

INTERIM FINANCIAL REPORT**DATASONIC GROUP BERHAD**

Registration No. 200801008472 (809759-X)

Incorporated in Malaysia

The Directors are pleased to present the Interim Financial Report for the period ended 30 June 2021 as follows:

SUMMARY OF KEY INFORMATION**FOR THE FIRST QUARTER ENDED 30 JUNE 2021**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30.06.2021 RM'000	Preceding Year Quarter 30.06.2020 RM'000	Current Year to-date 30.06.2021 RM'000	Preceding Year to-date 30.06.2020 RM'000
1 Revenue	17,394	39,396	17,394	39,396
2 (Loss)/Profit before tax	(5,395)	6,131	(5,395)	6,131
3 (Loss)/Profit for the period	(5,650)	4,770	(5,650)	4,770
4 (Loss)/Profit after tax attributable to owners of the Company	(5,646)	4,775	(5,646)	4,775
5 Basic (loss)/earnings per share (sen)	(0.20)	0.36	(0.20)	0.36
6 Diluted (loss)/earnings per share (sen)	(0.13)	0.24	(0.13)	0.24
7 Proposed/Declared dividend per share (sen)	0.10	0.50	0.10	0.50
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
8 Net assets per share attributable to owners of the Company (RM)	0.0120		0.0862	

Remarks:

In the first quarter of the current financial year ending 31 March 2022, a first interim single-tier tax exempt dividend of 0.10 sen per share was declared on 30 August 2021, the Entitlement Date of which will be determined and announced in due course. This dividend has not been reflected in the financial statements for the financial period under review but it will be accounted for in shareholders' equity as an appropriation of retained profits for the next quarter ending 30 September 2021.

ADDITIONAL INFORMATION

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30.06.2021 RM'000	Preceding Year Quarter 30.06.2020 RM'000	Current Year to-date 30.06.2021 RM'000	Preceding Year to-date 30.06.2020 RM'000
1 Gross interest income	1,561	261	1,561	261
2 Gross interest expense	(396)	(1,143)	(396)	(1,143)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 JUNE 2021**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Quarter 30.06.2021 (RM'000)	Preceding Quarter 30.06.2020 (RM'000)	Current Year To Date 30.06.2021 (RM'000)	Preceding Year To Date 30.06.2020 (RM'000)
Continuing Operations				
Revenue	17,394	39,396	17,394	39,396
Operating expenses	(24,017)	(32,596)	(24,017)	(32,596)
Other income	1,624	474	1,624	474
(Loss)/Profit from operations	(4,999)	7,274	(4,999)	7,274
Finance costs	(396)	(1,143)	(396)	(1,143)
(Loss)/Profit before tax	(5,395)	6,131	(5,395)	6,131
Income tax expense	(255)	(1,361)	(255)	(1,361)
(Loss)/Profit after tax	(5,650)	4,770	(5,650)	4,770
Other comprehensive income/(loss), net of tax				
- Foreign currency translation differences	1	288	1	288
Total comprehensive (loss)/income for the period	(5,649)	5,058	(5,649)	5,058
(Loss)/Profit after taxation attributable to:				
Owners of the Company	(5,646)	4,775	(5,646)	4,775
Non-controlling interests	(4)	(5)	(4)	(5)
	(5,650)	4,770	(5,650)	4,770
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(5,644)	5,063	(5,644)	5,063
Non-controlling interests	(5)	(5)	(5)	(5)
	(5,649)	5,058	(5,649)	5,058
(Loss)/Earnings per share (sen) attributable to owners of the Company :				
- Basic (Note B12a)	(0.20)	0.36	(0.20)	0.36
- Diluted (Note B12b)	(0.13)	0.24	(0.13)	0.24

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2021 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	As at 30.06.2021 (RM'000)	As at 31.03.2021 (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	132,297	134,370
Right-of-use assets	13,052	13,209
Other investment	110	110
Goodwill	4,162	4,162
Development expenditures	19,682	20,341
Trade receivables (2)	4,785	5,294
	<u>174,088</u>	<u>177,486</u>
CURRENT ASSETS		
Projects-in-progress	2,443	2,203
Inventories	50,812	48,281
Trade receivables	29,223	33,272
Other receivables, deposits and prepayments	8,778	8,596
Tax recoverable	2,456	2,399
Short-term investments	141,335	31,449
Deposits with licensed banks	6,018	6,103
Cash and bank balances	6,212	10,742
	<u>247,277</u>	<u>143,045</u>
TOTAL ASSETS	<u>421,365</u>	<u>320,531</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	261,284	135,000
Treasury shares	(37,580)	(37,580)
Merger deficit	(11,072)	(11,072)
Foreign exchange translation reserve	(93)	(94)
Retained profits	132,672	139,760
Equity attributable to owners of the Company	<u>345,211</u>	<u>226,014</u>
Non-controlling interests	297	302
TOTAL EQUITY	<u>345,508</u>	<u>226,316</u>
NON-CURRENT LIABILITIES		
Long-term borrowings	30,284	45,974
Lease liabilities	135	155
Deferred taxation	3,790	4,007
	<u>34,209</u>	<u>50,136</u>
CURRENT LIABILITIES		
Trade payables	4,983	1,048
Other payables and accruals	26,197	29,263
Short-term borrowings	9,828	13,011
Lease liabilities	640	757
	<u>41,648</u>	<u>44,079</u>
TOTAL LIABILITIES	<u>75,857</u>	<u>94,215</u>
TOTAL EQUITY AND LIABILITIES	<u>421,365</u>	<u>320,531</u>
Net assets per share attributable to ordinary owners of the Company (RM)	0.0120	0.0862

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2021 and the accompanying explanatory notes attached to these interim financial statements.
- (2) These represent revenue earned for work performed and goods delivered but related invoices have yet to be issued in accordance with contractual terms.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2021

	Share Capital RM'000	Treasury Shares RM'000	Merger Deficit RM'000	Non- distributable Foreign Exchange Translation Reserve RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 April 2021	135,000	(37,580)	(11,072)	(94)	139,760	226,014	302	226,316
Profit after taxation for the financial period	-	-	-	-	(5,646)	(5,646)	(4)	(5,650)
Other comprehensive income for the financial period:								
- Foreign exchange translation	-	-	-	1	-	1	(1)	-
Total comprehensive income for the financial period	-	-	-	1	(5,646)	(5,645)	(5)	(5,650)
Contributions by and distributions to owners of the Company:								
- issuance of shares pursuant to Private Placement	126,284	-	-	-	-	126,284	-	126,284
- dividends (Note B11)	-	-	-	-	(1,442)	(1,442)	-	(1,442)
Total transactions with owners	126,284	-	-	-	(1,442)	124,842	-	124,842
At 30 June 2021	261,284	(37,580)	(11,072)	(93)	132,672	345,211	297	345,508

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2021 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2021

	CUMULATIVE QUARTERS	
	Current Year To Date 30.06.2021 (RM'000)	Preceding Year To Date 30.06.2020 (RM'000)
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(5,395)	6,131
Adjustments for :		
Amortisation of development expenditure	659	661
Depreciation of property, plant and equipment	2,592	2,261
Depreciation of right-of-use assets	157	650
Gain on disposal of property, plant and equipment	(11)	-
Interest income	(1,561)	(261)
Interest expense:		
- interest expense on lease liabilities	20	182
- other interest expense	376	961
Unrealised loss/(gain) on foreign exchange	32	(1,291)
Operating (loss)/profit before working capital changes	(3,131)	9,294
Changes in projects-in-progress	(240)	(139)
Changes in inventories	(2,530)	2,185
Changes in trade and other receivables	4,375	12,841
Changes in trade and other payables	839	3,305
Cash (for)/from operating activities	(687)	27,486
Income tax paid	(530)	(683)
Interest paid	(396)	(1,143)
Net cash (for)/from operating activities	(1,613)	25,660
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Interest received	1,561	261
Proceeds from disposal of property, plant and equipment	11	-
Purchase of property, plant and equipment	(519)	(889)
Withdrawal of deposits pledged to licensed banks	85	14
Net cash from/(for) investing activities	1,138	(614)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2021 (CONT'D)

	CUMULATIVE QUARTERS	
	Current Year To Date 30.06.2021 (RM'000)	Preceding Year To Date 30.06.2020 (RM'000)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	126,284	-
Dividends paid	(1,442)	-
Purchase of treasury shares	-	(3,346)
Repayment of lease liabilities	(138)	(1,584)
Drawdown of trade financing	587	5,860
Repayment of trade financing	(3,675)	(17,453)
Repayment of term loans	(15,449)	(2,256)
Repayment of term financing	(336)	(318)
Net cash from/(for) financing activities	105,831	(19,097)
Net increase in Cash and Cash Equivalents	105,356	5,949
Effects of foreign exchange translation	#	59
Cash and Cash Equivalents at beginning of the financial period	42,191	40,263
Cash and Cash Equivalents at end of the financial period	<u>147,547</u>	<u>46,271</u>
Cash and Cash equivalents at the end of the financial period comprise the following:		
Deposits with licensed banks	6,018	6,103
Cash and bank balances	6,212	17,141
Short-term investments	141,335	29,130
	<u>153,565</u>	<u>52,374</u>
Less: deposits pledged to licensed banks	(6,018)	(6,103)
	<u>147,547</u>	<u>46,271</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2021 and the accompanying explanatory notes attached to these interim financial statements.

Note:

- Amount less than RM1,000.

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

A1 Accounting Policies and Basis of Preparation

a) Basis of Preparation

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

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2021.

These interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and financial performance of the Company and its subsidiaries ("The Group") since the financial year ended 31 March 2021.

b) Changes in Accounting Policies

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements as disclosed in the audited financial statements for the year ended 31 March 2021.

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

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2

Amendment to MFRS 16: Covid-19 - Related Rent Concessions

Amendment to MFRS 16: Covid-19 - Related Rent Concessions beyond 30 June 2021

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

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

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

b) Changes in Accounting Policies (Cont'd)

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial quarter:

Malaysian Financial Reporting Standards ("MFRS") and IC Interpretations (including the Consequential Amendments)	<u>Effective Date</u>
MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendment to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendment to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from Single Transaction	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The Group did not early adopt the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) as they are not expected to have material impact on the financial statements of the Group upon their initial applications.

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

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements of the Group for the financial year ended 31 March 2021 was not qualified.

A3 Comments about Seasonality or Cyclicity

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

A4 Unusual Items Due to Their Nature, Size or Incidence

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

A5 Changes in Estimates

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

A6 Debt and Equity Securities

(i) Warrants

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

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

- (a) Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at any time on or before the maturity date, 5 July 2023, falling five (5) years from the date of issue of the Warrants. Unexercised Warrants after the exercise period will thereafter lapse and cease to be valid;
- (b) The exercise price of the Warrants is fixed at RM0.545 per Warrant;
- (c) The new ordinary shares to be issued upon the exercise of the Warrants shall rank pari passu in all respects with the existing ordinary shares of the Company; and
- (d) The Warrants were listed and quoted on the Main Market of Bursa Securities on 12 July 2018.

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

A6 Debt and Equity Securities (Cont'd)

(i) Warrants (Cont'd)

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

(a) Exercise price of the Outstanding Warrants 2018/2023 = RM0.54 sen;

(b) Number of additional Warrants 2018/2023 arising from the Adjustments = 675,000,000 Warrants 2018/2023.

Up to 26 August 2021, being the last practicable date from the date of the issue of this report, 1,350,000,000 Warrants remained unexercised.

(ii) Share Buy-Back

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

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

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

The shares purchased can be retained as treasury shares, distributed as dividend, transfer, resold or subsequently cancelled in accordance with Section 127 of the Companies Act 2016.

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

As at 30 June 2021, the Company had repurchased, in total its equity securities of 77,195,000 ordinary shares at an average price of RM0.49 per share as treasury shares, the consideration of which amounted to RM37,579,803 with transaction costs.

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

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

A6 Debt and Equity Securities (Cont'd)

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

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

The Company had on 20 February 2020 obtained the approval from its shareholders at the Extraordinary General Meeting on the proposed establishment of ESOS of up to 7.5% of the total number of issued ordinary shares of the Company and on the proposed allocation of ESOS options to the members of Boards of Directors.

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

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

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

On 24 February 2021, the Company announced that Encik Wan Zalizan Bin Wan Jusoh was appointed as the Chairman of the Employees' Share Option Scheme Committee.

On 29 March 2021, the Company announced that Mr Chia Kok Khuang and Encik Safian Bin Mohd Yunus were appointed as members of the Employees' Share Option Scheme Committee.

On 16 July 2021, the Company announced the effective date for the implementation of the ESOS, which was the date of full compliance of the ESOS in accordance with paragraph 6.43(1) of the Main Market Listing Requirements of Bursa Securities.

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

(iv) Bonus Issue

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

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

(i) up to 2,176,875,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue;

(ii) up to 675,000,000 Additional Warrants; and

(iii) up to 675,000,000 new Datasonic Shares to be issued from the exercise of the said Additional Warrants,

on the Main Market of Bursa Securities.

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

A6 Debt and Equity Securities (Cont'd)

(iv) Bonus Issue (Con't)

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

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

(v) Private Placement

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

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

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

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

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

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

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

A6 Debt and Equity Securities (Cont'd)

(v) Private Placement (Cont'd)

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

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

On 29 March 2021, the Company announced that the Board has fixed the issue price for 262,000,000 Placement Shares at RM0.482 per Placement Shares ("Issue Price").

The Issue Price represents a discount of approximately RM0.0532 or 9.94% to the 5D-VWAP of Datasonic Shares up to and including 26 March 2021 of RM0.5352 per Datasonic Share.

On 6 April 2021, the Company received the gross proceeds amounting to RM126,284,000 from the Private Placement of 262,000,000 new ordinary shares at an issue price of RM0.482 per share of which the issued share capital of the Company was increased to RM261,284,000 comprising of 2,962,000,000 ordinary shares. The Private Placement was completed on 7 April 2021 and the new ordinary shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 8 April 2021.

The utilisation of the Private Placement proceeds up to 30 June 2021 are as follows:

Description	Proposed utilisation RM'000	Actual utilisation RM'000	Balance to be utilised RM'000	Intended timeframe for utilisation
Repayment of bank borrowings	79,950	(19,459)	60,491	Within 6 months
Finance Datasonic's existing and future projects	45,949	-	45,949	Within 12 months
Estimated expenses in relation to the Private Placement	385	(385)	-	Within 1 month
	<u>126,284</u>	<u>(19,844)</u>	<u>106,440</u>	

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

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

A7 Segmental Information

The Group is organised into the following:-

30 June 2021	Customised Solutions	Manufacturing	Investment Holding	Elimination	Consolidated
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
REVENUE					
External	17,385	9	-	-	17,394
Inter-segment	-	-	3,984	(3,984)	-
Total Revenue	<u>17,385</u>	<u>9</u>	<u>3,984</u>	<u>(3,984)</u>	<u>17,394</u>
RESULT					
Profit from operations					(4,999)
Finance costs					<u>(396)</u>
Profit before tax					<u>(5,395)</u>

A8 Valuations of Property, Plant and Equipment

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

A9 Material Events

(a) During the Reporting Period

On 2 June 2021, the Company announced that Datasonic Technologies Sdn. Bhd. ("DTSB"), a wholly-owned subsidiary of the Company received and accepted the Letter of Award ("LOA") dated 27 May 2021 from Kementerian Dalam Negeri ("KDN") for the comprehensive maintenance and services of card personalisation centres at the National Registration Department ("Contract") for a period of 24 months commencing from 1 June 2021 to 31 May 2023 for a contract sum of RM39,750,000 (inclusive of 6% Sales and Service Tax).

(b) Subsequent to the Reporting Period

On 15 July 2021, the Company announced that Datasonic Technologies Sdn. Bhd. ("DTSB"), a wholly-owned subsidiary of the Company received and accepted the Letter of Award ("LOA") dated 12 July 2021 from Kementerian Dalam Negeri ("KDN") for the Malaysian Automated Clearance System at the Immigration Office of Bangunan Sultan Iskandar, Johor ("Contract") for a period of 12 months commencing from 1 September 2021 to 31 August 2022 for a contract sum of RM5,777,000 (inclusive of 6% Sales and Service Tax).

DATASONIC GROUP BERHAD
Registration No. 200801008472 (809759-X)

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

A10 Effects of changes in Composition of the Group

There are no changes in the composition of the Group in the current financial quarter under review.

A11 Capital Commitments

	As at 30.06.2021 RM'000	As at 31.03.2021 RM'000
<u>Approved and contracted for:</u>		
Renovation	91	91
Acquisition of machineries and equipment	1,588	844

A12 Changes in Contingent Liabilities

	As at 30.06.2021 RM'000	As at 31.03.2021 RM'000
Performance guarantees extended to customers	16,711	17,174
Performance guarantees extended to suppliers	20	20
	<u>16,731</u>	<u>17,194</u>

A13 Related Party Transactions

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

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

B1 Review of Performance

	Individual Quarter		Variance		Cumulative Quarters		Variance	
	Current Year Quarter 30.06.2021 (RM'000)	Preceding Year Quarter 30.06.2020 (RM'000)	(RM'000)	%	Current Year To Date 30.06.2021 (RM'000)	Preceding Year To Date 30.06.2020 (RM'000)	(RM'000)	%
Revenue	17,394	39,396	(22,002)	-56%	17,394	39,396	(22,002)	-56%
(Loss)/Profit from operations	(4,999)	7,274	(12,273)	-169%	(4,999)	7,274	(12,273)	-169%
(Loss)/Profit before tax	(5,395)	6,131	(11,526)	-188%	(5,395)	6,131	(11,526)	-188%
(Loss)/Profit after tax	(5,650)	4,770	(10,420)	-218%	(5,650)	4,770	(10,420)	-218%
(Loss)/Profit after tax attributable to owners of the Company	(5,646)	4,775	(10,421)	-218%	(5,646)	4,775	(10,421)	-218%

Individual Quarter/Cumulative Quarter

The Group achieved a revenue of RM17.39 million in the current financial quarter which was lower when compared to RM39.4 million in the corresponding quarter of the preceding financial year.

RM11.29 million of the Group's revenue in the current financial quarter was derived from the maintenance services and personalisation services which was lower than the total of RM31.6 million earned in the corresponding quarter of the preceding financial year predominantly due to the absence of supplies of smart cards and consumables.

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

Assets and liabilities

The increase in total assets and decrease in total liabilities as at 30 June 2021 against balances of 31 March 2021 was as follows:

	As at 30.06.2021	As at 31.03.2021	Variance RM'000	%
Total assets	421,365	320,531	100,834	31.5%
Total liabilities	75,857	94,215	(18,358)	-19.5%

The increase in total assets of RM100.83 million was mainly from proceeds derived from the private placement exercise as disclosed in Note A6.

The decrease in total liabilities of RM18.36 million principally resulted from repayment of borrowings.

Cash flow for the three months ended 30 June 2021

The Group had cash outflow of RM1.61 million from operating activities in the financial period under review.

The net cash used in financing activities was mainly for repayments of facilities amounted to approximately RM19.6 million.

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

B2 Comparison with Immediate Preceding Quarter's Results

	Current Quarter 30.06.2021 (RM'000)	Immediate Preceding Quarter 31.03.2021 (RM'000)	Variance	
			(RM'000)	%
Revenue	17,394	25,834	(8,440)	-33%
Loss from operations	(4,999)	(4,487)	(512)	11%
Loss before tax	(5,395)	(5,004)	(391)	8%
Loss after tax	(5,650)	(5,633)	(17)	0%
Loss after tax attributable to owners of the Company	(5,646)	(5,627)	(19)	0%

The Group's revenue of RM17.39 million in the current financial quarter was lower than RM25.83 million reported in the immediate preceding quarter mainly due to absence of supplies of passport and personalisation services which led to a loss before tax for the quarter under review.

B3 Commentary on Prospects

The business operating environment for this financial year continues to be challenging with the prevalent COVID-19 pandemic has negatively impacted Malaysian economy and growth prospects.

Nevertheless, Malaysian economy is cautiously expected to rebound in the ensuing financial year 2021/2022 following the rollout of COVID-19 vaccines to achieve herd immunity and selective economic stimulus measures introduced by the Government. Monetary, fiscal and economic stimulus continues to be implemented by the Government, focusing on targeted supports and interventions for individuals and businesses.

The Board is positive the prospect for the coming quarter will be brighter particularly on revenue contribution from Government segment with encouraging development of the ongoing vaccination programme, which is expected to result in upliftment of international travel restrictions, prompting consumers renewal of the expired passports. In addition, various business initiatives and programmes have been outlined to strengthen Group's revenue stream from non-government segment mainly card personalisation, supply of smart cards and equipment as well as digitalisation.

B4 Variance of Actual Profit from Forecast Profit

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

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

B5 (Loss)/Profit Before Taxation

(Loss)/Profit before taxation is derived after taking the following into consideration:-

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 30.06.2021 (RM'000)	Preceding Year Quarter 30.06.2020 (RM'000)	Current Year Year To Date 30.06.2021 (RM'000)	Preceding Year Year To Date 30.06.2020 (RM'000)
Amortisation of development expenditure	659	661	659	661
Depreciation of property, plant and equipment	2,592	2,261	2,592	2,261
Depreciation of right-of-use assets	157	650	157	650
Gain on disposal of property, plant and equipment	(11)	-	(11)	-
Interest income	(1,561)	(261)	(1,561)	(261)
Interest expense:				
- interest expense on lease liabilities	20	182	20	182
- other interest expense	376	961	376	961
Loss/(Gain) on foreign exchange:				
- realised	20	83	20	83
- unrealised	32	(1,291)	32	(1,291)
Staff costs	9,584	12,163	9,584	12,163

Note:

- Amount less than RM1,000.

B6 Income Tax Expense

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 30.06.2021 (RM'000)	Preceding Year Quarter 30.06.2020 (RM'000)	Current Year Year To Date 30.06.2021 (RM'000)	Preceding Year Year To Date 30.06.2020 (RM'000)
Current tax:				
- for the current financial quarter	472	1,709	472	1,709
Deferred tax:				
- for the current financial quarter	(219)	(122)	(219)	(122)
- under/(over)provision in previous financial year	2	(226)	2	(226)
	255	1,361	255	1,361

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

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

B7 Status of Corporate Proposals

There were no corporate proposals for the current financial quarter under review except as disclosed under Note A6.

B8 Group Borrowings

30.06.2021	Effective interest rates %	Short term RM'000	Long term RM'000	Total RM'000
<u>Secured:</u>				
Contract Financing	4.17 - 4.20	-	2,382	2,382
Term Financing	3.20	1,365	2,992	4,357
Term Loans	3.05 - 4.30	4,292	24,910	29,202
Trade Financing	3.63 - 4.74	4,171	-	4,171
		<u>9,828</u>	<u>30,284</u>	<u>40,112</u>
31.03.2021	Effective interest rates %	Short term RM'000	Long term RM'000	Total RM'000
<u>Secured:</u>				
Contract Financing	3.92 - 4.20	-	16,699	16,699
Term Financing	3.20	1,355	3,338	4,693
Term Loans	3.05 - 4.30	4,397	25,937	30,334
Trade Financing	2.08 - 4.73	7,259	-	7,259
		<u>13,011</u>	<u>45,974</u>	<u>58,985</u>

All borrowings are denominated in Ringgit Malaysia.

B9 Lease Liabilities

30.06.2021	Effective interest rates %	Short term RM'000	Long term RM'000	Total RM'000
<u>Secured:</u>				
Leasing	4.33 - 10.72	<u>640</u>	<u>135</u>	<u>775</u>
31.03.2021				
<u>Secured:</u>				
Leasing	4.33 - 13.40	<u>757</u>	<u>155</u>	<u>912</u>

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

B10 Material Litigation

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

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

PKN is claiming the following against DTSB:-

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

There are several case managements fixed by the court for both parties to inform the court on the status of the settlement negotiation and two mediation sessions were held in the previous financial years. However, the parties were unable to reach a mutual agreement and the case is now proceeding to trial.

For the reporting date under review, further developments are as follows:-

On 9 April 2021, DTSB has filed the Defendant's Amended Statement of Defence to the latest Amended Statement of Claim.

On 13 July 2021, PKN's appeal against DTSB application to strike-out was heard at the Court of Appeal. The said appeal against DTSB was only in respect of the High Court's decision which allowed the striking out application by DTSB to strike out certain paragraphs and/or part of paragraph in the Appellant/Plaintiff's Amended Statement of Claim.

The Court of Appeal has allowed the appeal in part wherein paragraph 4, 5, 6, 9 and 16 are now reinstated and paragraph 7 and part of paragraph 8 remain expunged. Costs is awarded cost in cause basis.

With this decision, PKN as Plaintiff would be required to file a re-amended version of Statement of Claim to reflect the Court of Appeal's order and DTSB is at liberty to file a re-amended Statement of Defence, if necessary.

The next case management before the learned High Court Judge is fixed on 2 August 2021 and the trial dates remain as 23 to 25 August 2021.

At the case management on 2 August 2021, the Court had informed the Parties of another Case Management date to be heard before the Assistant Registrar. The Court will inform the date of the said Case Management before the Court Assistant Registrar, in due course.

On 24 August 2021, the full trial in respect of this Suit has been completed.

Further thereto, the High Court has fixed the date for the parties to file their respective written submissions on 7 September 2021 (simultaneously), 13 September 2021 (for each other's reply) and 27 September 2021 which is fixed for decision and clarification by the High Court.

The Suit will not have any significant financial and operational impact on the Group for the financial year ending 31 March 2022. The Group estimated that the potential financial impact, if any, could be approximately RM5 million.

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

B11 Dividends

	RM'000	Date of Payment
In respect of the financial year ended 31 March 2021:		
- A fourth interim single tier tax-exempt dividend of 0.05 sen per share declared on 2 June 2021	1,442	30.06.2021
	<u>1,442</u>	

In respect of the financial quarter ended 30 June 2021, the directors had on 30 August 2021 declared a first interim single tier tax-exempt dividend of 0.10 sen per share, the Entitlement Date will be determined and announced in due course. This dividend has not been reflected in the financial statements for the current financial period ended 30 June 2021 but it will be accounted for in shareholders' equity as an appropriation of retained profits for the next quarter ending 30 September 2021.

B12 (Loss)/Earnings per Share

(a) Basic (Loss)/Earnings Per Share

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 30.06.2021 (RM'000)	Preceding Year Quarter 30.06.2020 (RM'000)	Current Year To Date 30.06.2021 (RM'000)	Preceding Year To Date 30.06.2020 (RM'000)
(Loss)/Profit after tax attributable to owners of the Company (RM'000)	(5,646)	4,775	(5,646)	4,775
Weighted average number of ordinary shares in issue ('000)	2,884,805	1,319,785	2,884,805	1,319,785
Basic (loss)/earnings per share (sen)	<u>(0.20)</u>	<u>0.36</u>	<u>(0.20)</u>	<u>0.36</u>

(b) Diluted (Loss)/Earnings Per Share

(Loss)/Profit after tax attributable to owners of the Company (RM'000)	(5,646)	4,775	(5,646)	4,775
Weighted average number of ordinary shares in issue ('000)	2,884,805	1,319,785	2,884,805	1,319,785
Effect of dilution of warrants ('000)	1,350,000	675,000	1,350,000	675,000
Adjusted weighted average number of ordinary shares in issue ('000)	<u>4,234,805</u>	<u>1,994,785</u>	<u>4,234,805</u>	<u>1,994,785</u>
Diluted (loss)/earnings per share (sen)	<u>(0.13)</u>	<u>0.24</u>	<u>(0.13)</u>	<u>0.24</u>

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

B13 Fair value of changes in financial liabilities

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

B14 COVID-19 Pandemic

The outbreak of COVID-19 in early 2020, has affected the business and operating environment of the Group. Several measures taken by the Government to prevent the spread of COVID-19 through implementation of movement control order (“MCO”) such as introduction of various standard operating procedures (“SOP”), closure of non-essential services as well as restricted domestic and international travelling, have impacted consumers’ spending pattern and the Group’s operations directly and indirectly.

The Group expects the operating environment to remain challenging going forward as the disruption and full impact from the COVID-19 pandemic on the economy are still being cautiously assessed by the Government. Hence, it is not practicable to provide a reasonable estimate of COVID-19 impact on the Group’s financial position, operating results and cash flows on 30 August 2021, the date of which these financial statements are approved by the Board.

By order of the Board
Kuala Lumpur
30 August 2021