	-	(299)
NET CASH FROM FINANCING ACTIVITY						
Advances from related parties	-	3	8	1,312	-	16
NET MOVEMENT IN CASH AND BANK BALANCES	-	-	-	2	-	1
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR/PERIOD	-	#	#	#	#	2
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR/PERIOD	#	#	#	2	#	3

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.4 STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Audited		
	Share Capital RM'000	(Accumulated Losses)/ Retained Profit RM'000	Total RM'000
At 13.03.2008 (dated of incorporation)	#	-	#
Loss after taxation/Total comprehensive expenses for the financial period	-	(3)	(3)
Balance at 31.12.2008/1.1.2009	#	(3)	(3)
Loss after taxation/Total comprehensive expenses for the financial year	-	(6)	(6)
Balance at 31.12.2009/1.1.2010	#	(9)	(9)
Loss after taxation/Total comprehensive expenses for the financial year	-	(5)	(5)
Balance at 31.12.2010/1.1.2011	#	(14)	(14)
Loss after taxation/Total comprehensive expenses for the financial year	-	(34)	(34)
Balance at 31.12.2011/1.1.2012	#	(48)	(48)
Profit after taxation/Total comprehensive income for the financial period	-	89	89
Balance at 29.2.2012	#	41	41

Note:-

- RM2

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.5 REVENUE

This relates to fees charged for management services rendered to related parties, Datasonic Corporation and Datasonic Technologies.

6.1.6 (LOSS)/PROFIT BEFORE TAXATION

	Audited FPE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE2011 RM'000	Audited FPE2012 RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):-						
Audit fee	1	1	2	2	3	3
Depreciation of equipment	-	-	-	1	-	21
Directors' non-fee emoluments:-						
- salaries, bonus and allowances	-	-	-	-	-	166
- defined contribution plan	-	-	-	-	-	22
- benefit in kind	-	-	-	-	-	1
Staffs costs:-						
- salaries and allowances	-	-	-	-	-	197
- defined contribution plan	-	-	-	-	-	24
- staff welfare	-	-	-	-	-	5
Interest income	-	-	-	-	-	(1)

6.1.7 INCOME TAX EXPENSE

The Company's statutory tax rate on the first RM500,000 of chargeable income is 20%. The statutory tax rates applicable to the balance of the chargeable income are as follows:-

	Audited FPE 2008	Audited FYE 2009	Audited FYE 2010	Audited FYE 2011	Unaudited FPE2011	Audited FPE 2012
Statutory tax rate	26%	25%	25%	25%	25%	25%

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.7 INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rates to income tax expense at the effective tax rates of Datasonic is as follows:-

	Audited FPE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE2011 RM'000	Audited FPE2012 RM'000
	(3)	(6)	(5)	(34)	(1)	128
(loss)/Profit before taxation						
Tax at Malaysian statutory tax rate of:						
- 26%	(1)	-	-	-	-	-
- 25%	-	(1)	(1)	(9)	#	32
Tax effect of:-						
Non-deductible expenses	1	1	1	9	(#)	7
Income tax expense for the financial year/period	-	-	-	-	-	39

Notes:-

- Less than RM300

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.8 EQUIPMENT

	At 1.1.2011 RM'000	Addition RM'000	Depreciation charge RM'000	At 31.12.2011 RM'000
Net book value				
Office equipment	-	10	(1)	9
Motor vehicles	-	626	-	626
	-	636	(1)	635

	At 1.1.2012 RM'000	Addition RM'000	Depreciation charge RM'000	At 29.2.2012 RM'000
Net book value				
Office equipment	9	-	#	9
Motor vehicles	626	-	(21)	605
	635	-	(21)	614

	At cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
At 31.12.2011			
Office equipment	10	(1)	9
Motor vehicles	626	-	626
	636	(1)	635

At 29.2.2012			
Office equipment	10	(1)	9
Motor vehicles	626	(21)	605
	636	(22)	614

Notes:-

- Less than RM600

The motor vehicle purchased at the close of the financial year ended 31 December 2011 and accordingly no depreciation had been provided for in respect of the year thereof.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.9 PREPAYMENTS

	Audited FPE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Audited FPE2012 RM'000
Capital duty	-	-	-	69	69
Scheme expenses	-	-	-	1,210	1,210
	-	-	-	1,279	1,279

(a) Capital duty

This relates to a payment of capital duty for an intended increase in the authorised share capital of the Company from RM100,000 to RM1,000,000,000 by the creation of 1,999,800,000 new ordinary shares of RM0.50 each.

(b) Scheme expenses

These relate mainly to payments for professional fees and other incidental expenses in the undertaking of the ongoing flotation scheme, details of which are as disclosed in Note 6.1.15.

Upon completion of the said scheme, these costs will be categorised appropriately in accordance with applicable MFRS and Companies Act 1965 in Malaysia.

6.1.10 AMOUNTS OWING BY/(TO) RELATED PARTIES

(a) Amounts owing by related parties

	Audited FPE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Audited FPE2012 RM'000
Trade	-	-	-	-	800
Non-trade	-	-	-	4,851	4,351
	-	-	-	4,851	5,151

Included in the non-trade account is an assignment of Dato' Abu Hanifah Bin Noordin's a director, rights to receive a net dividend declared by a related party, Datasonic Corporation of RM6,174,000. Pursuant to the flotation scheme this amount is to be utilised as consideration for the subscription of 12,348,000 new ordinary shares of RM0.50 each in the Company, as disclosed in Note 6.1.15.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)
 6.1 DATASONIC GROUP BERHAD
 6.1.10 AMOUNTS OWING BY/(TO) RELATED PARTIES (CONT'D)

(b) Amount owing (to) a related party

	Audited FPE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Audited FPE2012 RM'000
Non-trade	-	(3)	(11)	(626)	(642)
	-	(3)	(11)	(626)	(642)

The amounts owing are unsecured, interest-free and repayable on demand and will be settled in cash.

6.1.11 SHARE CAPITAL

Audited	31.12.2008		31.12.2009		31.12.2010		31.12.2011		29.2.2012		31.12.2008		31.12.2009		31.12.2010		31.12.2011		29.2.2012		
	('000)	Number of Shares	('000)	Number of Shares	('000)	Number of Shares	('000)	Number of Shares	('000)	Number of Shares	RM'000	Number of Shares	RM'000	Number of Shares	RM'000	Number of Shares	RM'000	Number of Shares	RM'000	Number of Shares	
Ordinary shares of RM0.50 each:-																					
Authorised	200	200	200	200	200	200	200	200	200	200	100	100	100	100	100	100	100	100	100	100	
Issued and fully paid up	^	^	^	^	^	^	^	^	^	^	#	#	#	#	#	#	#	#	#	#	

Notes:-

^ - 4

- RM2

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bharu • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

13. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 DATASONIC GROUP BERHAD****6.1.12 RETAINED PROFIT**

As at 29 February 2012, Datasonic will be able to distribute dividend out if its entire retained profit under the single tier tax system without incurring additional tax liabilities.

6.1.13 AMOUNT OWING TO A DIRECTOR

Details of the amount owing to a director are as disclosed in Note 6.1.10(a)

6.1.14 RELATED PARTY DISCLOSURES**(a) Identities of related parties**

Related parties refer to companies in which certain directors have substantial financial interests.

(b) In addition to the information disclosed elsewhere in the financial statements, the Company carried out the following transactions with its related parties during the financial year:

	Audited FPE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Related parties						
- Management fees	-	-	-	-	-	800
- Purchase of motor vehicle	-	-	-	626	-	-
- Assignment of dividend receivable	-	-	-	6,174	-	-

6.1.15 FLOTATION SCHEME

On 18 July 2011, Datasonic submitted an application to the Securities Commission ("SC") for the proposed listing on the Main Market of Bursa Malaysia Securities Berhad of its entire enlarged issued and paid-up share capital involving are as disclosed in Note 2.2.

The application of the flotation scheme was approved by the SC on 27 September 2011 on the basis that Datasonic must comply with:

- (i) The conditions in relation to the properties of the Group on Lot 567 and Lot 568, Seksyen 5, Bandar Petaling Jaya, District of Petaling, Selangor, concerning the requirements to obtain:
- The approval for a change of express condition, and
 - The Certificate of Fitness.
- (ii) The relevant requirements pertaining to the implementation of the listing proposal as stipulated under the SC's Equity Guidelines and Prospectus Guidelines – Equity and Debt.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.15 FLOTATION SCHEME (CONT'D)

In accordance with paragraph 10.01 of the SC Equity Guidelines, Datasonic is required to complete the implementation of the proposed listing as well as the fulfillment of the imposed conditions in regard to the aforementioned properties of the Group by 26 March 2012, which is within six month from 27 September 2011, being the date of the Approval letter from the SC.

On 12 March 2012 and 29 March 2012, Datasonic issued letters of application to the SC for an extension of time for a further six months, up to 26 September 2012 to complete the proposed listing of Datasonic's entire enlarged issued and paid-up share capital as well as to obtain the change in express condition and Certificate of Fitness for the properties of the Group.

Datasonic's application to the SC for an extension of time to complete the conditions as outlined in the preceding paragraph, was approved via their letter dated 18 April 2012.

The time to complete Datasonic's proposed listing of its entire enlarged issued and paid-up share capital of RM45,000,000 comprising 90,000,000 ordinary shares of RM0.50 each on the Main Market of Bursa Malaysia and the compliance with the conditions imposed in relation to the properties on Lot 567 and Lot 568, Seksyen 5, Bandar Petaling Jaya, District of Petaling, Selangor has been extended by another six months to 27 September 2012.

6.1.16 FINANCIAL INSTRUMENTS

Datasonic's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Datasonic's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

(a) Financial Risk Management Policies

The policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

Datasonic does not have any transactions or balances denominated in foreign currencies and hence is not exposed to foreign currency risk.

(ii) Interest Rate Risk

Datasonic does not have any interest-bearing borrowings or fixed deposits and hence is not exposed to interest rate risk.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.16 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(iii) Equity Price Risk

Datasonic does not have any quoted investments and hence is not exposed to equity price risk.

(ii) Credit Risk

Datasonic's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from amount owing by a related party. Datasonic manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

Datasonic's major concentration of credit risk related to the amount owing by a related party which constituted approximately 94% of its receivables as at the end of the reporting period.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding from related parties. The Company practises prudent risk management by maintaining sufficient cash balances.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period/year based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period/year):-

Audited	Carrying Amount RM'000	Contractual	
		Undiscounted Cash Flows RM'000	Within 1 Year RM'000
31.12.2008			
Other payables and accruals	3	3	3
	<u>3</u>	<u>3</u>	<u>3</u>
Audited	Carrying Amount RM'000	Contractual	
		Undiscounted Cash Flows RM'000	Within 1 Year RM'000
31.12.2009			
Other payables and accruals	6	6	6
Amount owing to related parties	3	3	3
	<u>9</u>	<u>9</u>	<u>9</u>

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.16 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

Audited 31.12.2010	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Other payables and accruals	3	3	3
Amount owing to related parties	11	11	11
	14	14	14

Audited 31.12.2011	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Other payables and accruals	15	15	15
Amount owing to a related party	626	626	626
Amount owing to a director	6,174	6,174	6,174
	6,815	6,815	6,815

Audited 29.2.2012	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Other payables and accruals	151	151	151
Amount owing to a related party	642	642	642
Amount owing to a director	6,174	6,174	6,174
	6,967	6,967	6,967

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.16 FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

Datasonic manages its capital to ensure by maintaining an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, Datasonic may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

As Datasonic has no external borrowings the debt-to-equity ratio is not presented as it does not provide a meaningful indicator of the risk of borrowings.

(c) Classification of Financial Instruments

	Audited				
	FPE2008	FYE2009	FYE2010	FYE2011	FPE2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial Assets					
<u>Loans and receivables financial assets</u>					
Amount owing by related parties	-	-	-	4,851	5,151
Cash and bank balances	#	#	#	2	3
	#	#	#	4,853	5,154

Note:-

- RM2

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 DATASONIC GROUP BERHAD

6.1.16 FINANCIAL INSTRUMENTS (Cont'd)

(c) Classification of Financial Instruments (Cont'd)

	Audited				
	FPE2008 RM'000	FYE2009 RM'000	FYE2010 RM'000	FYE2011 RM'000	FYE2012 RM'000
Financial Liabilities					
<u>Financial Liabilities at amortised cost</u>					
Other payables and accruals	3	6	3	15	151
Amount owing to a related party	-	3	11	626	642
Amount owing to a director	-	-	-	6,174	6,174
	<u>3</u>	<u>9</u>	<u>14</u>	<u>6,815</u>	<u>6,967</u>

Note:-

- RM2

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

(e) Fair Value Hierarchy

Refer to relevant financial period, there were no financial instruments carried at fair values.

6.1.17 COMPARATIVE FIGURE

The statement of profits or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the financial period from 1 January 2011 to 28 February 2011 including the related notes are based on unaudited draft management account and presented for the purpose of illustration only.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN. BHD. ("Datasonic Corporation")

6.2.1 STATEMENTS OF COMPREHENSIVE INCOME

	Note	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Revenue	6.2.5	23,098	26,555	26,608	50,281	5,298	9,910
Cost of sales		(5,111)	(6,117)	(6,958)	(21,644)	(1,066)	(2,334)
Gross profit ("GP")		17,987	20,438	19,650	28,637	4,232	7,576
Other income		307	203	272	94	19	276
		18,294	20,641	19,922	28,731	4,251	7,852
Administrative expenses		(7,433)	(7,810)	(8,500)	(13,650)	(1,568)	(2,019)
Other expenses		(463)	(1,443)	(531)	(734)	(60)	(62)
Finance costs		(65)	(134)	(115)	(69)	(15)	(52)
Profit before taxation ("PBT")		10,333	11,254	10,776	14,278	2,608	5,719
Depreciation		957	1,082	1,298	1,654	272	281
Interest expense		65	134	115	69	15	52
Interest income		(47)	(49)	(33)	(49)	(16)	(12)
Earning before depreciation, interest and taxation		11,308	12,421	12,156	15,952	2,879	6,040
Depreciation		(957)	(1,082)	(1,298)	(1,654)	(272)	(281)
Interest expense		(65)	(134)	(115)	(69)	(15)	(52)
Interest income		47	49	33	49	16	12
PBT	6.2.6	10,333	11,254	10,776	14,278	2,608	5,719
Income tax expense	6.2.7	(2,579)	(3,117)	(3,380)	(3,798)	(652)	(1,528)
Profit after taxation ("PAT")		7,754	8,137	7,396	10,480	1,956	4,191
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the financial year/period		7,754	8,137	7,396	10,480	1,956	4,191
PAT attributable to:- Owners of the Company		7,754	8,137	7,396	10,480	1,956	4,191
Total comprehensive income attributable to:- Owners of the Company		7,754	8,137	7,396	10,480	1,956	4,191

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN. BHD.

6.2.1 STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
<i>GP margin (%)</i>	77.87	76.96	73.85	56.95	79.88	76.45
<i>PBT margin (%)</i>	44.74	42.38	40.50	28.40	49.23	57.71
<i>PAT margin (%)</i>	33.57	30.64	27.80	20.84	36.92	42.29
<i>Effective tax rate (%)</i>	24.96	27.70	31.37	26.60	25.00	26.72
<i>Interest coverage (times)</i>	160	85	95	208	175	111
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>	10,000	10,000	10,000	10,000	10,000	10,000
<i>Gross earnings per share ("EPS") (RM)</i>	1.03	1.13	1.08	1.43	0.26	0.57
<i>Net EPS (RM)</i>	0.78	0.81	0.74	1.05	0.20	0.42

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN. BHD.

6.2.2 STATEMENTS OF FINANCIAL POSITION

	Note	Audited				
		31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
ASSETS						
NON-CURRENT ASSETS						
Investments in subsidiaries	6.2.8	765	765	765	-	-
Investments in club membership	6.2.9	110	110	110	110	110
Property, plant and equipment	6.2.10	5,950	6,234	6,103	11,704	12,016
		<u>6,825</u>	<u>7,109</u>	<u>6,978</u>	<u>11,814</u>	<u>12,126</u>
CURRENT ASSETS						
Inventories	6.2.11	3,432	3,546	3,609	2,176	1,350
Work-in-progress	6.2.12	-	-	-	4,338	4,825
Trade receivables	6.2.13	4,523	3,835	2,896	1,916	7,939
Other receivables, deposits and prepayments	6.2.14	1,741	325	503	689	1,080
Amount owing by immediate holding company	6.2.15	14,190	27,116	307	18,514	7,170
Amount owing by subsidiaries	6.2.16	#	-	-	-	1
Amount owing by related companies	6.2.17	27	766	7,508	16,662	16,582
Cash and cash equivalents	6.2.18	7,394	1,121	9,162	1,848	1,980
		<u>31,307</u>	<u>36,709</u>	<u>23,985</u>	<u>46,143</u>	<u>40,927</u>
Assets of disposal group classified as held for sale	6.2.19	-	-	-	765	765
TOTAL ASSETS		<u>38,132</u>	<u>43,818</u>	<u>30,963</u>	<u>58,722</u>	<u>53,818</u>
EQUITY AND LIABILITIES						
EQUITY						
Share capital	6.2.20	10,000	10,000	10,000	10,000	10,000
Retained profits	6.2.21	19,108	27,245	9,441	19,921	24,112
TOTAL EQUITY		<u>29,108</u>	<u>37,245</u>	<u>19,441</u>	<u>29,921</u>	<u>34,112</u>

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN. BHD.

6.2.2 STATEMENTS OF FINANCIAL POSITION (CONT'D)

		Audited				
		31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
		RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES						
Term loans	6.2.22	2,529	1,746	1,150	4,200	4,105
Deferred taxation	6.2.23	38	143	210	162	203
		2,567	1,889	1,360	4,362	4,308
CURRENT LIABILITIES						
Trade payables	6.2.24	2,786	2,199	558	6,113	2,517
Other payables and accruals		917	628	762	2,035	1,923
Amount owing to subsidiaries	6.2.16	65	347	347	347	347
Amount owing to related companies	6.2.17	-	105	8	1,539	1,528
Amount owing to a related party	6.2.25	-	-	-	4,851	4,751
Dividend payable		-	-	6,940	766	766
Term loans	6.2.22	809	824	604	6,771	1,062
Provision for taxation		1,880	581	943	2,017	2,504
		6,457	4,684	10,162	24,439	15,398
TOTAL LIABILITIES		9,024	6,573	11,522	28,801	19,706
TOTAL EQUITY AND LIABILITIES		38,132	43,818	30,963	58,722	53,818
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>						
		10,000	10,000	10,000	10,000	10,000
<i>Net assets ("NA") (RM'000)</i>						
		29,108	37,245	19,441	29,921	34,112
<i>NA per ordinary share (RM)</i>						
		2.91	3.72	1.94	2.99	3.41
<i>Trade receivables turnover period (days)</i>						
		71	53	40	14	48
<i>Trade payables turnover period (days)</i>						
		199	131	29	103	65
<i>Gearing ratio (times)</i>						
		0.11	0.07	0.09	0.37	0.15

Note:-

- less than RM300

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.3 STATEMENTS OF CASH FLOWS

	Audited FYE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before taxation	10,333	11,254	10,776	14,278	2,608	5,719
Adjustments for:-						
Impairment losses on trade and other receivables	81	157	15	19	-	-
Impairment losses on amount owing by subsidiaries	-	-	-	44	-	-
Inventories written down	-	-	38	108	-	-
Depreciation of property, plant and equipment	957	1,082	1,298	1,654	272	281
Inventories written off	#	114	30	1	-	-
(Gain)/Loss on disposal of plant and equipment	(2)	(#)	#	#	-	-
Interest expense	65	134	115	69	15	52
Interest income	(47)	(49)	(33)	(49)	(16)	(12)
Unrealised (gain)/loss on foreign exchange	(160)	113	135	(8)	2	(188)
Property, plant and equipment written off	-	10	9	2	1	-
Writeback of impairment losses on trade receivables	(11)	(1)	(28)	(2)	-	-
Writeback of impairment losses on amount owing by subsidiaries	-	(26)	(144)	-	-	-
Writeback of inventories written down	-	(15)	(64)	(42)	-	-
Operating profit before working capital changes	11,216	12,773	12,147	16,074	2,882	5,852
Decrease/(Increase) in inventories	(706)	(213)	(67)	(693)	149	826
Increase in work-in-progress	-	-	-	(4,338)	-	(487)
(Increase)/Decrease in trade and other receivables	(2,400)	1,979	774	777	(1,289)	(6,114)
(Decrease)/Increase in trade and other payables	837	(989)	(1,497)	6,795	(85)	(3,520)
Decrease/(Increase) in amount owing by holding company	1,605	(12,926)	8,549	(18,207)	(1,945)	11,344
(Increase)/decrease in amount owing by related companies	1,730	(69)	(1,202)	(2,431)	704	(1,400)
Decrease in amount owing by a related party	8	-	-	-	-	-
(Increase)/decrease in amount owing to related companies	(1)	-	-	1,534	-	(8)
CASH FROM OPERATIONS	12,289	555	18,704	(489)	416	6,493
Income tax paid	(4,085)	(4,311)	(2,951)	(2,772)	-	(1,300)
Interest tax paid	(65)	(134)	(115)	(69)	(15)	(52)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	8,139	(3,890)	15,638	(3,330)	401	5,141

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.3 STATEMENTS OF CASH FLOWS (CONT'D)

	Audited FYE2008 Note	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE2012 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES						
Interest received	47	49	33	49	16	12
(Advances to)/repayment from subsidiaries	#	#	(1)	(3)	(1)	(1)
Advances to related companies	(26)	(675)	(5,535)	(6,723)	(2,675)	1,480
Proceeds from disposal of plant and equipment	4	3	13	#	-	-
Purchase of property, plant and equipment	(5,499)	(1,379)	(1,194)	(1,543)	(7)	(593)
Disposal of a subsidiary	100	-	-	-	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES	(5,374)	(2,002)	(6,684)	(8,220)	(2,667)	898
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES						
(Repayment to)/advances from related companies	-	105	(97)	(3)	(140)	(3)
(Repayment)/advances to related party	(70)	282	-	(1,323)	#	(100)
Drawdown of term loans	3,525	-	-	6,218	-	-
Repayment of term loans	(187)	(768)	(816)	(656)	-	(5,804)
NET CASH (FOR)/FROM FINANCING ACTIVITIES	3,268	(381)	(913)	4,236	(140)	(5,907)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	6,033	(6,273)	8,041	(7,314)	(2,406)	132
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD	1,361	7,394	1,121	9,162	9,162	1,848
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	6.2.18 7,394	1,121	9,162	1,848	6,756	1,980

Note:-

- less than RM300

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.4 STATEMENTS OF CHANGES IN EQUITY (Cont'd)

	Note	Share Capital RM'000	Retained Profits RM'000	Total RM'000
Balance at 1.1.2008		10,000	11,354	21,354
Profit after taxation/Total comprehensive income for the financial year		-	7,754	7,754
Balance at 31.12.2008/1.1.2009		10,000	19,108	29,108
Profit after taxation/Total comprehensive income for the financial year		-	8,137	8,137
Balance at 31.12.2009/1.1.2010		10,000	27,245	37,245
Profit after taxation/Total comprehensive income for the financial year		-	7,396	7,396
Dividend	6.2.24	-	(25,200)	(25,200)
Balance at 31.12.2010/1.1.2011		10,000	9,441	19,441
Profit after taxation/Total comprehensive income for the financial year		-	10,480	10,480
Balance at 31.12.2011/1.1.2012		10,000	19,921	29,921
Profit after taxation/Total comprehensive income for the financial period		-	4,191	4,191
Balance at 29.2.2012		10,000	24,112	34,112

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.5 REVENUE

Revenue of Datasonic Corporation represents the gross invoiced value of goods sold and services rendered net of returns and discounts.

6.2.6 PROFIT BEFORE TAXATION

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Profit before taxation is arrived at after charging/(crediting):-						
Impairment losses on trade and other receivables	81	157	15	19	-	-
Impairment losses on amount owing by a subsidiary	-	-	-	44	-	-
Inventories written down	-	-	38	108	-	-
Audit fee	27	29	29	35	6	6
Depreciation of property, plant and equipment	957	1,082	1,298	1,654	272	281
Directors' fee	71	78	78	34	-	-
Directors' non-fee emoluments	1,313	1,261	1,090	1,318	184	-
Inventories written off	#	114	30	1	-	-
Rental of equipment	13	12	10	11	2	2
Rental of premises	381	229	91	116	16	19
Rental of vehicles	160	158	159	2	-	2
Staff costs:						
- salaries, allowances and bonus	3,414	3,614	3,717	5,446	920	920
- defined contribution plan	398	420	440	648	-	-
Term loan interest	65	134	115	69	15	52
Loss/(Gain) on foreign exchange:						
- realised	95	20	5	237	2	(33)
- unrealised	(160)	113	135	(8)	2	(188)
Property, plant and equipment written off	-	10	9	2	1	-
(Gain)/Loss on disposal of plant and equipment	(2)	(#)	#	#	-	-
Interest income	(47)	(49)	(33)	(49)	(16)	(12)
Writeback of impairment losses on trade receivables	(11)	(1)	(28)	(2)	-	-
Writeback of impairment losses on amount owing by subsidiaries	-	(26)	(144)	-	-	-
Writeback of inventories written down	-	(15)	(64)	(42)	-	-

Note:-

- less than RM300

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.7 INCOME TAX EXPENSE

	Audited FYE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE2012 RM'000
Current tax expense						
- for the current financial year/period	2,685	3,050	2,816	3,890	652	1,487
- (over)/underprovision in the previous financial year/period	(106)	(38)	497	(44)	-	-
	<u>2,579</u>	<u>3,012</u>	<u>3,313</u>	<u>3,846</u>	<u>852</u>	<u>1,487</u>
Deferred tax expense (Section 6.2.21):						
- for the current financial year/period	-	68	(39)	60	-	41
- under/(over)provision in the previous financial year/period	-	37	106	(108)	-	-
	<u>-</u>	<u>105</u>	<u>67</u>	<u>(48)</u>	<u>-</u>	<u>41</u>
	<u>2,579</u>	<u>3,117</u>	<u>3,380</u>	<u>3,798</u>	<u>652</u>	<u>1,528</u>

The Company's statutory tax rate on the first RM500,000 of chargeable income is 20%. The statutory tax rates applicable to the balance of the chargeable income are as follows:-.

	Audited FYE 2008	Audited FYE 2009	Audited FYE 2010	Audited FYE 2011	Unaudited FPE 2011	Audited FPE2012
Statutory tax rate	<u>26%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.7 INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of Datasonic Corporation is as follows:-

	Audited FYE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE2012 RM'000
Profit before taxation	10,333	11,254	10,776	14,278	2,608	5,719
Tax at Malaysian statutory tax rate of:						
- 26%	2,686	-	-	-	-	-
- 25%	-	2,813	2,694	3,570	652	1,430
Tax effects of:-						
Non-deductible expenses	42	330	100	389	#	109
Non-taxable income	(43)	(25)	(17)	(9)	-	(11)
Under/(Over)provision in the previous financial year:-						
- current tax	(106)	(38)	497	(44)	-	-
- deferred tax	-	37	106	(108)	-	-
Income tax expense for the financial year/period	2,579	3,117	3,380	3,798	652	1,528

Note:-

- less than RM100

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.8 INVESTMENTS IN SUBSIDIARIES

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	1,011	1,011	1,011	1,011	1,011
Less: Impairment loss	(246)	(246)	(246)	(246)	(246)
	765	765	765	765	765
Classified as held for sales	-	-	-	(765)	(765)
	765	765	765	-	-

The details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest					Principal Activities
		2008	2009	2010	2011	2012	
Hong Zhong Systems & Solutions (HK) Ltd. *	Hong Kong	100%	100%	100%	100%	100%	Dormant
Million Mega Network Sdn. Bhd. *	Malaysia	51%	51%	51%	51%	51%	Telecommunication services, data communication, data networking, data processing and transferring and related businesses and services.

* These subsidiaries were audited by other firms of chartered accountants.

6.2.9 INVESTMENTS IN CLUB MEMBERSHIP

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Investments in club membership, at fair value	110	110	110	110	110
	110	110	110	110	110

Investments in club membership of the Company are designated as available-for sale financial assets and are measured at fair value.

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)
 6.2 DATASONIC CORPORATION SDN BHD.
 6.2.10 PROPERTY, PLANT AND EQUIPMENT

Audited	Leasehold Land RM'000	Buildings RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Machinery RM'000	Renovation RM'000	Total RM'000
Net Book Value								
At 1.1.2008	-	-	422	215	2	656	115	1,410
Additions	2,155	533	197	30	5	2,579	-	5,499
Disposals	-	-	(1)	-	(1)	-	-	(2)
Depreciation charge	(12)	-	(195)	(43)	(2)	(671)	(34)	(957)
At 31.12.2008/1.1.2009	2,143	533	423	202	4	2,564	81	5,950
Additions	-	30	192	26	-	1,131	-	1,379
Disposals	-	-	(3)	-	-	-	-	(3)
Written off	-	-	(10)	-	-	-	-	(10)
Depreciation charge	(35)	(8)	(179)	(45)	(2)	(780)	(33)	(1,082)
At 31.12.2009/1.1.2010	2,108	555	423	183	2	2,915	48	6,234
Additions	-	-	163	#	-	1,031	-	1,194
Transfer	-	-	(5)	-	-	-	-	(5)
Disposals	-	-	(9)	(4)	-	-	-	(13)
Written off	-	-	(5)	(4)	-	-	-	(9)
Depreciation charge	(36)	(11)	(179)	(46)	(1)	(991)	(34)	(1,298)
At 31.12.2010/1.1.2011	2,072	544	388	129	1	2,955	14	6,103
Additions	2,600	1,911	118	23	-	546	-	5,198
Transfer	-	-	-	-	-	2,059	-	2,059
Written off	-	-	(2)	-	-	-	-	(2)
Depreciation charge	(67)	(11)	(189)	(47)	(1)	(1,325)	(14)	(1,654)
At 31.12.2011/1.1.2012	4,605	2,444	315	105	-	4,235	-	11,704
Additions	-	33	13	-	-	547	-	593
Depreciation charge	(14)	(2)	(25)	(8)	-	(232)	-	(281)
At 29.2.2012	4,591	2,475	303	97	-	4,550	-	12,016

Note:-
- RM1

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)
 6.2 DATASONIC CORPORATION SDN BHD.
 6.2.10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold Land RM'000	Buildings RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Machinery RM'000	Renovation RM'000	Total RM'000
Audited								
At 31.12.2008								
Cost	2,155	533	1,858	485	10	6,768	135	11,944
Accumulated depreciation	(12)	-	(1,435)	(283)	(6)	(4,204)	(54)	(5,994)
Net book value	2,143	533	423	202	4	2,564	81	5,950
At 31.12.2009								
Cost	2,155	563	2,020	512	10	7,900	135	13,295
Accumulated depreciation	(47)	(8)	(1,597)	(329)	(8)	(4,985)	(87)	(7,061)
Net book value	2,108	555	423	183	2	2,915	48	6,234
At 31.12.2010								
Cost	2,155	563	2,148	503	10	8,930	135	14,444
Accumulated depreciation	(83)	(19)	(1,760)	(374)	(9)	(5,975)	(121)	(8,341)
Net book value	2,072	544	388	129	1	2,955	14	6,103
At 31.12.2011								
Cost	4,755	2,474	2,233	526	10	11,535	135	21,668
Accumulated depreciation	(150)	(30)	(1,918)	(421)	(10)	(7,300)	(135)	(9,964)
Net book value	4,605	2,444	315	105	-	4,235	-	11,704
At 29.2.2012								
Cost	4,755	2,507	2,246	526	10	12,082	135	22,261
Accumulated depreciation	(164)	(32)	(1,943)	(429)	(10)	(7,532)	(135)	(10,245)
Net book value	4,591	2,475	303	97	-	4,550	-	12,016

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.11 INVENTORIES

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
At cost:-					
Spare parts	442	367	435	543	528
Consumables	1,150	810	358	397	317
Equipment	1,774	2,237	2,655	637	496
Good-in-transit	42	109	141	590	-
Software	24	23	20	9	9
	3,432	3,546	3,609	2,176	1,350

None of the inventories is carried at net realisable value.

6.2.12 WORK-IN-PROGRESS

The cost of work-in-progress includes the cost of materials and labour cost incurred.

6.2.13 TRADE RECEIVABLES

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	2,447	1,895	2,588	1,711	1,547
Allowance for impairment losses	(165)	(178)	(160)	(177)	(177)
	2,282	1,717	2,428	1,534	1,370
Accrued income	2,241	2,118	468	382	6,569
	4,523	3,835	2,896	1,916	7,939
Allowance for impairment losses:-					
At 1 January	(176)	(165)	(178)	(160)	(177)
Addition during the financial year/period	-	(14)	(15)	(19)	-
Written off during the financial year/period	-	-	5	-	-
Writeback during the financial year/period	11	1	28	2	-
At 31 December/29 February	(165)	(178)	(160)	(177)	(177)

The normal credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Other receivables	167	162	156	150	159
Allowance for impairment losses	-	(143)	(143)	(143)	(143)
	167	19	13	7	16
Deposits	113	132	126	141	142
Prepayments	1,461	174	364	541	922
	1,741	325	503	689	1,080
Allowance for impairment losses:-					
At 1 January	-	-	(143)	(143)	(143)
Addition during the financial year	-	(143)	-	-	-
At 31 December/29 February	-	(143)	(143)	(143)	(143)

6.2.15 AMOUNT OWING BY IMMEDIATE HOLDING COMPANY

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Trade balances	14,190	20,916	307	18,514	7,170
Non-trade balances	-	6,200	-	-	-
	14,190	27,116	307	18,514	7,170

The normal credit term of trade balances is assessed and approved on a case-by-case basis. The amount owing is to be settled in cash.

The non-trade balances represent unsecured interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.16 AMOUNT OWING BY/(TO) SUBSIDIARIES

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Amount owing by subsidiaries	1,438	1,412	1,268	1,312	1,313
Less: Allowance for impairment losses					
At 1 January	(1,357)	(1,438)	(1,412)	(1,268)	(1,312)
Addition during the financial year	(81)	-	-	(44)	-
Writeback during the financial year	-	26	144	-	-
At 31 December/29 February	(1,438)	(1,412)	(1,268)	(1,312)	(1,312)
	#	-	-	-	1
Amount owing to subsidiaries	(65)	(347)	(347)	(347)	(347)

Note:-

- Less than RM300

The non-trade amounts owing represent unsecured, interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

6.2.17 AMOUNT OWING BY/(TO) RELATED COMPANIES

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Amounts owing by:-					
Trade balances	-	69	1,271	3,702	5,102
Non-trade balances	27	697	6,237	12,960	11,480
	27	766	7,508	16,662	16,582
Amounts owing to:-					
Trade balances	-	-	-	(1,534)	(1,526)
Non-trade balances	-	(105)	(8)	(5)	(2)
	-	(105)	(8)	(1,539)	(1,528)

The normal credit terms of trade balances are assessed and approved on a case-by-case basis. The amount owing is to be settled in cash.

The non-trade balances represent unsecured, interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.18 CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	Audited 31.12.2008 RM'000	Audited 31.12.2009 RM'000	Audited 31.12.2010 RM'000	Audited 31.12.2011 RM'000	Unaudited 28.2.2011 RM'000	Audited 29.2.2012 RM'000
Fixed deposits with a licensed bank	519	283	317	589	3,818	592
Cash and bank balances	6,875	838	8,845	1,259	2,938	1,388
	7,394	1,121	9,162	1,848	6,756	1,980

The effective interest rates per annum and the maturity periods of deposits at the end of the reporting period were as follows:-

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
Effective interest rates ranging:-					
- from	2.00%	1.80%	1.80%	2.55%	2.55%
- to	2.10%	2.90%	2.90%	2.80%	2.80%
Maturity periods ranging:-					
- from	1 month	1 month	1 month	1 month	1 month
- to	1 month	12 months	12 months	3 months	3 months

At the end of the reporting period, the following fixed deposits have been pledged to a licensed bank as security for banking facilities granted to the Immediate Holding Company.

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Fixed deposits pledged to a licensed bank	519	283	317	589	592

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.19 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As part of the listing scheme of Datasonic, the Datasonic Corporation will dispose of its entire shareholdings in its subsidiaries namely Hong Zhong Systems & Solutions (HK) Ltd. and Million Mega Network Sdn. Bhd., to its immediate holding company, Dibena Enterprises Sdn. Bhd., for considerations of RM1 and RM765,000 respectively.

As at the end of the reporting year/period, the assets and liabilities related to these subsidiaries have been presented in the statement of financial position as "Assets of disposal group classified as held for sale" and "liabilities of disposal group classified as held for sale", and their results were presented separately on the statement of profit or loss and other comprehensive income as "loss after taxation from discontinued operations". The disposal of the subsidiaries was completed on 1 April 2012.

The non-current assets classified as held for sale on Datasonic Corporation's statement of financial position as at the end of the reporting year/period are as follows:

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets:					
Investment in subsidiaries	-	-	-	765	765

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD. ("Datasonic Corporation")

6.2.20 SHARE CAPITAL

	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
Audited	('000)	('000)	Number of Shares ('000)	('000)	('000)	RM'000	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1 each:-										
Authorised	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Issued and fully paid-up	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000

6.2.21 RETAINED PROFITS

Subject to the agreement of the tax authorities, at the end of the reporting period, Datasonic Corporation has tax credits under Section 108 of the Income Tax Act 1967 and tax-exempt income to distribute its entire retained profits by way of dividends without incurring additional tax liabilities.

At the end of the reporting period, Datasonic Corporation has not elected for the single tier tax system. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, Datasonic Corporation will automatically move to the single tier tax system. Under the single tier tax system, tax on Datasonic Corporation's profit is a final tax, and dividends distributed to shareholders will be exempted from tax.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.22 TERM LOANS

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Current portion:					
- not later than one year	809	824	604	6,771	1,062
Non-current portion:					
- later than one year and not later than two years	801	611	277	583	583
- later than two years and not later than five years	1,200	880	873	1,574	1,574
- later than five years	528	255	-	2,043	1,948
	2,529	1,746	1,150	4,200	4,105
	3,338	2,570	1,754	10,971	5,167

Term loans 1 and 2 are secured by:-

- (i) legal charges over 2 units of properties of Datasonic Corporation; and
- (ii) a corporate guarantee of the immediate holding company.

Term loans 3 and 4 are secured by:-

- (i) legal charges over 2 units of machinery of Datasonic Corporation; and
- (ii) a corporate guarantee of the immediate holding company.

Term loans 5 and 6 are secured by:-

- (i) legal charges over 1 units of property of Datasonic Corporation; and
- (ii) a corporate guarantee of the immediate holding company.

Term Loan	Number of Monthly Instalments	Monthly Instalment Amount RM'000	Date of Commencement of Repayment	Interest Rate Per Annum	Amount Outstanding				
					31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.02.2012 RM'000
1	84	15	1 January 2009	4.95%	1,040	906	766	623	599
2	84	13	1 January 2009	4.95%	880	767	648	527	506
3	36	26	1 August 2008	8.00%	733	464	176	-	-
4	36	24	1 August 2008	8.00%	685	433	164	-	-
5	120	39	1 November 2011	5.45%	-	-	-	3,603	3,557
6	12	32	1 January 2012	6.10%	-	-	-	6,218	505
					3,338	2,570	1,754	10,971	5,167

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.23 DEFERRED TAXATION

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	38	38	143	210	162
Recognised in statement of comprehensive income (Section 6.2.7)	-	105	67	(48)	41
At 31 December/29 February	38	143	210	162	203

The deferred tax consists of the tax effects of temporary differences arising from the following items:-

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Accelerated capital allowances	230	358	244	304	345
Other temporary differences	(192)	(215)	(34)	(142)	(142)
	38	143	210	162	203

6.2.24 TRADE PAYABLES

The normal trade credit term granted to Datasonic Corporation range from 30 to 60 days.

6.2.25 AMOUNT OWING TO A RELATED PARTY

The amount owing is non-trade in nature, unsecured, interest free and repayable on demand. The amount owing is to be settled in cash.

6.2.26 DIVIDEND

	Audited	Audited	Audited	Audited	Unaudited	Audited
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	28.2.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Declared:						
- Interim single-tier exempt dividend of RM2.52 per ordinary share in respect of the financial year ended 31 December 2010	-	-	25,200	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD. ("Datasonic Corporation")

6.2.27 RELATED PARTY DISCLOSURES

(a) Identities of related parties

- (i) immediate and ultimate holding companies which are both incorporated in Malaysia are Dibena Enterprise Sdn. Bhd. and Sarana Kencana Sdn. Bhd. respectively;
- (ii) subsidiaries as disclosed in Note 6.2.8 of the report;
- (iii) the directors who are the key management personnel; and
- (iv) entities controlled by certain key management personnel, directors and substantial shareholders.

- (b) In addition to the information disclosed elsewhere in the financial statements, Datasonic Corporation carried out the following transactions with its related parties during the financial year/period:

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
(i) Ultimate holding company:						
- Sales	41	-	-	-	-	-
(ii) Immediate holding company:						
- Sales	13,137	17,666	14,049	34,819	2,895	290
- Purchases	-	-	8	-	-	-
- Dividend	-	-	19,026	-	-	-
- Rental of motor vehicle	158	158	158	-	-	-
- Management fees	-	-	750	1,980	-	-
(iii) Related companies:						
- Sales	708	86	3,675	7,922	566	8,777
- Purchases	-	-	28	53	-	5
- Purchase of equipment	-	-	5	-	-	-
- Disposal of equipment	-	-	5	-	-	-
- Management fees	-	-	-	-	-	400
- Rental income	-	95	173	-	-	-
(iv) Related party:						
- Dividend payable	-	-	-	6,174	-	-
(v) Key management personnel compensation:						
- Short-term employee benefits	1,384	1,227	1,228	1,285	182	-

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.28 CONTINGENT LIABILITY

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
(a) Bank guarantee in favour of the immediate holding company.	920	924	1,036	1,309	1,309
(b) Datasonic Corporation filed a legal suit against a third party for breach of contract and partnership agreement. The third party had filed a counterclaim for an amount of RM30,000,000. In the event that the third party succeed in the case, Datasonic Corporation may be liable for the sum claimed and the estimated legal cost is RM200,000.					

Datasonic Corporation's solicitor is of the opinion that Datasonic Corporation has an arguable case and the final outcome will depend on the evidence led at the trial.

The directors based on legal advice from their solicitors are of the opinion that no provision is deemed necessary.

6.2.29 FOREIGN EXCHANGE RATES

The applicable closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the reporting period were as follows:-

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Hong Kong Dollar	0.45	0.44	0.40	0.40	0.39
United States Dollar	3.46	3.43	3.08	3.16	3.00
Euro	-	4.94	4.08	4.09	4.03

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS

Datasonic Corporation's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Datasonic Corporation's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

(a) Financial Risk Management Policies

Datasonic Corporation policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

Datasonic Corporation is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar and Hong Kong Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Audited	United States Dollar RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2008				
Financial assets				
Investment in club membership	-	-	110	110
Trade receivables	-	-	2,282	2,282
Other receivables and deposits	-	-	1,153	1,153
Amount owing by immediate holding company	-	-	14,190	14,190
Amount owing by subsidiaries	-	-	#	#
Amount owing by related companies	-	-	27	27
Fixed deposits with a licensed bank	-	-	7,019	7,019
Cash and bank balances	-	-	375	375
	-	-	25,156	25,156

Note:-

- Less than RM300

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk

(i) Foreign Currency Risk (Cont'd)

Audited	United States Dollar RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2008				
Financial Liabilities				
Trade payables	1,776	-	1,010	2,786
Other payables and accruals	-	-	917	917
Amount owing to subsidiaries	-	65	-	65
Term loans	-	-	3,338	3,338
	<u>1,776</u>	<u>65</u>	<u>5,265</u>	<u>7,106</u>
Net financial (liabilities)/assets	(1,776)	(65)	19,891	18,050
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	(19,891)	(19,891)
Currency exposure	<u>(1,776)</u>	<u>(65)</u>	<u>-</u>	<u>(1,841)</u>

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk

(i) Foreign Currency Risk (Cont'd)

Audited	United States Dollar RM'000	Euro RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2009					
Financial assets					
Investment in club membership	-	-	-	110	110
Trade receivables	-	-	-	1,717	1,717
Other receivables and deposits	-	-	-	151	151
Amount owing by immediate holding company	-	-	-	27,116	27,116
Amount owing by related companies	-	-	-	766	766
Fixed deposits with a licensed bank	-	-	-	283	283
Cash and bank balances	-	-	2	836	838
	-	-	2	30,979	30,981
Financial Liabilities					
Trade payables	1,736	6	-	457	2,199
Other payables and accruals	-	-	-	628	628
Amount owing to subsidiaries	-	-	65	282	347
Amount owing to related companies	-	-	-	105	105
Term loans	-	-	-	2,570	2,570
	1,736	6	65	4,042	5,849
Net financial (liabilities)/assets	(1,736)	(6)	(63)	26,937	25,132
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	-	(26,937)	(26,937)
Currency exposure	(1,736)	(6)	(63)	-	(1,805)

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Audited	United States Dollar RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2010				
Financial assets				
Investment in club membership	-	-	110	110
Trade receivables	-	-	2,428	2,428
Other receivables and deposits	#	-	.139	139
Amount owing by immediate holding company	-	-	307	307
Amount owing by related companies	-	-	7,508	7,508
Fixed deposits with a licensed bank	-	-	5,317	5,317
Cash and bank balances	3	-	3,842	3,845
	3	-	19,651	19,654
Financial Liabilities				
Trade payables	258	-	300	558
Other payables and accruals	-	-	762	762
Amount owing to a subsidiaries	-	65	282	347
Amount owing to related companies	-	-	8	8
Dividend payable	-	-	6,940	6,940
Term loans	-	-	1,754	1,754
	258	65	10,046	10,369
Net financial (liabilities)/assets	(255)	(65)	9,605	9,285
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	(9,605)	(9,605)
Currency exposure	(255)	(65)	-	(320)

Note:-

- less than RM1,000

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Audited	United States Dollar RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2011				
Financial assets				
Investment in club membership	-	-	110	110
Trade receivables	-	-	1,534	1,534
Other receivables and deposits	-	-	148	148
Amount owing by immediate holding company	-	-	18,514	18,514
Amount owing by related companies	-	-	16,662	16,662
Fixed deposits with a licensed bank	-	-	589	589
Cash and bank balances	104	-	1,155	1,259
	<u>104</u>	<u>-</u>	<u>38,712</u>	<u>38,816</u>
Financial Liabilities				
Trade payables	4,653	-	1,460	6,113
Other payables and accruals	-	-	2,035	2,035
Amount owing to a subsidiaries	-	65	282	347
Amount owing to related companies	-	-	1,539	1,539
Amount owing to a related party	-	-	4,851	4,851
Dividend payable	-	-	766	766
Term loans	-	-	10,971	10,971
	<u>4,653</u>	<u>65</u>	<u>21,904</u>	<u>26,622</u>
Net financial (liabilities)/assets	(4,549)	(65)	16,808	12,194
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	(16,808)	(16,808)
Currency exposure	<u>(4,549)</u>	<u>(65)</u>	<u>-</u>	<u>(4,614)</u>

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Audited	United States Dollar RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
29.2.2012				
Financial assets				
Investment in club membership	-	-	110	110
Trade receivables	-	-	1,370	1,370
Other receivables and deposits	-	-	158	158
Amount owing by immediate holding company	-	-	7,170	7,170
Amount owing by subsidiaries	-	1	-	1
Amount owing by related companies	-	-	16,582	16,582
Fixed deposits with a licensed bank	-	-	592	592
Cash and bank balances	104	-	1,284	1,388
	104	1	27,266	27,371
Financial Liabilities				
Trade payables	1,409	-	1,108	2,517
Other payables and accruals	-	-	1,923	1,923
Amount owing to a subsidiaries	-	65	282	347
Amount owing to related companies	-	-	1,528	1,528
Amount owing to a related party	-	-	4,751	4,751
Dividend payable	-	-	766	766
Term loans	-	-	5,167	5,167
	1,409	65	15,525	16,999
Net financial (liabilities)/assets	(1,305)	(64)	11,741	10,372
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	(11,741)	(11,741)
Currency exposure	(1,305)	(64)	-	(1,369)

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

Audited	Audited				
	FYE 2008 Increase/ (Decrease) RM'000	FYE 2009 Increase/ (Decrease) RM'000	FYE 2010 Increase/ (Decrease) RM'000	FYE 2011 Increase/ (Decrease) RM'000	FPE 2012 Increase/ (Decrease) RM'000
Effects on profit after taxation					
United States Dollar:-					
- strengthened by 10%	(133)	(130)	19	341	97
- weakened by 10%	133	130	(19)	(341)	(97)
Euro:-					
- strengthened by 10%	-	#	-	-	-
- weakened by 10%	-	#	-	-	-
Hong Kong Dollar:-					
- strengthened by 10%	5	5	5	5	5
- weakened by 10%	(5)	(5)	(5)	(5)	(5)

Note:-

- less than RM500

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Datasonic Corporation's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. Datasonic Corporation's policy is to obtain the most favourable interest rates available. Any surplus funds of Datasonic Corporation will be placed with licensed financial institutions to generate interest income.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

Audited	Audited				
	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FPE 2012
	Increase/ (Decrease) RM'000	Increase/ (Decrease) RM'000	Increase/ (Decrease) RM'000	Increase/ (Decrease) RM'000	Increase/ (Decrease) RM'000
Increase of 100 basis points (bp)	33	26	18	110	52
Decrease of 100 bp	(33)	(26)	(18)	(110)	(52)

(iii) Equity Price Risk

Datasonic Corporation does not have any quoted investment and hence is not exposed to equity price risks.

(ii) Credit Risk

Datasonic Corporation's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. Datasonic Corporation manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), Datasonic Corporation minimises credit risk by dealing exclusively with high credit rating counterparties.

Datasonic Corporation establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Credit risk concentration profile

Datasonic Corporation's major concentration of credit risk relates to the trade receivables as at the end of the reporting period as follows:-

	<i>Audited</i>				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Number of customers	2	3	2	4	4
Percentage	47%	51%	45%	56%	56%

Exposure to credit risk

As the Datasonic Corporation does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Ageing analysis

The ageing analysis of Datasonic Corporation's trade receivables (including amount owing by subsidiaries) is as follows:-

Audited	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
31.12.2008			
Not past due	1,321	-	1,321
Past due:			
- less than 30 days	572	-	572
- 30 to 61 days	188	-	188
- over 61 days	366	(165)	201
	2,447	(165)	2,282

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

Audited	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
31.12.2009			
Not past due	903	-	903
Past due:			
- less than 30 days	430	-	430
- 30 to 61 days	206	-	206
- over 61 days	356	(178)	178
	1,895	(178)	1,717
31.12.2010			
Not past due	1,117	-	1,117
Past due:			
- less than 30 days	651	-	651
- 30 to 61 days	267	-	267
- over 61 days	553	(160)	393
	2,588	(160)	2,428

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

Audited	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
31.12.2011			
Not past due	821	-	821
Past due:			
- less than 30 days	441	-	441
- 30 to 61 days	141	-	141
- over 61 days	308	(177)	131
	1,711	(177)	1,534

Audited	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
29.2.2012			
Not past due	474	-	474
Past due:			
- less than 30 days	384	-	384
- 30 to 61 days	232	-	232
- over 61 days	457	(177)	280
	1,547	(177)	1,370

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Trade receivables that are past due but not impaired

Datasonic Corporation believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with Datasonic Corporation. Datasonic Corporation uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. Datasonic Corporation practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting year/period):-

Audited	Weighted Average Effective %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	within 1 Year RM'000	1 - 5 Years RM'000
31.12.2008					
Trade payables		2,786	2,786	2,786	-
Other payables and accruals		917	917	917	-
Amount owing to subsidiaries		65	65	65	-
Term loans	7.15	3,338	3,338	874	2,464
		<u>7,106</u>	<u>7,106</u>	<u>4,642</u>	<u>2,464</u>
31.12.2009					
Trade payables		2,199	2,199	2,199	-
Other payables and accruals		628	628	628	-
Amount owing to subsidiaries		347	347	347	-
Amount owing to related companies		105	105	105	-
Term loans	5.32	2,570	2,824	931	1,893
		<u>5,849</u>	<u>6,103</u>	<u>4,210</u>	<u>1,893</u>

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

Audited	Weighted Average Effective %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	within 1 Year RM'000	1 - 5 Years RM'000
31.12.2010					
Trade payables		558	558	558	-
Other payables and accruals		762	762	762	-
Amount owing to subsidiaries		347	347	347	-
Amount owing to related companies		8	8	8	-
Dividend payable		6,940	6,940	6,940	-
Term loans	5.32	1,754	1,934	673	1,261
		10,369	10,549	9,288	1,261
31.12.2011					
Trade payables		6,113	6,113	6,113	-
Other payables and accruals		2,035	2,035	2,035	-
Amount owing to subsidiaries		347	347	347	-
Amount owing to related companies		1,539	1,539	1,539	-
Amount owing to a related party		4,851	4,851	4,851	-
Dividend payable		766	766	766	-
Term loans	5.77	10,971	12,628	7,391	5,237
		26,622	28,279	23,042	5,237
29.2.2012					
Trade payables		2,517	2,517	2,517	-
Other payables and accruals		1,923	1,923	1,923	-
Amount owing to subsidiaries		347	347	347	-
Amount owing to related companies		1,528	1,528	1,528	-
Amount owing to a related party		4,751	4,751	4,751	-
Dividend payable		766	766	766	-
Term loans	5.77	5,167	6,678	1,657	5,021
		16,999	18,510	13,489	5,021

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

Datasonic Corporation manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, Datasonic Corporation may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

Datasonic Corporation manages its capital based on debt-to-equity ratio. Datasonic Corporation's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of Datasonic Corporation as at the end of the reporting year/period was as follows:-

	Audited				
	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000	FYE 2011 RM'000	FPE 2012 RM'000
Trade payables	2,786	2,199	558	6,113	2,517
Other payables and accruals	917	628	762	2,035	1,923
Amount owing to subsidiaries	65	347	347	347	347
Amount owing to related companies	-	105	8	1,539	1,528
Amount owing to a related party	-	-	-	4,851	4,751
Dividend payable	-	-	6,940	766	766
Term loans	3,338	2,570	1,754	10,971	5,167
	7,106	5,849	10,369	26,622	16,999
Less: Fixed deposits with licensed banks	(519)	(283)	(317)	(589)	(592)
Less: Cash and bank balances	(6,875)	(838)	(8,845)	(1,259)	(1,388)
Net debt	(288)	4,728	1,207	24,774	15,019
Total equity	29,108	37,245	19,441	29,921	34,112
Debt-to-equity ratio	N/A	0.13	0.06	0.83	0.44

The debt-to-equity ratio is not presented for FYE 2008 as its cash and cash equivalents exceeded the total debts.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments

Audited	Audited				
	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000	FYE 2011 RM'000	FPE 2012 RM'000
Financial Assets					
<u>Available-for-sale financial assets</u>					
Investment in club membership	110	110	110	110	110
<u>Loans and receivables financial assets</u>					
Trade receivables	2,282	1,717	2,428	1,534	1,370
Other receivables and deposits	280	151	139	148	158
Amount owing by immediate holding company	14,190	27,116	307	18,514	7,170
Amount owing by subsidiaries	#	-	-	-	1
Amount owing by related companies	27	766	7,508	16,662	16,582
Cash and cash equivalents	7,394	1,121	9,162	1,848	1,980
	24,173	30,871	19,544	38,706	27,261
Financial Liabilities					
<u>Financial Liabilities</u>					
Trade payables	2,786	2,199	558	6,113	2,517
Other payables and accruals	917	628	762	2,035	1,923
Amount owing to subsidiaries	65	347	347	347	347
Amount owing to related companies	-	105	8	1,539	1,528
Amount owing to a related party	-	-	-	4,851	4,751
Dividend payable	-	-	8,940	766	766
Term loans	3,338	2,570	1,754	10,971	5,167
	7,106	5,849	10,369	26,622	16,999

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 DATASONIC CORPORATION SDN BHD.

6.2.30 FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair value of club membership is estimated based on its market price at the end of the reporting period.

(e) Fair Value Hierarchy

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:-

- Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has carried its investment in club membership that is classified as available-for-sale financial assets at their fair values. These financial assets belong to level 2 of the fair value hierarchy.

6.2.31 COMPARATIVE FIGURE

The statement of profits or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the financial period from 1 January 2011 to 28 February 2011 including the related notes are based on unaudited draft management account and presented for the purpose of illustration only.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD. ("Datasonic Technologies")

6.3.1 STATEMENTS OF COMPREHENSIVE INCOME

	Note	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Revenue	6.3.5	4,426	5,663	16,615	36,048	3,139	16,183
Cost of sales		(2,263)	(1,983)	(10,869)	(21,596)	(1,866)	(12,545)
Gross profit ("GP")		2,163	3,680	5,746	14,452	1,273	3,638
Other income		55	30	19	49	2	57
		2,218	3,710	5,765	14,501	1,275	3,695
Administrative expenses		(939)	(2,020)	(3,856)	(5,854)	(720)	(1,315)
Other expenses		(54)	(184)	(502)	(414)	(75)	(32)
Finance costs		(2)	(21)	(18)	(94)	(16)	(50)
Profit before taxation ("PBT")		1,223	1,485	1,389	8,139	464	2,298
Depreciation		82	188	397	414	75	32
Interest expense		-	17	11	74	16	2
Interest income		(8)	(2)	(10)	(36)	(2)	(6)
Earning before depreciation, interest and taxation		1,297	1,688	1,787	8,591	553	2,326
Depreciation		(82)	(188)	(397)	(414)	(75)	(32)
Interest expense		-	(17)	(11)	(74)	(16)	(2)
Interest income		8	2	10	36	2	6
PBT	6.3.6	1,223	1,485	1,389	8,139	464	2,298
Income tax expense	6.3.7	(377)	(507)	(366)	(2,039)	(58)	(603)
Profit after taxation ("PAT")		846	978	1,023	6,100	406	1,695
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the financial year/period		846	978	1,023	6,100	406	1,695

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.1 STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
PAT attributable to:- Owners of the Company	846	978	1,023	6,101	406	1,695
Total comprehensive income attributable to:- Owners of the Company	846	978	1,023	6,101	406	1,695
<i>GP margin (%)</i>	48.87	64.98	34.58	40.09	40.55	22.48
<i>PBT margin (%)</i>	27.63	26.22	8.36	22.58	14.78	14.20
<i>PAT margin (%)</i>	19.11	17.27	6.16	16.92	12.93	10.47
<i>Effective tax rate (%)</i>	30.83	34.14	26.35	25.05	12.50	26.24
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>	7,467	7,467	7,467	7,467	7,467	7,467
<i>Gross earnings per share ("EPS") (RM)</i>	0.16	0.20	0.19	1.09	0.06	0.31
<i>Net EPS (RM)</i>	0.11	0.13	0.14	0.82	0.05	0.23

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.2 STATEMENTS OF FINANCIAL POSITION

		Audited				
		31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
Note		RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
NON-CURRENT ASSET						
	Equipment	556	449	508	624	602
6.3.8		556	449	508	624	602
CURRENT ASSETS						
	Work-in-progress	1,228	3,407	458	1,769	1,285
6.3.9		1,228	3,407	458	1,769	1,285
	Trade receivables	913	5,945	11,684	23,041	22,863
6.3.10		913	5,945	11,684	23,041	22,863
	Other receivables, deposits and prepayments	142	163	209	312	411
	Amount owing by immediate holding company	9,115	4,340	-	2,033	4,619
6.3.11		9,115	4,340	-	2,033	4,619
	Amount owing by a related company	-	11	11	10	10
6.3.12		-	11	11	10	10
	Tax refundable	127	66	-	-	-
	Fixed deposits with a licensed bank	-	130	292	1,389	1,411
6.3.13		-	130	292	1,389	1,411
	Cash and bank balances	200	435	970	4,930	5,420
		11,725	14,497	13,624	33,484	36,019
	TOTAL ASSETS	12,281	14,946	14,132	34,108	36,621

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.2 STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Audited				
		31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
EQUITY AND LIABILITIES						
EQUITY						
Share capital	6.3.14	7,467	7,467	7,467	7,467	7,467
Retained profits	6.3.15	4,198	5,176	1,632	7,733	9,428
TOTAL EQUITY		11,665	12,643	9,099	15,200	16,895
NON-CURRENT LIABILITY						
Deferred tax liabilities	6.3.16	19	19	19	107	112
CURRENT LIABILITIES						
Trade payables	6.3.17	101	217	1,038	4,497	2,313
Other payables and accruals		71	1,362	2,386	4,616	9,478
Amount owing to immediate holding company	6.3.11	-	-	-	1,014	1,116
Amount owing to related companies	6.3.12	425	705	1,480	6,910	5,837
Provision for taxation		-	-	110	1,764	870
		597	2,284	5,014	18,801	19,614
TOTAL LIABILITIES		616	2,303	5,033	18,908	19,726
TOTAL EQUITY AND LIABILITIES		12,281	14,946	14,132	34,108	36,621
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>						
		7,467	7,467	7,467	7,467	7,467
<i>Net assets ("NA") (RM'000)</i>						
		11,665	12,643	9,099	15,200	16,895
<i>NA per ordinary share (RM)</i>						
		1.56	1.69	1.22	2.04	2.26
<i>Trade receivables turnover period (days)</i>						
		75	383	257	233	85
<i>Trade payables turnover period (days)</i>						
		16	40	35	76	11
<i>Gearing ratio (times)</i>						
		N/A	N/A	N/A	N/A	N/A

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.3 STATEMENTS OF CASH FLOWS

Note	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES						
Profit before taxation	1,223	1,485	1,389	8,140	464	2,298
Adjustments for:-						
Depreciation of equipment	82	188	397	414	75	32
Equipment written off	31	-	31	1	-	-
(Gain)/Loss on disposal of equipment	-	(#)	9	(#)	-	(48)
Interest expense	-	17	11	74	16	2
Interest income	(8)	(2)	(10)	(36)	(2)	(6)
Operating profit before working capital changes	1,328	1,688	1,827	8,593	553	2,278
(Increase)/Decrease in work-in-progress	(1,228)	(2,179)	2,949	(1,311)	-	484
(Increase)/Decrease in trade and other receivables	(368)	(5,053)	(5,785)	(11,460)	(1,455)	79
Increase in trade and other payables	115	1,407	1,845	5,689	263	2,678
(Increase)/Decrease in amount owing by immediate holding company	-	-	-	(2,033)	23	(2,586)
Increase in amount owing to related companies	-	75	792	2,504	1,553	1,497
CASH (FOR)/FROM OPERATIONS	(153)	(4,062)	1,628	1,982	937	4,430
Income tax paid	(588)	(446)	(190)	(296)	(58)	(1,492)
Interest paid	-	(17)	(11)	(74)	(16)	(2)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(741)	(4,525)	1,427	1,612	863	2,936
CASH FLOWS FROM(FOR) INVESTING ACTIVITIES						
Interest received	8	2	10	36	2	6
Proceeds from disposal of equipment	4	2	70	#	-	48
Purchase of equipment	(670)	(83)	(571)	(531)	(46)	(10)
Repayment from/(Advances to) immediate holding company	61	4,775	(227)	-	-	-
Advances to a related company	-	(11)	-	-	-	-
NET CASH FROM(FOR) INVESTING ACTIVITIES	(597)	4,685	(718)	(495)	(44)	44

Note:-

- RM100

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.3 STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
CASH FLOWS FROM(FOR) FINANCING ACTMTIES							
Advances from immediate holding company		-	-	-	1,014	-	102
Advances from/(Repayment to) related companies		425	205	(12)	2,926	-	(2,570)
NET CASH FROM(FOR) FINANCING ACTMTIES		425	205	(12)	3,940	-	(2,468)
NET INCREASE IN CASH AND CASH EQUIVALENTS							
		(913)	365	697	5,057	819	512
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD							
		1,113	200	565	1,262	1,262	6,319
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD							
	6.3.18	200	565	1,262	6,319	2,081	6,831

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.4 STATEMENTS OF CHANGES IN EQUITY

	Note	Audited		Total RM'000
		Share Capital RM'000	Retained Profits RM'000	
Balance at 1.1.2008		7,467	3,352	10,819
Profit after taxation/Total comprehensive income for the financial year		-	846	846
Balance at 31.12.2008/1.1.2009		7,467	4,198	11,665
Profit after taxation/Total comprehensive income for the financial year		-	978	978
Balance at 31.12.2010/1.1.2011		7,467	5,176	12,643
Profit after taxation/Total comprehensive income for the financial year		-	1,023	1,023
Dividend	6.3.19	-	(4,567)	(4,567)
Balance at 31.12.2010/1.1.2011		7,467	1,632	9,099
Profit after taxation/Total comprehensive income for the financial year		-	6,101	6,101
Balance at 31.12.2011/1.1.2012		7,467	7,733	15,200
Profit after taxation/Total comprehensive income for the financial period		-	1,695	1,695
Balance at 29.2.2012		7,467	9,428	16,895

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.5 REVENUE

Revenue represents the gross invoiced value of goods sold and services rendered net of returns and discounts.

6.3.6 PROFIT BEFORE TAXATION

	Audited FYE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE2011 RM'000	Audited FPE2012 RM'000
Loss before taxation is arrived at after charging/(crediting):-						
Audit fee						
- for the financial year	5	8	13	20	3	3
- underprovision in the previous financial year	1	-	-	-	-	-
Depreciation of equipment	82	188	397	414	75	32
Directors' fees	30	30	189	126	21	21
Directors' non-fee emoluments:-						
- salaries, bonus and allowances	-	-	476	280	38	38
- defined contribution plan	-	-	28	38	5	5
Equipment written off	31	-	31	1	-	-
Interest expense	-	17	11	74	16	2
Loss on disposal of equipment	-	-	9	-	-	-
Realised loss on foreign exchange	#	#	#	-	-	#
Rental of premises	102	507	416	423	70	105
Rental of equipment	-	8	11	12	7	1
Staffs costs:-						
- salaries, wages, bonuses and allowances	739	833	2,688	4,881	531	993
- defined contribution plan	86	92	301	540	68	131
- others	-	66	104	145	4	7
Interest income	(8)	(2)	(10)	(36)	(2)	(6)
Gain on disposal of equipment	-	(#)	-	(#)	-	(48)
Realised gain on foreign exchange	-	-	-	(6)	-	-
Rental income	(48)	(28)	-	-	-	-

Note:-

- Less than RM400

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.7 INCOME TAX EXPENSE

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Current tax expense						
- for the current financial year/period	347	530	453	2,056	163	598
- overprovision in the previous financial year/period	(3)	(23)	(87)	(105)	(105)	-
	344	507	366	1,951	58	598
Deferred tax expense (Section 6.3.16):						
- for the current financial year/period	33	-	-	33	-	(8)
- underprovision in the previous financial year/period	-	-	-	55	-	13
	377	507	366	2,039	58	603

The Company's statutory tax rate on the first RM500,000 of chargeable income is 20%. The statutory tax rates applicable to the balance of the chargeable income are as follows:-

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Statutory tax rate	26%	25%	25%	25%	25%	25%

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.7 INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of Datasonic Technologies is as follows:-

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Profit before taxation	1,223	1,485	1,389	8,140	464	2,298
Tax at the statutory tax rate of:						
- 26%	318	-	-	-	-	-
- 25%	-	371	347	2,035	116	575
Tax effects of:-						
Non-deductible expenses	62	159	106	54	47	15
(Over)/Underprovision in the previous financial year/period						
- current taxation	(3)	(23)	(87)	(105)	(105)	-
- deferred taxation	-	-	-	55	-	13
Income tax expense for the financial year/period	377	507	366	2,039	58	603

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.8 EQUIPMENT

Audited	Office Equipment RM'000	Furniture and Fittings RM'000	Computer Equipment RM'000	Total RM'000
Net Book Value				
At 1.1.2008	3	#	#	3
Additions	101	383	186	670
Disposals	-	(1)	(3)	(4)
Written off	-	-	(31)	(31)
Depreciation charge	(13)	(48)	(21)	(82)
At 31.12.2008/1.1.2009	91	334	131	556
Additions	31	-	52	83
Disposals	-	-	(2)	(2)
Depreciation charge	(27)	(102)	(59)	(188)
At 31.12.2009/1.1.2010	95	232	122	449
Additions	492	10	69	571
Transfer	(6)	-	(1)	(7)
Disposals	-	(77)	-	(77)
Written off	(31)	-	#	(31)
Depreciation charge	(182)	(106)	(109)	(397)
At 31.12.2010/1.1.2011	368	59	81	508
Additions	100	5	426	531
Written off	-	-	(1)	(1)
Depreciation charge	(155)	(60)	(199)	(414)
At 31.12.2011/1.1.2012	313	4	307	624
Additions	-	5	5	10
Depreciation charge	(9)	(1)	(22)	(32)
At 29.2.2012	304	8	290	602

Note:-

- Less than RM100

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.8 EQUIPMENT (Cont'd)

Audited	Office Equipment RM'000	Furniture and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 31.12.2008				
At Cost	172	390	190	752
Accumulated depreciation	(81)	(56)	(59)	(196)
Net book value	91	334	131	556
At 31.12.2009				
At Cost	203	390	239	832
Accumulated depreciation	(108)	(158)	(117)	(383)
Net book value	95	232	122	449
At 31.12.2010				
At Cost	573	284	259	1,116
Accumulated depreciation	(205)	(225)	(178)	(608)
Net book value	368	59	81	508
At 31.12.2011				
At Cost	671	289	683	1,643
Accumulated depreciation	(358)	(285)	(376)	(1,019)
Net book value	313	4	307	624
At 29.2.2012				
At Cost	663	215	687	1,565
Accumulated depreciation	(359)	(207)	(397)	(963)
Net book value	304	8	290	602

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.9 Work-In-Progress

The cost of work-in-progress includes the cost of materials and labour cost incurred.

6.3.10 TRADE RECEIVABLES

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	811	4,518	3,273	9,039	2,473
Allowance for impairment losses	(811)	(811)	(811)	(811)	(811)
	-	3,707	2,462	8,228	1,662
Accrued income	913	2,238	9,222	14,813	21,201
	913	5,945	11,684	23,041	22,863

Datasonic Technologies's normal trade credit term is 30 days. Other credit terms are assessed and approved on a case-by-case basis.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.11 AMOUNT OWING BY/TO IMMEDIATE HOLDING COMPANY

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Amount owing by immediate holding company	9,115	4,340	-	2,033	4,619
Amount owing to immediate holding company	-	-	-	(1,014)	(1,116)

The non-trade balance represents unsecured, interest-free advances and payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

6.3.12 AMOUNT OWING BY RELATED COMPANIES

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Amount owing by:- Non-trade balances	-	11	11	10	10
Amount owing to:- Trade balances	-	(75)	(867)	(3,371)	(4,868)
Non-trade balances	(425)	(630)	(613)	(3,539)	(969)
	(425)	(705)	(1,480)	(6,910)	(5,837)

The trade balance is subject to the normal trade credit term granted to the Company of 30 days.

The non-trade balances represent unsecured, interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.13 FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits have been pledged as security for banking facilities granted to the Datasonic Technologies.

The effective interest rates per annum and the maturity periods of deposits at the end of the reporting period were as follows:-

	Audited				
	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000	FYE 2011 RM'000	FYE 2012 RM'000
Effective interest rates per annum ranging :-					
- from	-	2.50%	2.50%	2.55%	2.85%
- to	-	2.50%	2.85%	3.00%	3.15%
Maturity periods ranging :-					
- from	-	30 days	30 days	30 days	30 days
- to	-	365 days	365 days	365 days	365 days

6.3.14 SHARE CAPITAL

Audited	31.12.2008	31.12.2009	Number of Shares		31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	('000)	('000)	('000)	('000)	RM'000	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1 each:-									
Authorised	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Issued and fully paid-up	7,467	7,467	7,467	7,467	7,467	7,467	7,467	7,467	7,467

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.15 RETAINED PROFITS

Subject to the agreement of the tax authorities, at the end of the reporting period, Datasonic Technologies had the following tax credits under Section 108 of the Income Tax Act 1967 available for the purpose of paying dividends:-

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Tax credits under section 108 of the Income Tax Act 1967	3,772	3,976	3,976	3,976	3,976

The balance of the retained profits, if distributed as dividends, will be taxed at the statutory tax rate.

At the end of the reporting period, Datasonic Technologies has not elected for the single tier tax system. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, Datasonic Technologies will automatically move to the single tier tax system. Under the single tier tax system, tax on Datasonic Technologies's profit is a final tax, and dividends distributed to shareholders will be exempted from tax.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.16 DEFERRED TAX LIABILITIES

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
At 1 January	(14)	19	19	19	107
Recognised in statements of comprehensive income (Section 6.3.7)	33	-	-	88	5
At 31 December/29 February	19	19	19	107	112

Deferred tax liability and asset are attributable to the following items:-

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Accelerated capital allowances	19	19	19	107	112

6.3.17 TRADE PAYABLES

The normal trade credit term granted to Datasonic Technologies is 30 days.

6.3.18 CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	Audited	Audited	Audited	Audited	Unaudited	Audited
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	28.2.2011 RM'000	29.2.2012 RM'000
Fixed deposits with a licensed bank	-	130	292	1,389	1,142	1,411
Cash and bank balances	200	435	970	4,930	939	5,420
	200	565	1,262	6,319	2,081	6,831

6.3.19 DIVIDEND

	Audited	Audited	Audited	Audited	Unaudited	Audited
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	28.2.2011 RM'000	29.2.2012 RM'000
Declared:						
- Interim single-tier exempt dividend of RM0.61 per ordinary share in respect of the financial year ended 31 December 2010	-	-	4,567	-	-	-

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.20 RELATED PARTY DISCLOSURES

(a) Identities of related parties

- (i) immediate and ultimate holding companies which are both incorporated in Malaysia are Dibena Enterprise Sdn. Bhd. and Sarana Kencana Sdn. Bhd. respectively;
- (ii) the directors who are the key management personnel; and
- (iii) entities controlled by certain key management personnel, directors and substantial shareholders.

- (b) In addition to the information disclosed elsewhere in the financial statements, Datasonic Technologies carried out the following transactions with its related parties during the financial year:

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE2012 RM'000
(i) Immediate holding company:						
- Sales	-	919	8,597	10,907	-	4,424
- Dividend	-	-	4,567	-	-	-
- Rental Paid	-	2	240	-	-	-
- Management fees	-	-	500	1,200	200	-
(ii) Related companies:						
- Sales	1,685	1,125	729	-	-	-
- Purchases	-	90	556	2,013	3	2,941
- Disposal of equipments	-	-	5	-	-	-
- Management fees	-	-	-	-	-	400
- Rental of premises	-	95	173	174	29	-
- Subcontractor fees	-	-	3,116	5,864	566	-
(iii) Key management personnel compensation:						
- Short-term employee benefits	30	252	419	281	38	136
- Defined contribution plans	-	27	27	37	5	16

6.3.21 CONTINGENT LIABILITY

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Bank guarantee issued in favour the immediate holding company and a related party	-	-	40	3,378	3,378

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.22 FOREIGN EXCHANGE RATES

The applicable closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the reporting period was as follows:-

	Audited				
	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	RM'000	RM'000	RM'000	RM'000	RM'000
Euro	-	-	-	4.09	4.04

6.3.23 FINANCIAL INSTRUMENTS

Datasonic Technologies's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Datasonic Technologies's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

(a) Financial Risk Management Policies

The policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

Datasonic Technologies is exposed to foreign exchange risk primarily through sales that are denominated in foreign currencies.

Datasonic Technologies's foreign currency transactions and balances are substantially denominated in Euro.

Foreign currency risk is managed to an acceptable level.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Any surplus funds of the Company will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.23 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk

(ii) Interest Rate Risk (Cont'd)

	Audited FYE 2008 Increase/ (Decrease) RM'000	Audited FYE 2009 Increase/ (Decrease) RM'000	Audited FYE 2010 Increase/ (Decrease) RM'000	Audited FYE 2011 Increase/ (Decrease) RM'000	Unaudited FPE 2011 Increase/ (Decrease) RM'000	Audited FPE2012 Increase/ (Decrease) RM'000
Effects on profit after taxation						
Increase of 100 basis points (bp)	-	1	2	10	12	14
Decrease of 100 bp	-	(1)	(2)	(10)	(12)	(14)
Effects on equity						
Increase of 100 basis points (bp)	-	1	2	10	12	14
Decrease of 100 bp	-	(1)	(2)	(10)	(12)	(14)

(iii) Equity Price Risk

Datasonic Technologies does not have any quoted investments and hence is not exposed to equity price risks.

(ii) Credit Risk

Datasonic Technologies's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. Datasonic Technologies manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

Datasonic Technologies establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

Datasonic Technologies's major concentration of credit risk relates to the trade receivables as at the end of the reporting period as follow:-

	Audited				
	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Number of customers	2	2	2	2	2
Percentage	98%	98%	98%	85%	85%

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.23 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of Datasonic Technologies's trade receivables as at end of Relevant Reporting Periods follows:-

Audited	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
31.12.2008			
Not past due	-	-	-
Past due:			
- less than 30 days	-	-	-
- 31 to 60 days	-	-	-
- over 61 days	811	(811)	-
	811	(811)	-
31.12.2009			
Not past due	2,337	-	2,337
Past due:			
- less than 30 days	-	-	-
- 31 to 60 days	-	-	-
- over 61 days	2,181	(811)	1,370
	4,518	(811)	3,707
31.12.2010			
Not past due	2,421	-	2,421
Past due:			
- less than 30 days	3	-	3
- 31 to 60 days	2	-	2
- over 61 days	847	(811)	36
	3,273	(811)	2,462

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.23 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

Audited	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
31.12.2011			
Not past due	7,017	-	7,017
Past due:			
- less than 30 days	1,211	-	1,211
- 31 to 60 days	-	-	-
- over 61 days	811	(811)	-
	9,039	(811)	8,228
29.2.2012			
Not past due	90	-	90
Past due:			
- less than 30 days	649	-	649
- 31 to 60 days	923	-	923
- over 61 days	811	(811)	-
	2,473	(811)	1,662

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

Datasonic Technologies believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.23 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Datasonic Technologies. Datasonic Technologies uses ageing analysis to monitor the credit quality of the trade receivables.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. Datasonic Technologies practises prudent risk management by maintaining sufficient cash balances.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting year/period):-

Audited	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	within 1 Year RM'000
31.12.2008			
Trade payables	101	101	101
Other payables and accruals	71	71	71
Amount owing to related companies	425	425	425
	597	597	597
31.12.2009			
Trade payables	217	217	217
Other payables and accruals	1,362	1,362	1,362
Amount owing to related companies	705	705	705
	2,284	2,284	2,284

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.23 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

Audited	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	within 1 Year RM'000
31.12.2010			
Trade payables	1,038	1,038	1,038
Other payables and accruals	2,386	2,386	2,386
Amount owing to related companies	1,480	1,480	1,480
	<u>4,904</u>	<u>4,904</u>	<u>4,904</u>
31.12.2011			
Trade payables	4,497	4,497	4,497
Other payables and accruals	4,616	4,616	4,616
Amount owing to immediate holding company	1,014	1,014	1,014
Amount owing to related companies	6,910	8,910	6,910
	<u>17,037</u>	<u>17,037</u>	<u>17,037</u>
29.2.2012			
Trade payables	2,313	2,313	2,313
Other payables and accruals	9,478	9,478	9,478
Amount owing to immediate holding company	1,116	1,116	1,116
Amount owing to related companies	5,837	5,837	5,837
	<u>18,744</u>	<u>18,744</u>	<u>18,744</u>

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.23 FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

Datasonic Technologies manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, Datasonic Technologies may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

Datasonic Technologies manages its capital based on debt-to-equity ratio. Datasonic Technologies's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt dividend by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of Datasonic Technologies as at the end of the reporting year/period was as follows:-

	Audited				
	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000	FYE 2011 RM'000	FPE 2012 RM'000
Trade payables	101	217	1,038	4,497	2,313
Other payables and accruals	71	1,362	2,386	4,616	9,478
Amount owing to immediate holding company	-	-	-	1,014	1,116
Amount owing to related companies	425	705	1,480	6,910	5,837
	597	2,284	4,904	17,037	18,744
Less: Fixed deposits with licensed banks	-	(130)	(292)	(1,389)	(1,411)
Less: Cash and bank balances	(200)	(435)	(970)	(4,930)	(5,420)
Net debt	397	1,719	3,642	10,718	11,913
Total equity	11,665	12,643	9,099	15,200	16,895
Debt-to-equity ratio	0.03	0.14	0.40	0.71	0.71

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 DATASONIC TECHNOLOGIES SDN. BHD.

6.3.23 FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments

Audited	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Financial Assets					
<u>Loans and receivables financial assets</u>					
Trade receivables	-	3,707	2,462	8,228	1,662
Other receivables and deposits	-	59	192	311	411
Amount owing by immediate holding company	9,115	4,340	-	2,033	4,619
Amount owing by a related company	-	11	11	10	10
Fixed deposits with a licensed bank	-	130	292	1,389	1,411
Cash and bank balances	200	435	970	4,930	5,420
	<u>9,315</u>	<u>8,682</u>	<u>3,927</u>	<u>16,901</u>	<u>13,533</u>
Financial Liabilities					
<u>Other financial liabilities</u>					
Trade payables	101	217	1,038	4,497	2,313
Other payables and accruals	71	1,362	2,386	4,616	9,478
Amount owing to immediate holding company	-	-	-	1,014	1,116
Amount owing to related companies	425	705	1,480	6,910	5,837
	<u>597</u>	<u>2,284</u>	<u>4,904</u>	<u>17,037</u>	<u>18,744</u>

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(e) Fair Value Hierarchy

As at Relevant Financial Periods, there were no financial instruments carried at fair values.

6.3.24 COMPARATIVE FIGURES

The statement of profits or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the financial period from 1 January 2011 to 28 February 2011 including the related notes are based on unaudited draft management account and presented for the purpose of illustration only.

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13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD. ("Smart Consult Solutions")

6.4.1 STATEMENTS OF COMPREHENSIVE INCOME

		Audited FYE 2008	Audited FYE 2009	Audited FYE 2010	Audited FYE 2011	Unaudited FPE 2011	Audited FPE 2012
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other income		-	-	35	-	-	14
Administrative expenses		(17)	(6)	(833)	(657)	(110)	(96)
Other expense		-	-	(4)	(10)	(1)	(5)
Loss before taxation ("LBT")		(17)	(6)	(802)	(667)	(111)	(87)
Depreciation		-	-	4	10	1	5
Earning before interest, depreciation and taxation		(17)	(6)	(798)	(657)	(110)	(82)
Depreciation		-	-	(4)	(10)	(1)	(5)
LBT	6.4.5	(17)	(6)	(802)	(667)	(111)	(87)
Income tax expense	6.4.6	-	-	-	-	-	-
Loss after taxation ("LAT")		(17)	(6)	(802)	(667)	(111)	(87)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive expenses for the financial year/period		(17)	(6)	(802)	(667)	(111)	(87)
LAT attributable to:-							
Owners of the Company		(17)	(6)	(802)	(667)	(111)	(87)
Total comprehensive expenses attributable to:-							
Owners of the Company		(17)	(6)	(802)	(667)	(111)	(87)
Number of ordinary shares of RM1.00 each in issue ('000)		100	100	100	100	100	100
Gross loss per share ("LPS") (RM)		(0.17)	(0.06)	(8.02)	(6.67)	(1.11)	(0.87)
Net LPS (RM)		(0.17)	(0.06)	(8.02)	(6.67)	(1.11)	(0.87)

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.2 STATEMENTS OF FINANCIAL POSITION

		Audited 31.12.2008	Audited 31.12.2009	Audited 31.12.2010	Audited 31.12.2011	Audited 29.2.2012
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
NON-CURRENT ASSETS						
Equipment	6.4.7	-	-	9	119	141
Development costs	6.4.8	-	-	3,558	5,742	5,707
		-	-	3,567	5,861	5,848
CURRENT ASSETS						
Inventories		-	-	777	-	-
Other receivables, deposits and prepayments		-	2	393	417	807
Cash and bank balances		55	47	763	157	64
		55	49	1,933	574	871
TOTAL ASSETS		55	49	5,500	6,435	6,719
EQUITY AND LIABILITIES						
EQUITY						
Share capital	6.4.9	100	100	100	100	100
Accumulated losses		(47)	(53)	(855)	(1,522)	(1,609)
TOTAL EQUITY		53	47	(755)	(1,422)	(1,509)
CURRENT LIABILITIES						
Trade payables	6.4.10	-	-	355	275	238
Other payables and accruals		2	2	25	209	116
Amount owing to immediate holding company	6.4.11	-	-	-	-	1
Amount owing to a related company	6.4.12	-	-	5,875	7,373	7,873
TOTAL LIABILITIES		2	2	6,255	7,857	8,228
TOTAL EQUITY AND LIABILITIES		55	49	5,500	6,435	6,719
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>						
		100	100	100	100	100
<i>Net assets/(liabilities) ("NA/(NL)") (RM'000)</i>						
		53	47	(755)	(1,422)	(1,509)
<i>NA/(NL) per ordinary share (RM)</i>						
		0.53	0.47	(7.55)	(14.22)	(15.09)

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.3 STATEMENTS OF CASH FLOWS

	Audited FYE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE2011 RM'000	Audited FPE2012 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES						
Loss before taxation	(17)	(6)	(802)	(667)	(111)	(87)
Adjustments for:-						
Depreciation of equipment	-	-	4	10	1	5
Interest income	-	-	-	-	-	(#)
Unrealised (loss)/gain on foreign exchange	-	-	(7)	18	(1)	(14)
Operating loss before working capital changes	(17)	(6)	(805)	(639)	(111)	(96)
Increase in inventories	-	-	(777)	-	-	-
Increase in other receivables, deposits and prepayments	-	(2)	(391)	(24)	#	(3)
(Decrease)/Increase in trade and other payables	(1)	#	385	86	(14)	(116)
NET CASH FOR OPERATING ACTIVITIES	(18)	(8)	(1,588)	(577)	(125)	(215)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES						
Interest received	-	-	-	-	-	#
Purchase of equipment	-	-	(13)	(120)	-	(27)
Development costs	-	-	(3,558)	(1,407)	(86)	(352)
Repayment from holding company	70	-	-	-	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES	70	-	(3,571)	(1,527)	(86)	(379)

Note:-

- less than RM500

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.3 STATEMENTS OF CASH FLOWS (CONT'D)

	Audited FYE2008 RM'000	Audited FYE2009 RM'000	Audited FYE2010 RM'000	Audited FYE2011 RM'000	Unaudited FPE2012 RM'000	Audited FPE2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Advances from a related company	-	-	5,875	1,498	-	500
Advances from immediate holding company	-	-	-	-	-	1
NET CASH FROM INVESTING ACTIVITIES	-	-	5,875	1,498	-	501
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES	52	(8)	716	(606)	(211)	(93)
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR/PERIOD	3	55	47	763	763	157
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR/PERIOD	55	47	763	157	552	64

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.4 STATEMENTS OF CHANGES IN EQUITY

	Audited		
	Share Capital RM'000	Accumulated Losses RM'000	Total RM'000
Balance at 1.1.2008	100	(30)	70
Loss after taxation/Total comprehensive expenses for the financial year	-	(17)	(17)
Balance at 31.12.2008/1.1.2009	100	(47)	53
Loss after taxation/Total comprehensive expenses for the financial year	-	(6)	(6)
Balance at 31.12.2009/1.1.2010	100	(53)	47
Loss after taxation/Total comprehensive expenses for the financial year	-	(802)	(802)
Balance at 31.12.2010/1.1.2011	100	(855)	(755)
Loss after taxation/Total comprehensive expenses for the financial year	-	(667)	(667)
Balance at 31.12.2011/1.1.2012	100	(1,522)	(1,422)
Loss after taxation/Total comprehensive expenses for the financial period	-	(87)	(87)
Balance at 29.2.2012	100	(1,609)	(1,509)

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.5 LOSS BEFORE TAXATION

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Loss before taxation is arrived at after charging/(crediting):-						
Audit fee:						
- for the financial year	2	2	6	10	2	2
- overprovision in the previous financial year	(1)	-	-	-	-	-
Depreciation of equipment	-	-	4	10	1	5
Director's non-fee emoluments:						
- salaries, bonuses and allowances	-	-	-	-	-	16
- defined contribution plans	-	-	-	-	-	2
Rental of premises	-	-	18	47	-	13
(Gain)/loss on foreign exchange:						
- realised	-	-	(28)	14	#	#
- unrealised	-	-	(7)	18	(1)	(14)
Interest income	-	-	-	-	-	(#)

Note:-

- Less than RM300

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.6 INCOME TAX EXPENSE

Smart Consult Solutions was not subject to tax as there was no taxable income.

The Company's statutory tax rate on the first RM500,000 of chargeable income is 20%. The statutory tax rates applicable to the balance of the chargeable income are as follows:-

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Statutory tax rate	26%	25%	25%	25%	25%	25%

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of Smart Consult Solutions is as follows:-

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE 2012 RM'000
Loss before taxation	(17)	(6)	(802)	(667)	(111)	(87)
Tax at statutory tax rate of:						
-26%	(4)	-	-	-	-	-
-25%	-	(2)	(200)	(167)	(28)	(22)
Tax effect of:-						
Non-deductible expenses	4	2	200	167	28	22
Income tax expense for the financial year/period	-	-	-	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.7 EQUIPMENT

	At 1.1.2010 RM'000	Addition RM'000	Depreciation charge RM'000	At 31.12.2010 RM'000
Office equipment	-	13	(4)	9

	At 1.1.2011 RM'000	Additions RM'000	Depreciation charge RM'000	At 31.12.2011 RM'000
Audited Net book value				
Furniture and fittings	-	40	(1)	39
Office equipment	9	38	(9)	38
Renovation	-	42	#	42
	9	120	(10)	119

	At 1.1.2012 RM'000	Additions RM'000	Depreciation charge RM'000	At 29.2.2012 RM'000
Audited Net book value				
Furniture and fittings	39	14	(1)	52
Office equipment	38	13	(3)	48
Renovation	42	-	(1)	41
	119	27	(5)	141

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.7 EQUIPMENT (Cont'd)

	At cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
At 31.12.2010			
Office equipment	13	(4)	9
At 31.12.2011			
Furniture and fittings	40	(1)	39
Office equipment	51	(13)	38
Renovation	42	#	42
	133	(14)	119
At 29.2.2012			
Furniture and fittings	54	(2)	52
Office equipment	64	(16)	48
Renovation	42	(1)	41
	160	(19)	141

Note:-

- less than RM500

6.4.8 DEVELOPMENT COSTS

	Audited				
	FYE2008 RM'000	FYE2009 RM'000	FYE2010 RM'000	FYE2011 RM'000	FPE2012 RM'000
At 1 January	-	-	-	3,558	5,742
Addition for the financial year/period	-	-	3,558	2,184	352
Transfer during the financial year/period	-	-	-	-	(387)
At 31 December/29 February	-	-	3,558	5,742	5,707

Included in the development costs are direct expenditure and related overheads incurred in the process research development.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.8 DEVELOPMENT COSTS (Cont'd)

Included in the development costs incurred for the financial year are the following expenses :-

Audited	Audited				
	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000	FYE 2011 RM'000	FPE2012 RM'000
Staff costs	-	-	235	787	1,134
Equipment	-	-	643	653	653
Hardware	-	-	-	521	521
Consultancy fee	-	-	1,393	1,548	1,548
Software development	-	-	1,169	1,316	1,320
Professional fee	-	-	83	83	83

6.4.9 SHARE CAPITAL

Audited	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012	31.12.2008	31.12.2009	31.12.2010	31.12.2011	29.2.2012
	('000)	('000)	('000)	('000)	('000)	RM'000	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1 each:-										
Authorised	500	500	500	500	500	500	500	500	500	500
Issued and fully paid up	100	100	100	100	100	100	100	100	100	100

6.4.10 TRADE PAYABLES

The trade credit terms granted to Smart Consult Solutions are assessed and approved on a case-by-case basis.

6.4.11 AMOUNT OWING TO IMMEDIATE HOLDING COMPANY

The non-trade balances represent unsecured, interest-free advances granted to the Company and are repayable on demand. The amount is to be settled in cash.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.12 AMOUNT OWING TO A RELATED COMPANY

	Audited				
	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000	FYE 2011 RM'000	FPE 2012 RM'000
Amount owing to a related company	-	-	5,875	7,373	7,873
	-	-	5,875	7,373	7,873

The non-trade balances represent unsecured, interest-free advances granted to Smart Consult Solutions and are repayable on demand. The amount is to be settled in cash.

6.4.13 RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Smart Consult Solutions has relationship with:-

(i) immediate and ultimate holding companies which are both incorporated in Malaysia are Dibena Enterprise Sdn. Bhd. and Sarana Kencana Sdn. Bhd. respectively;

(ii) the directors who are the key management personnel; and

(b) In addition to the transactions detailed elsewhere in the financial statements, there were no material related party transactions carried out by Smart Consult Solutions during the financial period.

(c) Key management personnel:

	Audited FYE 2008 RM'000	Audited FYE 2009 RM'000	Audited FYE 2010 RM'000	Audited FYE 2011 RM'000	Unaudited FPE 2011 RM'000	Audited FPE2012 RM'000
Short-term employee benefits					-	18

6.4.14 FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the transaction of the foreign currency balances at the end of the reporting period were as follows:-

Audited	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	29.2.2012 RM'000
Chinese Renminbi	-	-	0.47	0.50	0.48
United States Dollar	-	-	3.08	3.16	3.00
Euro	-	-	4.08	-	-

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.15 FINANCIAL INSTRUMENTS

Smart Consult Solutions's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Smart Consult Solutions's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

(a) Financial Risk Management Policies

The policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

Smart Consult Solutions is exposed to foreign currency risk on purchases that are denominated in foreign currencies. The currencies giving rise to this risk are primarily Chinese Renminbi, Euro and United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Smart Consult's exposure to foreign currency is as follows:-

	United States Dollar RM'000	Chinese Renminbi RM'000	Euro RM'000	Ringgit Malaysia RM'000	Total RM'000
Audited					
31.12.2010					
Financial assets					
Other receivables and deposits	350	-	-	7	357
Cash and bank balances	-	-	-	763	763
	350	-	-	770	1,120
Financial Liabilities					
Trade payables	-	234	51	70	355
Other payables and accruals	-	-	-	25	25
Amount owing to a related company	-	-	-	5,875	5,875
	-	234	51	5,970	6,255
Net financial assets/(liabilities)	350	(234)	(51)	(5,200)	(5,135)
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	-	5,200	5,200
Currency exposure	350	(234)	(51)	-	65

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.15 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Audited	United States Dollar RM'000	Chinese Renminbi RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2011				
Financial assets				
Other receivables and deposits	350	-	27	377
Cash and bank balances	-	-	157	157
	<u>350</u>	<u>-</u>	<u>184</u>	<u>534</u>
Financial Liabilities				
Trade payables	21	252	2	275
Other payables and accruals	-	-	209	209
Amount owing to a related company	-	-	7,373	7,373
	<u>21</u>	<u>252</u>	<u>7,584</u>	<u>7,857</u>
Net financial assets/(liabilities)	329	(252)	(7,400)	(7,323)
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	7,400	7,400
Currency exposure	<u>329</u>	<u>(252)</u>	<u>-</u>	<u>77</u>

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.15 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Audited	United States Dollar RM'000	Chinese Renminbi RM'000	Ringgit Malaysia RM'000	Total RM'000
29.2.2012				
Financial assets				
Other receivables and deposits	350	-	417	767
Cash and bank balances	-	-	64	64
	<u>350</u>	<u>-</u>	<u>481</u>	<u>831</u>
Financial Liabilities				
Trade payables	-	238	-	238
Other payables and accruals	-	-	116	116
Amount owing to immediate holding company	-	-	1	1
Amount owing to a related company	-	-	7,873	7,873
	<u>-</u>	<u>238</u>	<u>7,990</u>	<u>8,228</u>
Net financial (liabilities)/assets	350	(238)	(7,509)	(7,397)
Less: Net financial assets denominated in the respective entities' functional currencies				
	-	-	7,509	7,509
Currency exposure	<u>350</u>	<u>(238)</u>	<u>-</u>	<u>112</u>

Foreign currency risk sensitivity analysis

A 10% strengthening/weakening of the RM against the Chinese Renminbi, Euro and United States Dollar as at the end of the reporting period would have immaterial impact on loss after taxation. This assumes that all other variables remain constant.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.15 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(ii) *Interest Rate Risk*

Smart Consult Solutions does not have any interest-bearing borrowings or fixed deposits and hence is not exposed to interest rate risk.

(iii) *Equity Price Risk*

Smart Consult Solutions does not have any quoted investments and hence is not exposed to equity price risks.

(ii) Credit Risk

Smart Consult Solutions does not have any major concentration of credit risk related to any individual customer or counterparty.

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.15 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk

Liquidity risk of the Smart Consult Solutions is minimal as the related company has undertaken to provide continued financial support to meet its obligations as and when they fall due.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting year/period):-

Audited	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	within 1 Year RM'000
31.12.2008			
Other payables and accruals	2	2	2
31.12.2009			
Other payables and accruals	2	2	2
31.12.2010			
Trade payables	355	355	355
Other payables and accruals	25	25	25
Amount owing to a related company	5,875	5,875	5,875
	<u>6,255</u>	<u>6,255</u>	<u>6,255</u>
31.12.2011			
Trade payables	275	275	275
Other payables and accruals	209	209	209
Amount owing to a related company	7,373	7,373	7,373
	<u>7,857</u>	<u>7,857</u>	<u>7,857</u>
29.2.2012			
Trade payables	238	238	238
Other payables and accruals	116	116	116
Amount owing to immediate holding company	1	1	1
Amount owing to a related company	7,873	7,873	7,873
	<u>8,228</u>	<u>8,228</u>	<u>8,228</u>

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.15 FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

Smart Consult Solutions manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, Smart Consult may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

Smart Consult Solutions has insignificant external borrowings/net debt. The debt-to-equity ratio does not provide a meaningful indicator of the risk of borrowings.

(c) Classification of Financial Instruments

Audited	Audited				
	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000	FYE 2011 RM'000	FPE 2012 RM'000
Financial Assets					
<u>Loans and receivables financial assets</u>					
Other receivables and deposits	-	2	357	377	767
Cash and bank balances	55	47	763	157	64
	55	49	1,120	534	831
Financial Liabilities					
<u>Other financial liabilities</u>					
Trade payables	-	-	355	275	238
Other payables and accruals	2	2	25	209	116
Amount owing to immediate holding company	-	-	-	-	1
Amount owing to a related company	-	-	5,875	7,373	7,873
	2	2	6,255	7,857	8,228

13. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 SMART CONSULT SOLUTIONS SDN. BHD.

6.4.15 FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(e) Fair Value Hierarchy

As at Relevant Financial Periods, there were no financial instruments carried at fair values.


6.4.16 COMPARATIVE FIGURES

The statement of profits or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the financial period from 1 January 2011 to 28 February 2011 including the related notes are based on unaudited draft management account and presented for the purpose of illustration only.

7. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 29 February 2012 for Datasonic, Datasonic Corporation, Datasonic Technologies and Smart Consult Solutions.

Yours faithfully


Crowe Horwath
Firm No : AF 1018
Chartered Accountants


Lee Kok Wai
Approval No.: 2760/06/12 (J)
Chartered Accountant