

DATASONIC

GROUP BERHAD

DATASONIC GROUP BERHAD

(Co. No. 809759-X)
(Incorporated in Malaysia)



PASSION • INNOVATION • DISTINCTION

**ANNUAL REPORT
2019**

OUR VISION, MISSION AND STRATEGIES



OUR VISION

To enrich life through creative and innovative Information and Communication Technology solutions.

OUR MISSION

To focus on our customers' challenges and needs by providing excellent solutions and services in order to consistently create maximum values for customers.

OUR STRATEGIES

1. To provide advanced, innovative and high quality products and services to customers to meet or exceed their expectations in the fast-changing Information and Communication Technology market by way of extensive Research and Development activities.
2. To customise and deliver integrated solutions and services to maximise investment returns to customers.
3. To continuously conduct in-depth Research and Development for the improvement and invention of innovative and leading edge technologies to stay ahead of the global competition.
4. To recognise, develop and retain our most valuable human capital and to nurture a conducive environment for their success.
5. To develop strong distribution channels and marketing network to increase and widen our market penetration via our resellers and strategic partners in Malaysia and in overseas.

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Notice of Eleventh Annual
General Meeting

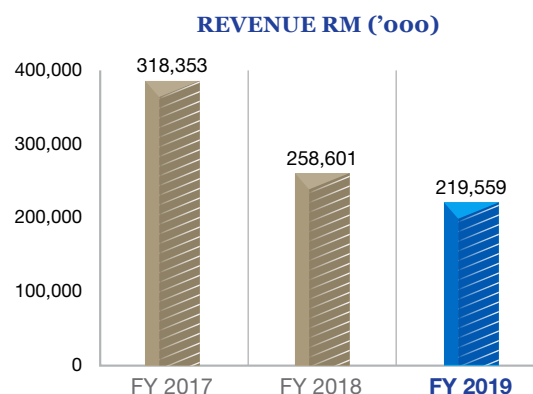
Proxy Form

Personal Data Protection

Notice/ Notis Perlindungan
Data Peribadi

FINANCIAL HIGHLIGHTS

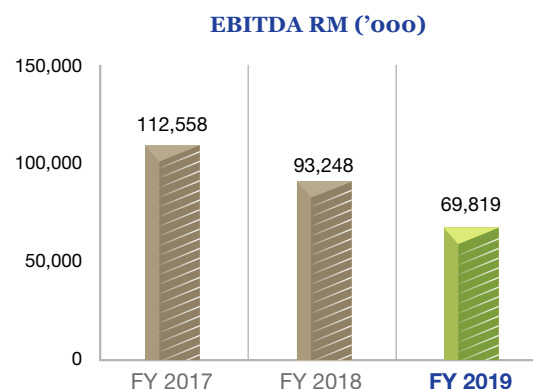
REVENUE
RM219.5 million



**EARNINGS BEFORE
INTEREST, TAX,
DEPRECIATION &
AMORTISATION (EBITDA)**

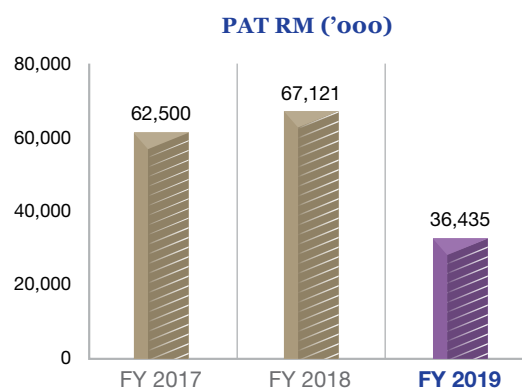
RM69.8 million

Included Other Income, excluded Interest Income



**PROFIT AFTER TAXATION
(PAT)**

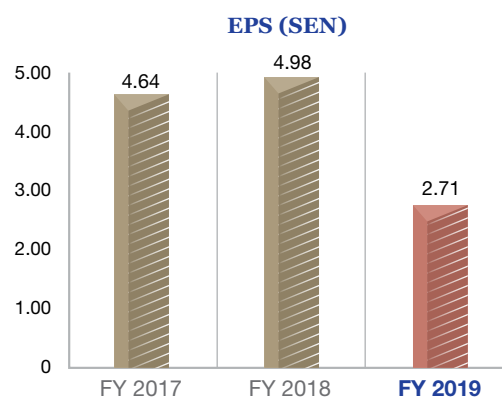
RM36.4 million



**EARNINGS PER SHARE
(EPS)**

2.71 sen

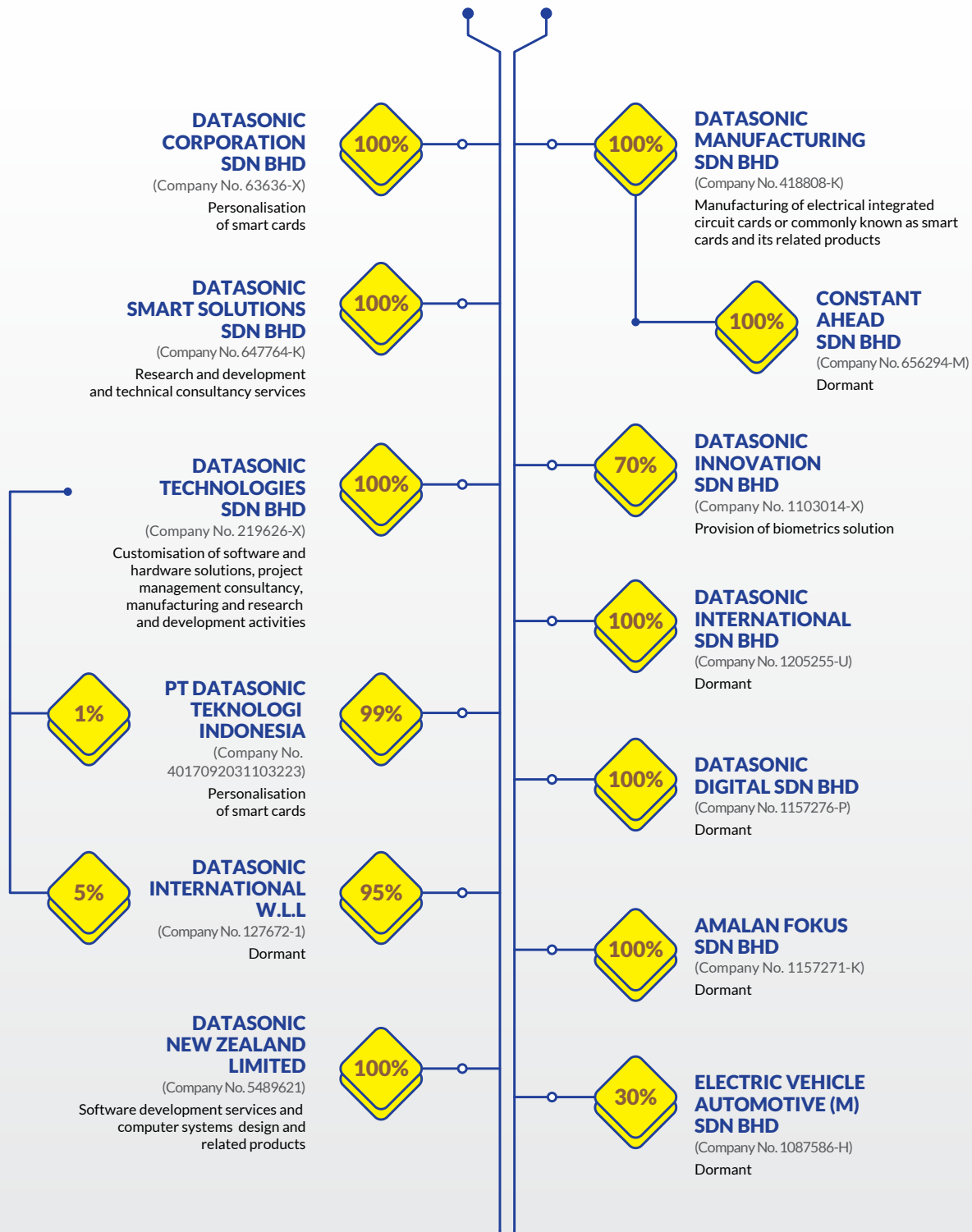
Based on 1.35 billion ordinary shares



CORPORATE STRUCTURE



Investment holding and provision of management services



CORPORATE INFORMATION

BOARD OF DIRECTORS

Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B)

Independent Non-Executive Chairman

Dato' Wan Mohd Safiain bin Wan Hasan

Independent Non-Executive Deputy Chairman

Datuk Haji Abu Hanifah bin Noordin

Managing Director

Mr. Chew Ben Ben

Deputy Managing Director

Encik Handrianov Putra bin Abu Hanifah

Executive Director

Encik Md Diah bin Ramli

Executive Director

Encik Mohamed Zulkhornain bin Ab Ranee

Executive Director

Mr. Raghbir Singh a/I Hari Singh

Executive Director

Puan Talya Zholeikha binti Abu Hanifah

Executive Director

Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir

Independent Non-Executive Director

Dato' Wan Ibrahim bin Wan Ahmad

Independent Non-Executive Director

Puan Safia Zuleira binti Abu Hanifah

Non-Independent Non-Executive Director

Mr. Yee Kim Shing @ Yew Kim Sing

Independent Non-Executive Director

Dato' Zaiful Ayu Ibrahim bin Ibrahim

Independent Non-Executive Director

AUDIT COMMITTEE

Mr. Yee Kim Shing @ Yew Kim Sing

Chairman

Independent Non-Executive Director

Dato' Wan Mohd Safiain bin Wan Hasan

Member

Independent Non-Executive Deputy Chairman

Dato' Wan Ibrahim bin Wan Ahmad

Member

Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Dato' Wan Mohd Safiain bin Wan Hasan

Chairman

Independent Non-Executive Deputy Chairman

Dato' Wan Ibrahim bin Wan Ahmad

Member

Independent Non-Executive Director

Mr. Yee Kim Shing @ Yew Kim Sing

Member

Independent Non-Executive Director

Encik Md Diah bin Ramli

Member

Executive Director

NOMINATION AND REMUNERATION COMMITTEE

Dato' Zaiful Ayu Ibrahim bin Ibrahim

Chairman

Independent Non-Executive Director

Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir

Member

Independent Non-Executive Director

Puan Safia Zuleira binti Abu Hanifah

Member

Non-Independent Non-Executive Director

Corporate Information (Cont'd)

COMPANY SECRETARY

Niu Chew Wei (MAICSA 7022900)

HEAD OFFICE

Level 6, Bangunan Setia 1
 No. 15, Lorong Dungun
 Damansara Heights
 50490 Kuala Lumpur
 Tel : (603) 2087 6000
 Fax : (603) 2087 6001
 Website : www.datasonic.com.my

REGISTERED OFFICE

Level 6, Bangunan Setia 1
 No. 15, Lorong Dungun
 Damansara Heights
 50490 Kuala Lumpur
 Tel : (603) 2087 6000
 Fax : (603) 2094 3600

REPORTING ACCOUNTANTS & AUDITORS

Messrs Crowe Malaysia PLT
 LLP0018817-LCA & AF1018
 Level 16, Tower C
 Megan Avenue II
 12, Jalan Yap Kwan Seng
 50450 Kuala Lumpur
 Tel : (603) 2788 9999
 Fax : (603) 2788 9998

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (378993-D)
 (Formerly known as Symphony Share Registrars Sdn Bhd)
 Level 6, Symphony House
 Pusat Dagangan Dana 1
 Jalan PJU 1A/46
 47301 Petaling Jaya
 Selangor Darul Ehsan
 Tel : (603) 7841 8000
 Helpdesk : (603) 7849 0777
 Fax : (603) 7841 8151/8152

STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia Securities Berhad on 3 September 2012
 Stock Name/Code : DSONIC/5216
 Stock Sector : Trading/Services
 Stock Sub-Sector : Digital Services

INVESTOR RELATIONS

Imej Jiwa Communications Sdn Bhd (1022448-X)
 Email : mahathir@imejjiwa.com

PRINCIPAL BANKER

AmBank Islamic Berhad (295576-U)
 24th Floor, Bangunan AmBank Group,
 No 55, Jalan Raja Chulan,
 50200 Kuala Lumpur
 Tel : (603) 2036 2633
 Fax : (603) 2072 4360

DIRECTORS' PROFILE

JENERAL TAN SRI (DR) MOHAMED HASHIM BIN MOHD ALI (B)

Independent Non-Executive Chairman

Nationality/Age : Malaysian/84
Gender : Male
Date of Appointment : 27 June 2011
Length of Service : 8 years

Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B) holds a Diploma in Advance Business Management from Harvard Business School. He was conferred the Honorary Doctorate by the University of Salford, United Kingdom in 1999 and the Honorary Doctorate by the Malaysian National Defence University in October 2012. He is a member of the Selangor Royal Court (Ahli Dewan DiRaja Selangor) since 1 January 2005.

Prior to his entry into the corporate world, Jeneral Tan Sri (Dr) Mohamed Hashim was the Chief of Defence Forces in the Malaysian Armed Forces where he chalked up 40 years of dedicated service. During his tenure in the Malaysian Armed Forces, he had initiated the reorganisation and modernisation of the Army.

He is the Chairman of Ajinomoto (Malaysia) Berhad, National Aerospace & Defence Industries Sdn Bhd and Fusang Exchange Ltd. He is also an advisor with Chiyoda Malaysia Sdn Bhd,

He is currently the Chairman of The Regional Committee of Glutamate Science Southeast Asia/South Asia (RCGS) whose member countries are Thailand, Indonesia, Philippines, Vietnam and Malaysia.

He also sits on the Board of the Institute of Strategic and International Studies (ISIS Malaysia) – a Malaysia Think Tank responsible for formulating policies and conducting research for national and international issues.

DATO' WAN MOHD SAFIAIN BIN WAN HASAN

*Independent Non-Executive Deputy Chairman,
Chairman of the Risk Management Committee and member of the Audit Committee*

Nationality/Age : Malaysian/72
Gender : Male
Date of Appointment : 27 June 2011
Length of Service : 8 years

Dato' Wan Mohd Safia bin Wan Hasan was appointed as Deputy Chairman of the Company on 29 November 2013. He holds a Diploma in Business Administration from the Cambridge International University, United States.

He began his career in 1974 as a Government Security Officer, and held this position till 1986, while working with the Malaysian Ministry of Home Affairs and the Prime Minister's Department. In 1986 he assumed the position of Deputy Chief Government Security Officer of the Prime Minister's Department and was promoted to Chief Government Security Officer in 1996. He was responsible in providing advisory on protective security measures to the Federal Government Ministries and

Departments and also at the State level. He retired from civil service in December 2002 and joined PQM Consultancy and Management Services Sdn Bhd as Chief Executive Officer (2003-2006). He was also responsible in overseeing the collaboration of training programmes between the Government of New South Wales, Australia and the Open University of Malaysia. He also held the position of the Honorary Member of the Royal Council of Terengganu (2006-2009) and the Comptroller of the Royal Household, Istana Negara (2006-2008).

He also holds directorships in several private limited companies. He does not hold any directorship in other public companies and listed companies.

Directors' Profile (Cont'd)

DATUK HAJI ABU HANIFAH BIN NOORDIN

Managing Director

Nationality/Age : Malaysian/67
 Gender : Male
 Date of Appointment : 13 March 2008
 Length of Service : 11 years

Datuk Haji Hanifah bin Noordin is the Managing Director/Chief Executive Director of the Company. He graduated from University Malaya with an Honours Degree in Economics in 1973 and subsequently qualified as a Chartered Accountant and Certified Public Accountant in 1976. He was a practising accountant for more than 20 years and was the Chairman and Managing Partner of Ernst & Whinney (now known as Ernst & Young) for 9 years.

He also served as the President of the Malaysian Institute of Accountants (MIA) in 1987 and led the Institute for 13 years until 2000. In that capacity, he also served as a Board member of the International Accounting Standards Committee (IASC).

He sits on the Board of Datasonic Foundation. He had also served on the boards of several public limited companies and government-linked companies.

MR CHEW BEN BEN

Deputy Managing Director

Nationality/Age : Malaysian/62
 Gender : Male
 Date of Appointment : 27 June 2011
 Length of Service : 8 years

Mr Chew Ben Ben served as a teacher between 1980 and 1983. He graduated from Universiti Kebangsaan Malaysia in 1988 with a Bachelor of Business Administration (Hons).

He began his career when he joined KL Mutual Fund Berhad as an Investment Officer and a member of the Fund Management Committee in 1989. In 1990, he became a dealer's representative in TA Securities Sdn Bhd and subsequently joined Inter-Pacific Securities Sdn Bhd as dealer's representative from 1991 to 2002.

He joined Mentiga Corporation Berhad as a Non-Executive Director in 2003 and was later promoted to Executive Director in 2004. He joined Dibena

Enterprise Sdn Bhd, as a Consultant in 2005, and was later appointed as a Director of Datasonic Corporation Sdn Bhd ("Datasonic Corporation") which was the subsidiary company of the Company, in 2006. Subsequently, he assumed the position of Executive Director in Datasonic Corporation in 2008 and later became its Managing Director in June 2011. He is involved in the corporate planning and strategic development and assists the Managing Director in the overall management and business development of the Company.

Mr Chew is a substantial shareholder of the Company. He does not hold any directorship in other public companies and listed companies.

Directors' Profile (Cont'd)

ENCIK HANDRIANOV PUTRA BIN ABU HANIFAH

Executive Director

Nationality/Age : Malaysian/30
Gender : Male
Date of Appointment : 27 June 2011
Length of Service : 8 years

Encik Handrianov Putra bin Abu Hanifah graduated from Limkokwing University in 2010 with a Diploma in Multimedia, Advertising and Broadcasting. He has also obtained his Bachelor of Communication from HELP University.

He began his career at Dibena Enterprise Sdn Bhd, as Director of Public Relations in 2008. He sits on the Board of several subsidiary companies of the Group. He also holds directorships in several private limited companies. He does not hold any directorship in other public companies and listed companies.

ENCIK MD DIAH BIN RAMLI

Executive Director and member of the Risk Management Committee

Nationality/Age : Malaysian/58
Gender : Male
Date of Appointment : 27 June 2011
Length of Service : 8 years

Encik Md Diah bin Ramli graduated from Institut Teknologi MARA in 1983 with a Diploma in Applied Science majoring in Planting Industry and Management. He attended the Cranfield Global CEO Programme at Cranfield University School of Management, Bedfordshire, U.K and is a member of the Cranfield University Alumni.

He began his career as a Plantation Assistant Manager at Harrison Malaysian Plantation Berhad in 1983. Subsequently he joined FELCRA Settlers Cooperatives

in 1985 as a Project and Marketing Assistant Manager. In 1992, he joined Dibena Technologies Sdn Bhd as Sales and Marketing Executive, and was later promoted to Senior Manager in 2004, vast experience after amassing through involvement in various business and management portfolio within the Group. He sits on the Board of several subsidiary companies of the Group. He does not hold any directorship in other public companies and listed companies.

Directors' Profile (Cont'd)

ENCIK MOHAMED ZULKHORNAIN BIN AB RANEE

Executive Director

Nationality/Age : Malaysian/58
 Gender : Male
 Date of Appointment : 29 November 2012
 Length of Service : 7 years

Encik Mohamed Zulkhornain bin Ab Ranee graduated from University of Strathclyde, Scotland in 1985 with a Bachelor of Science in Electrical and Electronic Engineering. He has also obtained his Masters in 2002 from the IAE Aix-en-Provence Graduate School of Management, University of Aix-Marseille, France in conjunction with University Putra Malaysia and a Post Graduate Diploma in Strategy and Innovation from the Said Business School, University of Oxford, England.

He has been involved in the Information Communication Technology (ICT) industry for more than 25 years and has held numerous key positions in various multi-national corporations such as Getronics Solutions, Digital Equipment Corporation as well as Compaq Computer Corporation. He has held various positions across the governmental and non-governmental industries, providing technical support, professional services, sales and marketing and consultancy services. From January 2009 to March 2010, he served the role as Subject Matter Expert to provide consultancy services for

the implementation of the National ID Smart Card for the Rwanda IT Authority (RITA) in Kigali, Rwanda and subsequently in 2010, he served as the Project Director to provide consultancy services for the implementation of the new national ID, MyKad structure for the National Registration Department (NRD) of Malaysia before appointed to the Board.

His professional certifications include the Project Management Professional (PMP) and a member of the Project Management Institute (PMI), an ISC²'s Certified Information System Security Professional (CISSP) and an International Register of Certificated Auditors (IRCA)'s Certified ISO 27001:2005 – Information Security Management System (ISMA) auditor, an US-based Prosci's Certification in Change Management and the Healthcare Information and Management Systems Society (HIMSS)'s Certified Professional in Healthcare Information and Management System (CPHIMS). He does not hold any directorship in other public companies and listed companies.

MR RAGHBIR SINGH A/L HARI SINGH

Executive Director

Nationality/Age : Malaysian/74
 Gender : Male
 Date of Appointment : 27 June 2011
 Length of Service : 8 years

Mr Raghbir Singh a/l Hari Singh graduated from University of Malaya in 1972 with a Bachelor of Arts (majoring in Economics).

He began his career as a Statistical Office for the National Statistics Department in 1972 before joining the Ministry of Finance (MOF) (Tax Division) as an Assistant Secretary from 1980 to 1986. From there he was promoted and appointed as the Senior Director of Administration and Finance in the Malaysia Prison Department in 1987, Deputy Director of the

Immigration Department of Malaysia in 1992 and eventually became the Assistant Director of National Registration Department (NRD) before retiring from the civil service in 1999. Mr Raghbir joined Datasonic Corporation Sdn Bhd, the subsidiary company of the Company in 1999 as an Operations Manager and was later promoted to Deputy Managing Director in 2006. He does not hold any directorship in other public companies and listed companies.

Directors' Profile (Cont'd)

PUAN TALYA ZHOLEIKHA BINTI ABU HANIFAH

Executive Director

Nationality/Age : Malaysian/37
Gender : Female
Date of Appointment : 28 February 2014
Length of Service : 5 years

Puan Talya Zholeikha binti Abu Hanifah graduated from Sunway College with a Certificate in Accounting from the Association of Chartered Certified Accountants in 2000.

She began her career in 2000 with Sia & Co., a chartered accountancy firm as an intern. In 2003, she joined Hanifah Noordin & Associates Sdn Bhd, a management and business consultancy company as Manager of Finance and Administration. She joined Dibena Enterprise Sdn Bhd in 2008 as Director of Human Resources and Administration and was subsequently promoted

to Executive Director of Datasonic Technologies Sdn Bhd and Dibena Enterprise Sdn Bhd in 2009 and 2010 respectively. Currently, she is our Group Director of Human Resources and Administration and responsible for overseeing the Human Resources and Administration Department.

She sits on the Board of several subsidiary companies of the Group. She also holds directorships in several private limited companies. She does not hold any directorship in other public companies and listed companies.

DATUK DR. AZIZ JAMALUDIN BIN HJ MHD TAHIR

Independent Non-Executive Director and member of the Nomination and Remuneration Committee

Nationality/Age : Malaysian/64
Gender : Male
Date of Appointment : 27 June 2011
Length of Service : 8 years

Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir graduated from Deoband University, India in 1979 with a degree in Islamic Studies and later obtained a Bachelor of Arts in Syariah Law from the AlAzhar University, Egypt, in 1983. He subsequently obtained a PhD from Universitas Islam Negeri Sultan Syarif Kasim, Riau, Indonesia, in 2012.

He began his career in 1984 as a Federal Court Judge in the Syariah Court. In 1987, he joined the Prime Minister's Department as an Administration and Diplomatic Officer. During his period, he was the Consul of the Malaysian Embassy in Saudi Arabia from 1991 to 1995 and Confidential Secretary to the Education Minister from 1995 to 1998. From 1999

to 2008, he has been appointed as a member of the Censorship Board of the Home Ministry of Malaysia.

In 2008, he was appointed the post of Treasurer for The Scouts Association of Malaysia. Subsequently in 2009, he was appointed as the Chairman of Koperasi JASA (KOJASA), a government-linked body involved in the provision of credit loan management services for the public. In 2010, he was appointed as the Deputy Chief of The Scouts Associations of Malaysia.

He holds directorships in several private limited companies. He does not hold any directorship in other public companies and listed companies.

Directors' Profile (Cont'd)

DATO' WAN IBRAHIM BIN WAN AHMAD

Independent Non-Executive Director, member of the Audit Committee and Risk Management Committee

Nationality/Age : Malaysian/69
 Gender : Male
 Date of Appointment : 27 June 2011
 Length of Service : 8 years

Dato' Wan Ibrahim bin Wan Ahmad graduated from University of Malaya in 1972 with a Bachelor of Arts (Hons).

He began his career in the Ministry of Information as an Assistant Secretary in 1972 before assuming the position of Assistant Administrator of Hospital University in University of Malaya in 1976, Principal Assistant Secretary of the Education Service Commission in 1978, Deputy Director of the Public Service Department in 1985 and Deputy Director General of the National Anti-Drug Agency from 1997

to 2001. From 2002 to 2003, he was appointed as the Director General of National Anti-Drug Agency. In 2003, he was promoted as the Director General of the National Registration Department (NRD). He retired from the civil service in 2005 and was appointed as an Advisor to Cito Holdings Sdn Bhd and Dibena Enterprise Sdn Bhd.

He is also the Director of Datasonic Corporation Sdn Bhd, a wholly-owned subsidiary of the Company. He does not hold any directorship in other public companies and listed companies.

PUAN SAFIA ZULEIRA BINTI ABU HANIFAH

Non-Independent Non-Executive Director and member of the Nomination and Remuneration Committee

Nationality/Age : Malaysian/32
 Gender : Female
 Date of Appointment : 30 May 2014
 Length of Service : 5 years

Puan Safia Zuleira binti Abu Hanifah graduated from LaSalle College of the Arts, Singapore in 2012 with a Bachelor of Arts (Honours) degree. She had also obtained a Diploma in Business in 2007 from Monash College, Melbourne, Australia.

She joined Dibena Enterprise Sdn Bhd, from 2008 to 2009 as Senior Executive in the Finance Department before pursuing her further studies in Singapore. She sits on the Board of several subsidiary companies of the Group. She also holds directorships in several private limited companies. She does not hold any directorship in other public companies and listed companies.

Directors' Profile (Cont'd)

MR YEE KIM SHING @ YEW KIM SING

*Independent Non-Executive Director,
Chairman of the Audit Committee and member of the Risk Management Committee*

Nationality/Age : Malaysian/81
Gender : Male
Date of Appointment : 27 June 2011
Length of Service : 8 years

Mr Yee Kim Shing graduated from University of Melbourne in 1960 with a Bachelor of Commerce. He is a member of the Malaysian Institute of Accountants (MIA), the Institute of Chartered Accountants, Australia and the Institute of Certified Public Accountants of Singapore. He was a practising accountant for more than 26 years,

retiring as a senior partner in Ernst & Whinney (now known as Ernst & Young) in 1990.

He is an Independent Non-Executive Director and Chairman of Audit Committee of Pacific & Orient Berhad.

DATO' ZAIFUL AYU IBRAHIM BIN IBRAHIM

Independent Non-Executive Director and Chairman of the Nomination and Remuneration Committee

Nationality/Age : Malaysian/47
Gender : Male
Date of Appointment : 27 June 2011
Length of Service : 8 years

Dato' Zaiful Ayu Ibrahim bin Ibrahim graduated from University of Missouri in 1995 with a Bachelor of Science in Industrial Engineering.

He began his career in 1996 with G-Two Holdings Berhad as a Corporate Affair Manager before moving to head the operations the company's subsidiary, G-Two

Technologies Sdn Bhd in 1997. Subsequently, he joined Langkah Teknologi Sdn Bhd in 1999 as CEO until 2009.

He also holds directorships in several private limited companies. He does not hold any directorship in other public companies and listed companies.

Directors' Profile (Cont'd)

ADDITIONAL INFORMATION ON THE BOARD OF DIRECTORS

Family Relationship with any Director and/or Major Shareholder

Except for Datuk Haji Abu Hanifah bin Noordin who is the father of Encik Handrianov Putra bin Abu Hanifah, Puan Talya Zholeikha binti Abu Hanifah and Puan Safia Zuleira binti Abu Hanifah, none of the Directors have family relationship with any other Directors and/or Major Shareholders of the Company.

Conflict of Interest

None of the Directors have any conflict of interest with the Company.

Conviction for Offences (within the past 5 years, other than traffic offences)

None of the Directors have any conviction for offences (other than traffic offence, if any) and have not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Number of Board Meetings attended in the financial year ended 31 March 2019

The details of the Directors' attendance at Board meetings are set out on page 58 of the Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

DATUK HAJI AB HAMID BIN MOHAMAD HANIPAH

Director of Datasonic Technologies Sdn Bhd

Nationality/Age : Malaysian/65
Gender : Male
Date of Appointment : 1 June 2014

Datuk Haji Ab Hamid bin Mohamad Hanipah began his career as a government security officer in the year 1978 and left the civil service as Deputy Director General of Chief Government Security Office (CGSO), Prime Minister's Department in April 2014.

While in service, he attended Senior Special Branch Officers Programme in Special Branch School, Kuala Lumpur in 1978. Then in 1985, he attended the Senior Security Intelligence Officers Course and Government Security Course in Defence College of London.

He then enrolled in Management of Training Programme and Civil Service Reform Programme in 1992 and 1995 at Royal Institute of Public Administration (RIPA), London.

He also participated in various programmes related to protective security and management. He has contributed vastly in the development of Information Communication Technology (ICT) Security Policy which encompasses training, directives of ICT Security and formulating manual Malaysian Public Sector Management of Information and Communication Technology Handbook (MyMis). He headed the team for formulating security directives and manuals during the shifting of federal administrative centre from Kuala Lumpur to Putrajaya.

He is a Director of Safe Shield Security Sdn Bhd. He does not hold any directorship in other public companies and listed companies.

DATO' MOHD HABIB BIN JAMALDIN

Director of Datasonic Technologies Sdn Bhd

Nationality/Age : Malaysian/64
Gender : Male
Date of Appointment : 15 December 2013

Dato' Mohd Habib bin Jamaldin graduated from University Science Malaysia with Bachelor of Applied Science (Majoring in Electronics), later he continued his studies in United Kingdom to obtain a higher National Diploma in Printing from Watford College.

He started his career as an Assistant Director (Printing) in Government Printer (Jabatan Percetakan Negara now known as Percetakan Nasional Malaysia Berhad) in 1983, moving his way up to Managing Director before his retirement in January 2010.

A valuable experience in printing Government Security and general documents, a good knowledge of government procedures and policies over a period of 27 years and experiencing a technological change from traditional offset printing to current digital printing while managing a work force of about 1,000 employees with various location in Malaysia.

He does not hold any directorship in other public companies and listed companies.

Key Senior Management's Profile (Cont'd)

CHUAH BAN CHENG

Director of Datasonic Corporation Sdn Bhd

Nationality/Age : Malaysian/53
 Gender : Male
 Date of Appointment : 1 November 2012

Mr. Chuah Ban Cheng joined Datasonic as Director of the International and Domestic Sales Division. He graduated from University of Malaya in 1991 with a Bachelor Degree in Electrical Engineering.

He has 24 years working experience in the Information Communication Technology (ICT) industry specialising in semiconductors and smart card technology. His career has spanned a wide portfolio of positions ranging from technical, commercial, marketing, business development, business planning, business evaluation and acquisition, corporate planning, international to senior management.

With his extensive experience in project management, strategic sales engagement, contract negotiation and

the global ICT and smart card market, he has been instrumental in assisting the company to establish itself as an international leader in the field.

His responsibilities include overseeing the business operations and development of new business as well as increasing coverage of products and services throughout Malaysia, as well as to develop specialist products and services worldwide through organic growth as well as strategic acquisitions in order to penetrate new markets globally.

He does not hold any directorship in other public companies and listed companies.

SITI ROHANA BINTI ABD. MAJID

Director of Datasonic Technologies Sdn Bhd and Datasonic Smart Solutions Sdn Bhd

Nationality/Age : Malaysian/61
 Gender : Female
 Date of Appointment : 17 July 2008

Siti Rohana joined Datasonic Technologies Sdn Bhd as the Head of Telecommunications and subsequently promoted as a Director of Datasonic Technologies Sdn Bhd on 17 September 2009. She graduated from the University of South Florida, USA in 1985 with a Bachelor of Science majoring in Electrical Engineering.

She began her career in 1980 with Telekom Malaysia Berhad after obtaining a Diploma in Electrical Electronics Engineering from UiTM. She worked for Telekom Malaysia for more than 20 years. During her tenure with Telekom Malaysia Berhad, some of her jobs responsibility covered planning and implementation of local access network, planning and project implementation of radio transmission and multiplexes, technical planning, project implementation and marketing of Mobile services in Sabah. She was also the Head of Marketing, SUKOM 1998 Project for Telekom Malaysia dealing with the Local and International Broadcasters and News Media for their telecommunications need from Mobile Satellite to simple telephones. For 6 years she was in Telco

Strategy, as the Assistant General Manager for Business Strategy Analysis and Development, Head of Competitor Management, Head of Regulatory Management and her last post was General Manager of Contact Centre Management in 2004.

From 2005 to 2008, she ran her own business in training and general trading through Rizqin As'Sidiq Sdn Bhd.

Her current responsibilities include overseeing the business management, project management and operations of Next Generation Network (NGN) project and Broadband over Power Line (BPL) project. NGN project is for Telekom Malaysia as a Local Partner which includes hardware and software installation, testing, commissioning and customer migration to NGN platform. BPL project is to provide a cheaper and faster broadband access to rakyat in line with the Government's National Broadband Plan.

She does not hold any directorship in other public companies and listed companies.

Key Senior Management's Profile (Cont'd)

NOR HAYATI BINTI MOHD. SIDIK

Projects Advisor - Corporate Management Office

Nationality/Age : Malaysian/50
Gender : Female
Date of Appointment : 1 August 2014

Puan Nor Hayati graduated from Purdue University at Indianapolis, Indiana, USA with Bachelor of Science in Electrical Engineering in 1991. She is a member of Board of Engineers Malaysia (BEM) as well as Institute of Engineers Malaysia (IEM).

She has 22 years technical and management experiences in construction, telecommunication and mission critical industries. Her career started as Electrical Engineer for construction company Kejuruteraan Bintai Kindenko and later moved to Binariang Sdn Bhd (now known as Maxis Communication Bhd) which saw her involved in GSM

and Technical Office Centers Roll Out nationwide. In Maxis, she led the Facility Engineering and was part of the Technical Due Diligence Team during MAXIS-TIMECell merger acquisition as well as involved during Maxis-NatrindoTelepon Seluler Technical Due Diligence and roll out planning in Indonesia. Her last post was General Manager for Sapura Secured Technologies where her involvement was in providing mission critical solutions to Government of Malaysia.

She does not hold any directorship in other public companies and listed companies.

ADDITIONAL INFORMATION ON THE KEY SENIOR MANAGEMENT

Family Relationship with any Director and/or Major Shareholder

Except for Puan Nor Hayati binti Mohd. Sidik who is the daughter-in-law of Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B), none of the Key Senior Management have family relationship with any other Directors and/or Major Shareholders of the Company.

Conflict of Interest

None of the Key Senior Management have any conflict of interest with the Company.

Conviction for Offences (within the past 5 years, other than traffic offences)

None of the Key Senior Management have any conviction for offences (other than traffic offence, if any) and have not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.



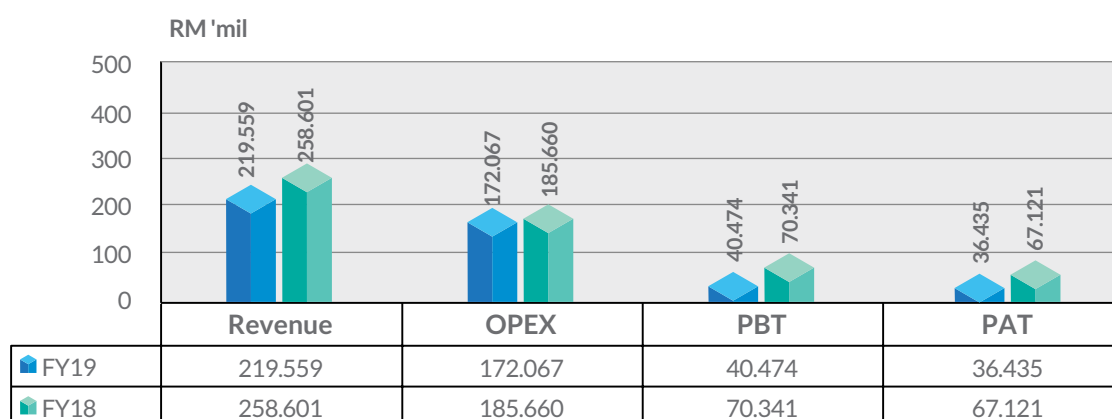
CHAIRMAN'S STATEMENT

Chairman's Statement (Cont'd)

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report of Datasonic Group Berhad ("Datasonic" or "The Group") for the financial year ended 31 March 2019 ("FY19").

OUR RESULTS



Our financial results for the current financial year fared below expectations as our revenue fell 15.1% to RM219.559 million, compared with RM258.601 million in the financial year ended 31 March 2018 ("FY18"), due mainly to much lower deliveries of the MyKad stemming from lesser replacements from the public, as the quality of both our chips and raw cards supplied were of higher quality and standards. Accordingly, the Group posted a 45.7% decline in profit after taxation ("PAT") to RM36.435 million in FY19 from RM67.121 million a year ago, mainly because of lower revenues in the current year.

DIVIDEND IN RESPECT OF FY19

Declared on	Description*	Dividend per share	Dividend declared	Paid on
24.08.2018	1 st Interim	1.0 sen	RM13.500mil	23.11.2018
10.12.2018	2 nd Interim	0.5 sen	RM6.750mil	08.01.2019
28.02.2019	3 rd Interim	0.5 sen	RM6.750mil	27.05.2019
31.05.2019	4 th Interim	0.5 sen	RM6.750mil	TBD
Total		2.5 sen	RM33.750mil	

* single-tier tax exempt dividends

TBD: To be determined

OUR STRATEGY

In order to continue surpassing the demands of our clientele, and meet their future expectations in a timely manner, we continuously commit to improve the quality of our products and services. The Board has initiated various strategic initiatives to empower digital transformation, as well as, create innovative and unique ICT solutions, so as to fulfill future demand for our ever-evolving solutions, expand the Group's current business portfolio, enhance the competitive edge and maximise long-term shareholder returns.

Chairman's Statement (Cont'd)

DELIVERING SUSTAINABLE VALUE

Given the dynamism of the highly competitive and fast-changing marketplace that we operate in, we encountered various challenges that had impacted our financial performance and share price. In the face of crisis, Datasonic embarked on revolutionising our business models, so as to remain resilient amid intense competition from key industry players in respect of core business, whilst further fortifying our leadership position in the provision of secure ID and ICT solutions.

As reported in the Management Discussion & Analysis, we take pride in the various accolades and achievements accorded during the year.

All in all, sustainability remains a key component of Datasonic's culture as we strive to sustain our financial performance and promote healthy growth. The Board believes that the resilience and the track record built up so far in the domestic market would continue to pave the way for Datasonic to expand its horizons abroad.

CORPORATE GOVERNANCE

The Board is committed to upholding and inculcating good corporate governance practices, with the primary objective of safeguarding stakeholders' interests and enhancing shareholders' value. We have continued to enhance our governance towards a greater emphasis on raising the standards of good practice in relation to Board leadership and effectiveness. This is evident in our pursuit to achieve a high performing Board through various initiatives for establishing clear roles and responsibilities, including the adoption of various policies, procedures and guidelines which include but are not limited to the following:

- Board Charter
- Code of Conduct and Ethics for Directors
- Corporate Disclosure Policy
- Corporate Governance Report
- External Auditors Assessment Policy
- Gender Diversity Policy
- Remuneration Framework
- Shareholders Communication Policy
- Terms of Reference of Audit Committee
- Terms of Reference of Nomination and Remuneration Committee
- Terms of Reference of Risk Management Committee
- Whistleblowing Policy

The Group's various policies, procedures and guidelines have been made available for reference at the Company's website: www.datasonic.com.my

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group's Enterprise Risk Management ("ERM") Framework and Internal Control System, which is further described in the Statement on Risk Management and Internal Control, specifically addresses some of Datasonic's most significant risk areas. Our appetite for risks in these areas is a key consideration in our decision making, as defined risk appetite parameters guide the Group's risk tolerance when pursuing its strategic objectives.

SHAREHOLDERS/STAKEHOLDERS ENGAGEMENT

Datasonic's ability to consistently deliver value even in trying times lies in its capacity to align the Group's focus to the concerns of its shareholders/stakeholders, such as the government and regulators, corporate investors, customers, suppliers, employees and communities.

Chairman's Statement (Cont'd)

SHAREHOLDERS/STAKEHOLDERS ENGAGEMENT (CONT'D)

In line with the Group's commitment towards transparency to build trust, the Company has continued to engage with its significant shareholders/stakeholders through various methods and channels to communicate developments within the Group and its strategies. This exercise has been instrumental in helping to highlight material sustainability issues.

We will continue to engage and value the priorities and concerns of our shareholders/stakeholders in our pursuit to inculcate innovation and a customer-centric culture within the Group. The feedback and input received from the engagement process have been taken into consideration in the formulation of the Company's strategies.

OUR PEOPLE AND VALUES

Here at Datasonic, we continuously invest in developing our people as we strongly believe that they are one of the main driving forces in propelling Datasonic to greater heights.

During the year, we have explored on ways to build synergy and create a more conducive work environment for long-term collegial relationships, mutual development and growth, as well as sustainability for our 700-odd employees.

Our plans for Human Resources Development (HRD) include:

- Embarking on impactful employee engagement programmes
- Improving staff development and welfare
- Improving internal communication
- Rebranding into Human Capital Development (HCD)

OUR FUTURE

The Board and management of Datasonic is cautiously optimistic on the outlook and future prospects as we are expected to continue to deliver reasonable profits based on our existing order book. The prospects for growth are expected to be satisfactory in the financial year ending 31 March 2020, barring any unforeseen circumstances.

ACKNOWLEDGEMENT

In conclusion, the Group encountered an onset of uncertainties and unforeseen changes in FY19. Nevertheless, the Group was able to navigate through the challenging business conditions with optimism, persistence and resilience.

On behalf of the Board, I wish to express my heartfelt appreciation to my fellow colleagues for their invaluable contribution and outstanding achievements despite the extremely challenging business environment. I would also like to thank our valued shareholders/stakeholders for their continuous support, trust and confidence in our Group.

My heartfelt gratitude also goes out to the management team and everyone in Datasonic for their outstanding commitment and performance, particularly during this challenging period. I believe Datasonic is well positioned to continuously grow and improve its performance with your unwavering support.

JENERAL TAN SRI (DR) MOHAMED HASHIM BIN MOHD ALI (B)

Independent Non-Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS

1. OVERVIEW OF BUSINESS AND OPERATIONS

1.1 Our Corporate Vision, Mission and Philosophy

As one of the largest security-based Information and Communications Technology (“ICT”) solutions provider, Datasonic Group Berhad (“Datasonic” or “the Group”) always emphasises on the **provision of excellent solutions and services and consistently creating maximum value for its customers**. Supported by our vision, mission and business strategies to provide extensive cutting edge technologies, we continue to strengthen our core competency to provide **cheaper and better solutions towards building a clean, green & safe and smart nation**.

1.2 Our Business Segments

Datasonic’s business is divided into three segments, namely

Customised Smart Card Solutions (“CSCS”)	Manufacturing (“MA”)	Investment Holding (“IH”)
Focuses on large-scale customised software and hardware system, project management for secure identification (“ID”) and other software solutions services	Manufactures smart cards and machine readable travel documents (or more commonly known as passports)	Provides investment holding and management services to Datasonic’s Group of companies.

1.3 Our Principal Market & Major Customers

Government Sector	Other Private/Commercial Sectors
<p>As one of the leading security-based ICT solutions provider in the market, we provide</p> <ul style="list-style-type: none"> Highly secured national identification (“ID”) cards, mainly the Malaysian ID Card (MyKad), Malaysian passports and personalisation solutions. Other large-scale ICT software system solutions and integrated security and surveillance system solutions to various other government agencies and municipal bodies. 	<p>Our solutions also span across other private/commercial sectors which include <u>smart card solutions and ICT software solutions</u> for our commercial market as well as EMV™ chip based credit card and MCCS (“Malaysian Chip Card Specification”) standard debit <u>card personalisation services</u> for the financial market. As the leading financial card personalisation provider, our 25,000 square feet Regional Personalisation Services (“RPS”) centre has been appointed by various major banks in Malaysia to personalise credit and debit cards in Malaysia since 2003.</p>

1.4 Our Objectives and Strategies

- Engage with shareholders/stakeholders** - In order to consistently deliver high-security products and/or solutions to its customers, the Group will continue to engage and value the priorities and concerns of its shareholders/stakeholders to inculcate a customer centric culture within the Group. By nurturing on our in-depth experience and established relationship with various shareholders/stakeholders, the Board believes that the resilience and track record built up so far in the domestic market would pave the way for Datasonic to expand its horizons abroad;
- Invest in research and development (“R&D”) and foster a culture that embraces technological change** - In order to enhance its competitive edge, the Group focuses on investing in R&D and human capital to create highly secured, integrated and innovative ICT solutions for various governmental, commercial and financial markets. Therefore, the Board supports a culture that embraces technological change by making our workplace conducive for our people to develop innovative and creative thinking for the creation of leading edge technologies to stay ahead of global competition;

Management Discussion & Analysis (Cont'd)

1. OVERVIEW OF BUSINESS AND OPERATIONS (CONT'D)

1.4 Our Objectives and Strategies (Cont'd)

- While seeking out **investment and business opportunities that will maximise shareholder returns**, the Group will continue to drive operational efficiencies either by **forging strategic partnerships with world class players** to help accelerate our product development cycle and/or to expand the portfolio of our products & solutions; and
- Protect our intellectual properties ("IP") by patenting our in-house developed solutions in both the local and international markets.

2. REVIEW OF FINANCIAL RESULTS

	FY16 RM'mil	FY17 RM'mil	FY18 RM'mil	FY19 RM'mil
REVENUE	241.310	318.353	258.601	219.559
COST OF SALES	(112.429)	(180.522)	(113.865)	(100.569)
GROSS PROFIT	128.881	137.831	144.736	118.990
OTHER INCOME	1.387	1.020	5.331	1.094
	130.268	138.851	150.067	120.084
ADMINISTRATIVE EXPENSES	(59.955)	(60.191)	(71.795)	(71.498)
	70.313	78.660	78.272	48.586
FINANCE COSTS	(5.213)	(6.792)	(7.931)	(8.112)
PROFIT BEFORE TAXATION	65.100	71.868	70.341	40.474
INCOME TAX EXPENSE	(2.208)	(9.368)	(3.220)	(4.039)
PROFIT AFTER TAXATION	62.892	62.500	67.121	36.435

2.1 Revenue

Year-on-year, our revenue of RM219.559 million recorded in the current financial year ended 31 March 2019 ("FY19") was RM39.042 million lower than the RM258.601 million recorded in the previous financial year ended 31 March 2018 ("FY18"). The Group's revenue was lower mainly due to lower deliveries of the MyKad to Jabatan Pendaftaran Negara ("JPN") in FY19.

2.2 Cost of Sales

In line with lower delivery of the MyKad, the Group's cost of sales had also reduced by 11.7% (RM13.296 million) from RM113.865 million in FY18 to RM100.569 million in FY19.

2.3 Other income

Other Income of RM1.094 million for FY19 was RM4.237 million lower than RM5.331 million for FY18 due mainly to the following one-off transactions recorded in FY18:

- the write back of impairment loss of trade receivables of RM2.087 million upon subsequent collection in the second quarter of FY18; and
- foreign currency gain on refund received from a supplier of RM1.397 million in line with the strengthened foreign currency over time in the second quarter of FY18.

Management Discussion & Analysis (Cont'd)

2. REVIEW OF FINANCIAL RESULTS (CONT'D)

2.4 Finance Costs

Finance costs increased marginally by 2.3% (RM0.181 million) from RM7.931 million in FY18 to RM8.112 million in FY19 mainly due to higher cost of borrowing, namely interests paid on term loan (property financing) undertaken to finance the purchase of office lots at Radius Cyberjaya and Meru property at Excellent Technology Park II Phase 2.

2.5 Income Tax Expense

Income tax expense increased by RM0.819 million from RM3.220 million in FY18 to RM4.039 million in FY19 due mainly to the tax effects of non-deductible expenses.

2.6 Profit after Taxation

Our profit after taxation ("PAT") of RM36.435 million in FY19 was RM30.686 million (or -45.7%) lower than the PAT of RM67.121 million reported in FY18 mainly attributable to lower revenues from the supply of MyKad, higher cost of cards for the RPS division and loss on disposal of property, plant and equipment.

2.7 Liquidity & Capital Resources

As at 31 March 2019, the Group remained in net cash position. Cash and cash equivalents have increased by RM1.694 million from RM25.241 million as at 31 March 2018 to RM26.935 million as at 31 March 2019 mainly due to improved collections from customers. Net cash generated from operating activities amounted to RM66.839 million, of which RM24.083 million was invested in capital expenditure for projects, RM122.594 million was utilised for repayment of bank borrowings and RM33.750 million was paid-out as dividend to our shareholders.

2.8 Financial Ratios

	FY16	FY17	FY18	FY19
Total Debt (RM'million)	125.094	156.889	142.174	136.630
Total Equity (RM'million)	245.250	260.388	266.677	262.628
Debt-to-Equity Ratio	51%	60%	53%	52%
EPS (sen)	4.67	4.64	4.98	2.71
P/E Ratio (times)	28	27	18	19
Net assets per share (sen)	18.18	19.32	19.79	19.50

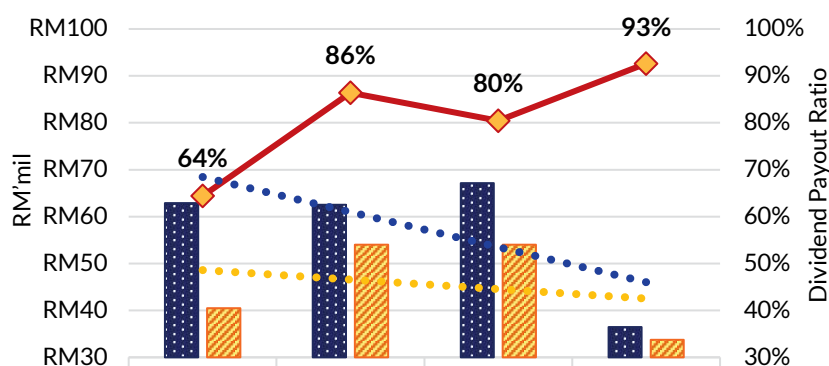
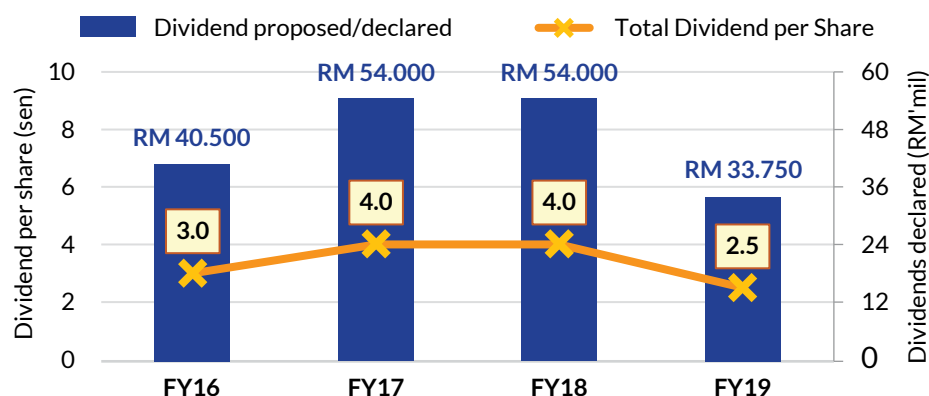
Management Discussion & Analysis (Cont'd)

2. REVIEW OF FINANCIAL RESULTS (CONT'D)

2.9 Dividend

Datasonic believes in continuous building of shareholders value and in sharing our success while at the same time maintaining fundamental investment funds for the Group's strategic growth.

Our dividend trend is as follows:



PAT (RM'mil)	RM62.892	RM62.500	RM67.121	RM36.435
Dividend Declared (RM'mil)	RM40.500	RM54.000	RM54.000	RM33.750
Dividend Payout Ratio	64%	86%	80%	93%

In respect of	Declaration Date	Description*	Dividend per share	Dividend proposed/declared	Paid on
FY19	24.08.2018	1 st Interim	1.0 sen	RM13.500mil	23.11.2018
	10.12.2018	2 nd Interim	0.5 sen	RM6.750mil	08.01.2019
	28.02.2019	3 rd Interim	0.5 sen	RM6.750mil	27.05.2019
	31.05.2019	4 th Interim	0.5 sen	RM6.750mil	TBD

* Single-tier tax exempt dividend

TBD: To be determined

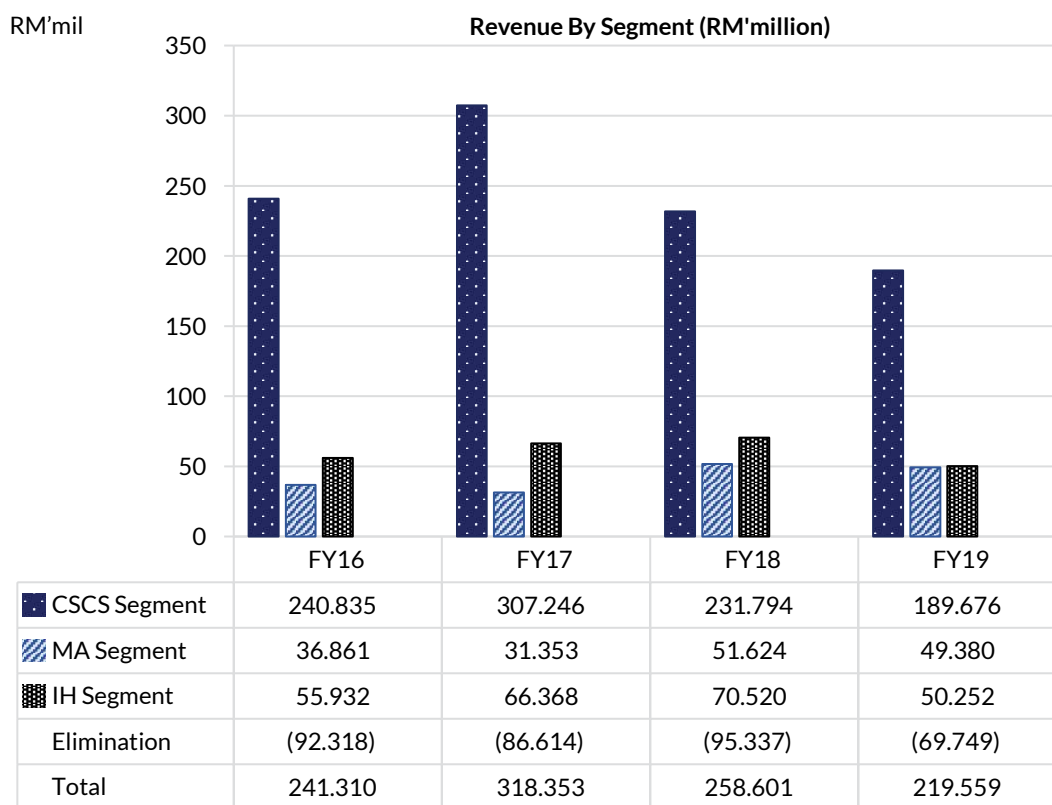
Management Discussion & Analysis (Cont'd)

2. REVIEW OF FINANCIAL RESULTS (CONT'D)

2.9 Dividend (Cont'd)

In respect of FY19, the directors had on 31 May 2019 declared a fourth (4th) interim single tier tax-exempt dividend of 0.5 sen per share, amounting to RM6.75 million based on the issued and paid-up share capital as at 31 March 2019 of 1,350,000,000 ordinary shares. The Entitlement Date will be determined and announced in due course. This dividend has not been reflected in the financial statements for the current financial year ended 31 March 2019 but it will be accounted for in shareholders' equity as an appropriation of retained profits for the next quarter ending 30 June 2019.

3. REVIEW OF OUR OPERATING ACTIVITIES



3.1 The Operating Activities of the Customised Smart Card Solutions ("CSCS") Segment

The CSCS Segment is primarily involved in the provision of large scale customised software and hardware systems for secure ID, total smart card solutions and ICT project management. In FY19, our revenue of RM189.676 million from the CSCS Segment was RM42.118 million lower than the RM231.794 million reported in FY18, due mainly to the significantly lower quantities of MyKad cards & chips, as well as consumables for the MyKad supplied to the government, stemming from lesser replacements from the public.

Management Discussion & Analysis (Cont'd)

3. REVIEW OF OUR OPERATING ACTIVITIES (CONT'D)

3.2 The Operating Activities of the Manufacturing ("MA") Segment

The Group's MA Segment currently operates 2 manufacturing centres (i.e. in Port Klang and Petaling Jaya). The principal activities of the MA Segment are the manufacturing of smart cards (e.g. MyKad, membership cards, loyalty cards and insurance cards) and machine readable travel documents ("MRTD"), or more commonly known as passport booklets with embedded chips. Year-on-year, total inter-segmental revenue for the MA Segment had reduced by RM2.244 million from RM51.624 million in FY18 to RM49.380 million in FY19 due mainly to lower quantities of raw MyKad cards manufactured in the current year, in line with reduced orders from JPN stemming from replacements from the public.

3.3 The Operating Activities of the Investment Holding ("IH") Segment

The IH Segment is principally involved in investment holding and provision of management services for the companies within the Datasonic Group of companies. In FY19, total inter segment revenue for the IH Segment has reduced by RM20.268 million from RM70.520 million to RM50.252 million due mainly to lower dividend income (FY19: RM35 million vs. FY18: RM56 million).

3.4 Material Events

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

Each warrant entitles the registered holder to subscribe for one (1) ordinary share in the Company at any time on or before the maturity date, 5 July 2023.

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

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

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

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

Up to 31 May 2019, being the last practicable date from the date of the issue of this report, no warrant has yet been converted to ordinary share.

3.5 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 1.5 million 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.

Management Discussion & Analysis (Cont'd)

3. REVIEW OF OUR OPERATING ACTIVITIES (CONT'D)

3.5 Material Litigation (Cont'd)

PKN is now claiming the following against DTSB:-

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

On 10 April 2019, the court has fixed next case management on 19 April 2019 for both parties to jointly resolve the outstanding matter pertaining to Goods and Services Tax with the Royal Malaysia Customs Department.

At the case management on 19 April 2019, the court has accordingly given the following trial directions:-

- (a) The case management fixed for 13 May 2019.
- (b) The parties are to file the following before the case management:-
 - i. Joint case summary;
 - ii. Joint issues for trial;
 - iii. Joint agreed facts;
 - iv. List of witnesses (with reasons assigned); and
 - v. The Pleadings are deemed closed.

The hearing dates are fixed for four (4) days on 12 July 2019, 9 August 2019, 8 January 2020 and 9 January 2020. The parties are advised to continue with settlement negotiations.

At the case management on 13 May 2019, the court has given a further case management date on 31 May 2019 for compliance with the High Court's previous directions and the parties are advised to continue with settlement negotiations.

The Suit came up for case management on 31 May 2019 whereby the High Court has fixed the Suit for mediation before the High Court and has given the directions as follows:-

- (a) The mediation date shall be 12 July 2019.
- (b) All previous hearing date fixtures are vacated.
- (c) The case is refixed for hearing from the 21 to 24 January 2020.

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

Management Discussion & Analysis (Cont'd)

3. REVIEW OF OUR OPERATING ACTIVITIES (CONT'D)

3.6 Corporate Developments

On 10 January 2019, a wholly-owned subsidiary known as Datasonic International WLL ("DIWLL") was incorporated in the Kingdom of Bahrain.

The capital of DIWLL is prescribed at Bahraini Dinar ("BHD") 1,000/- divided into 20 shares, the value of each share is BHD 50/- where 19 shares (95% equity interest) are held by Datasonic Group Berhad whilst the remaining 1 share (remaining 5% equity interest) is held by Datasonic Technologies Sdn Bhd, a wholly-owned subsidiary of the Company.

The intended principal activities are to undertake ICT solutions and services.

The incorporation of DIWLL did not have any material effect on the earnings per share and net assets per share of Datasonic Group for the financial year ended 31 March 2019.

Barring any unforeseen circumstances, we anticipate that the business of DIWLL will contribute positively towards the Group's future earnings and net assets.

3.7 Commitment to Quality and Excellence

In our continuous pursuit of commitment for quality and excellence, the Group's strategies include:

- i. Ensure that the quality and condition of our products remain top-notch and deliveries remain consistent. In fact, the quality of our products has been enhanced to the extent that product replacements arising from quality issues have declined but this had also affected our revenues too because our customer's demands declined resulting from high quality products;
- ii. Perform annual reviews on various certifications accorded to us, such as ISO 9001:2015 certifications, EMV, security, etc. to ensure that our Quality Management Systems ("QMS"), products (smartcards, MyKad and machine readable travel documents), services (e.g. EMV/financial cards personalisation rendered by our RPS division) and the security of our premises continuously meet the prevailing ISO Quality standards/requirements;
- iii. Explore or perform continuous R&D in high-quality & high-technology solutions; and
- iv. Provide focused training and development to cultivate relevant competencies and skills that increases productivity and growth.

3.8 Other accolades and/or recognitions

We take pride in the following accolades and achievements accorded during the year:

1. Datasonic Corporation Sdn Bhd was presented with **Financial Instant Issuance Partner of the Year APAC Awards** by Entrust Datacard at the Partner Connections Global Partner Conference held in London from 12 June 2018 to 15 June 2018;



Management Discussion & Analysis (Cont'd)

3. REVIEW OF OUR OPERATING ACTIVITIES (CONT'D)

3.8 Other accolades and/or recognitions (Cont'd)

2. Datasonic Smart Solutions Sdn Bhd was honoured as one of the prestigious **Cyber Security Company of the Year** by the Malaysia Cyber Security Awards 2018 at its Gala Dinner held at Royale Chulan Hotel, Kuala Lumpur on 26 September 2018;
3. On 4 December 2018, the latest version of the Malaysian e-Passport which was developed by the Malaysian Immigration Department and Datasonic Technologies Sdn Bhd, was recognised as **Regional ID Document of the Year** by Reconnaissance (the organisers of the highly acclaimed High Security Printing Asia Global Conference) for its outstanding technical sophistication of a document, and for promoting the best in infrastructure and implementation of a government passport or identity card scheme;



Our Malaysian e-Passport ranked as the 12th most powerful in the world, with visa-free or visa on arrival access to 179 destinations according to the Global Ranking of the 2019 Henley Passport Index, making it the highest-ranked passport in the developing world and among Muslim-majority countries, the 2nd highest-ranked passport in Southeast Asia after Singapore, and the 4th highest-ranked in Asia;



and

4. On 2 May 2019, Datasonic's Chip Operating System ("DCOS") was certified with Common Criteria EAL4+ ALC_FLR.2, ALC_DVS.2. The Common Criteria for Information Technology Security Evaluation (referred to as Common Criteria or CC) is an international standard (ISO/IEC 15408) for computer security certification. Products evaluated against a Common Criteria standard exhibit a clear chain of evidence that the process of specification, implementation, and evaluation has been conducted in a rigorous and standard manner. DCOS is certified to protect different types of tampering including Physical Tampering, Side Channel Attack, Memory Tampering, Instruction Tampering and Card Acceptance Device ("CAD") Domain Tampering.

4. RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The key anticipated or known risks that the Group is exposed to are as follows:-

1. Dependency on our major customers

A significant portion of our revenues continue to be derived from JIM and JPN contracts, specifically from the supply and/or personalisation of the Malaysian e-Passports and/or MyKad (national identity card.) To reduce dependency on these customers/products/services, we will explore new business opportunities from other sources/avenues/solutions that are related to ICT solutions and are aligned with our business direction.

Management Discussion & Analysis (Cont'd)

4. RISKS RELATING TO OUR BUSINESS AND INDUSTRY (CONT'D)

2. Credit Risk

Poor collections from our major customers may result in insufficient funds to meet our working capital requirements. Additionally, the Group's cash flow requirements have increased due mainly to our plan to invest in human capital and R&D, capital expenditure for project management, expansion of our manufacturing/production activities and/or venture into new businesses (both locally and overseas). This has resulted in higher dependency for contract financing. To mitigate the impact, the Group will continuously monitor the extent of its credit risk to an acceptable level.

3. Competition with other market players

Competition is inevitable, especially from other market players. To mitigate this risk, we will continue to embark on our core competencies and strategies to deliver highest level of services at competitive costs i.e. to provide cheaper and better integrated system and solutions to maximise the value and returns to our existing customers. This is intended to build our customers' confidence based on core competencies to improve on public delivery services besides enabling Datasonic to achieve greater market penetration through expansion of our portfolio to include other government ministries or agencies as well as non-governmental sectors in Malaysia, as well as expansion of our business overseas.

5. FORWARD-LOOKING STATEMENT

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

As at 31 March 2019, the order book was in the vicinity of RM743 million which would have a positive impact on revenue generation in future operations.

We will **continue to strive for growth and generate new revenue streams** from the provision of our security related ICT solutions locally, regionally and globally. We are confident on the future of the Group and we are committed to creating and delivering value for money security related ICT solutions to our customers, shareholders and stakeholders, thereby contributing towards achieving the Group's vision and mission.

The prospects for growth are expected to be satisfactory in the financial year ending 31 March 2020, barring any unforeseen circumstances.

SUSTAINABILITY STATEMENT

ABOUT THIS SUSTAINABILITY STATEMENT

This Sustainability Statement provides transparent information on the sustainability activities and management strategies of Datasonic Group Berhad ("Datasonic" or "the Group"), and is reported annually based on the following references/guidelines:

- Global Reporting Initiative ("GRI") Standards;
- Sustainability Reporting Guidelines and Toolkits issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia"); and
- Listing Requirements of Bursa Malaysia - Paragraph 9.45(2) and Paragraph (29), Part A of Appendix 9C of the Main Market Listing Requirements (supplemented by Practice Note 9).

In May 2018, we performed our very first materiality analysis with our key stakeholders in line with our sustainability strategy.

Sustainability Governance

Although sustainability is still not a specific item on the agenda during Board meetings, the Board is committed to embedding sustainability into the Group's business strategies and operations. Our Executive Committee ("EXCO") oversees the implementation of the Group's sustainability approach, practices and performance according to EES criteria. This approach ensures that the Group's Core Philosophy of providing integrated ICT solutions that will contribute towards nation building may be realised. Four action plans have been proposed to the Management Committee to formalise group-wide sustainability governance. The status of implementing the four action plans for the formalisation of group-wide sustainability governance is as follows:

Action Plan	Status of implementation
<u>Action Plan 1 of 4:</u> Establish a sustainability framework, management policy and procedures to guide and direct key EES matters.	<p>Our plan to achieve sustainability is through group-wide strategic management. Accordingly, a Strategic Management Committee ("SMC") was formally established on 21 May 2019 to pursue the following objectives:</p> <ul style="list-style-type: none"> • Formulate relevant business strategies that are aligned to the Group's Vision and Mission; • Plan for corporate sustainability by managing our triple bottom line so that we could compete successfully in the market and/or expand our business confidently; and • Ensure that our strategies are adopted based on the Board's risk appetite so that our limited resources may be mobilised effectively to fulfil our goals. <p><u>Policy and procedures for Strategic Management:</u></p> <p>Our roadmap or "Master Manual - We Are Datasonic" which was circulated on 16 April 2019 shall serve as a broad framework or internal reference guide on the Group's roadmap to group-wide strategic management, albeit it is being fine-tuned as we continue to review ways to enhance our group-wide governance, risk management and compliance practices.</p>

SUSTAINABILITY AT DATASONIC

Sustainability has always been a key component of the Group's culture as we strive to sustain continuous financial performance and healthy growth.

We are becoming increasingly aware of the important contribution sustainability makes to business value creation. Our sustainability statement highlights our strategic approach to addressing sustainability challenges and opportunities that contribute to the betterment of the business, environment and society.

In line with the Economic, Environmental and Social ("EES") framework adopted by both the GRI and Bursa Malaysia, we are aligning our sustainability approach, practices and performance towards fostering greater sustainability governance.

Sustainability Statement (Cont'd)

Action Plan	Status of implementation
<u>Action Plan 2 of 4:</u> Enforce mandatory requirements for sustainability reporting in accordance with the GRI Standards.	<p>So far, we have not enforced any mandatory requirements for sustainability reporting in accordance with the GRI Standards, as voluntary reporting is encouraged. Nonetheless, key indicators for employment, training and education continues to be reported on a quarterly basis by our Human Resources Department ("HRD") based on the Global Reporting Initiative ("GRI") Standards. Whereas key indicators for employee satisfaction, customer satisfaction, effluents and waste management, etc. are usually reported either ad-hoc or annually.</p> <p>Even so, it is envisaged that this Action Plan would be carried out by our Management in the future, as we become more matured on our journey towards sustainability and growth.</p>
<u>Action Plan 3 of 4:</u> Perform group-wide risk assessment which helps identify and prioritise sustainability areas that are most crucial to meeting business goals.	Key risks were identified, assessed and properly evaluated based on established risk criteria/priorities adopted by the Company. Risk treatment plans have been developed by management for risks assessed as High or Significant by the Company.
<u>Action Plan 4 of 4:</u> Formalise Key Performance Indicators (KPIs) for each business entity to allow periodic reviews and assessment of performance against set targets.	Objective performance measurement (i.e. key performance indicators and incentive setting) shall be formalised by SMC for all sales and business development activities under its purview.

Sustainability Key Focus Areas

EES Matter	Key Focus Areas and Strategies
Economy	<ul style="list-style-type: none"> Being a market leader in the delivery of integrated ICT solutions that will contribute towards nation-building. Delivering quality by adhering to ethical business practices in the supply of high-quality integrated ICT solutions. Protecting data privacy and information security. Providing continuous investment in research and development through innovative and cutting-edge technologies.
Environment	<ul style="list-style-type: none"> Conserving Mother Nature for the benefit of future generations. Effectively managing materials, energy, water and emissions. Preserving natural resources to improve quality of life.
Social	<p><u>For Our People</u></p> <ul style="list-style-type: none"> Developing and retaining our human capital and talents. Ensuring safety and health in the workplace. Providing equal opportunities in career development, training and education irrespective of race, religion or ethnicity. Delivering a diverse and inclusive workplace. <p><u>For Our Society</u></p> <ul style="list-style-type: none"> Proactively attending to the needs of the community and assisting in society-related programmes. Ensuring that business activities and operations do not harm the interests and well-being of society at large.

Sustainability Statement (Cont'd)

OUR SHAREHOLDERS/STAKEHOLDERS AND MATERIALITY

We engage with our key shareholders/stakeholders and reach out to these interested parties in a variety of ways to promote transparency through regular communication on key issues. This process helps us to understand, prioritise and manage our sustainability impacts as an organisation while improving our relationship with our shareholders/stakeholders.

Interested parties	Expectation and Interests	Engagement Approaches
Shareholders and Investors	<ul style="list-style-type: none"> Investment opportunities Business outlook Market positioning Return on Investment Dividends Governance on EES risks and/or opportunities 	<ul style="list-style-type: none"> Annual report and Annual General Meeting Extraordinary General Meeting Company website Investor relations/investor briefings
Customers	<ul style="list-style-type: none"> Business outlook Market positioning Quality of goods and/or services Product training/technology transfer 	<ul style="list-style-type: none"> Company website Conferences/roadshows One-on-one meetings Training programme and training feedback surveys
Suppliers	<ul style="list-style-type: none"> Local partnerships Business relationships Operational efficiency 	<ul style="list-style-type: none"> Events Conferences/roadshows One-on-one meetings Training programmes
Employees	<ul style="list-style-type: none"> Career opportunities Work-life balance Skills development 	<ul style="list-style-type: none"> Meetings/briefings/chit-chat sessions Performance assessments Bonus & increments Training programmes <i>DatasoniCares</i> Engagement sessions Sports and CSR Programme
Government and Regulators	<ul style="list-style-type: none"> Compliance Nation-building agenda Partnerships and collaborations 	<ul style="list-style-type: none"> Attend to queries promptly or via one-on-one meetings (if necessary)
Communities	<ul style="list-style-type: none"> Community programmes Charitable donations and/or sponsorships Partnerships and/or participation in philanthropic activities 	<ul style="list-style-type: none"> Charitable donations and/or sponsorships Participation in community programmes and/or philanthropic activities

Sustainability Statement (Cont'd)

Materiality Assessment

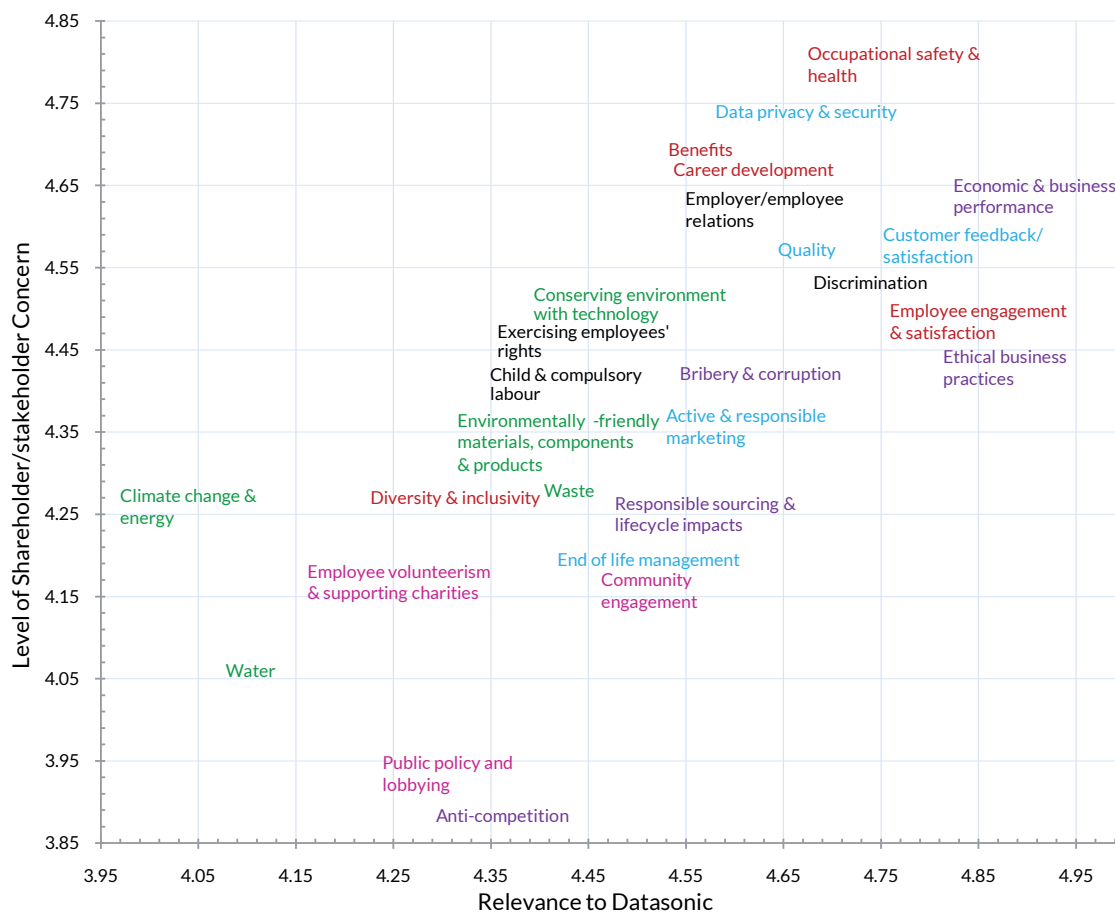
In May 2018, we analysed our shareholders'/stakeholders' expectations through a materiality analysis which covered 27 topics of EES matters to identify and prioritise areas that are most relevant to 6 categories of shareholders/stakeholders and the business. The 27 topics of EES matters included in the Materiality Survey were as follows:

EES Matter	EES Topics	
Economy	<ul style="list-style-type: none"> Economic & business performance Responsible sourcing & lifecycle impacts Ethical business practices Bribery & corruption Anti-competition issues 	
Environment	<ul style="list-style-type: none"> Climate change & energy Water Environmentally-friendly materials, components & products Waste Conserving environment with technology 	
Social	<p><u>Labour Practices and Decent Work</u></p> <ul style="list-style-type: none"> Occupational safety & health Diversity & inclusivity Career development Benefits Employee engagement & satisfaction <p><u>Human Rights</u></p> <ul style="list-style-type: none"> Child & compulsory labour Discrimination Employer/employee relations Exercising employees' rights 	<p><u>Society</u></p> <ul style="list-style-type: none"> Community engagement Public policy and lobbying Employee volunteerism & supporting charities <p><u>Product Responsibility</u></p> <ul style="list-style-type: none"> Customer feedback/satisfaction Data privacy & security Active & responsible marketing Quality End of life management

A separate average score was calculated for each of the 27 topics within each group of interested parties, before obtaining an average from all 6 groups of interested parties. The same survey was completed by members of the Board and key senior management. A total of 84 complete responses were obtained and analysed to ascertain the views of our shareholders/stakeholders; 19 responses by the Board and key senior management were used to represent the relevance to Datasonic. We believe the survey provides a reasonably accurate representation of our shareholders'/stakeholders' opinions. The results of the analysis were then used to develop a Materiality Matrix, with the level of importance to Datasonic plotted along the X-axis and importance to our shareholders/stakeholders on the Y-axis.

Sustainability Statement (Cont'd)

The Materiality Matrix is presented in the following diagram.



Based on the results of the materiality analysis performed in May 2018, we are focusing on the following:

EES Matter	Action Plan(s)	Key Focus	What we have done
Economy	Set clear direction so that our business strategies are focused and aligned to our vision, mission & goal.	Economic & business performance	In order to attain sustainable profitability and growth, we have formally established SMC on 21 May 2019 for strategic management.
	Strengthen policy & guidelines to govern our business practices.	Ethical business practices	We have issued and circulated our Employee Business Conduct Guidelines ("EBCG") as additional guideline to govern our business practices.

Sustainability Statement (Cont'd)

EES Matter	Action Plan(s)	Key Focus	What we have done
Environment	Continue to invest in R&D and human capital to empower Digital Transformation by creating highly secured, integrated and innovative ICT solutions.	Conserving environment with technology	Explored and ventured in the areas of innovation and expansion of capabilities to remain competitive and relevant in delivering global trending or emerging ICT solutions that are trendy yet cost effective and environmentally-friendly.
Social	Transform our HR Department into Human Capital Department ("HCD") to motivate and keep our employees happy and collaborative.	<u>Labour Practices and Decent Work:</u> <ul style="list-style-type: none"> Occupational safety & health Employee engagement & satisfaction Career development Benefits <u>Human Rights</u> <ul style="list-style-type: none"> Discrimination Employer/employee relations <u>Society</u> <ul style="list-style-type: none"> Community engagement Employee volunteerism & supporting charities 	<ul style="list-style-type: none"> Updated Employee Handbook Completed Employee Performance Assessments followed by payment of bonuses & increments. Organised <i>DatasoniCares</i> Engagement Sessions Formulated HRD Plan
	Maintain our commitment to deliver innovative and creative ICT solutions, i.e. products of high quality standards or solutions that utilise latest technologies, and excellence in service.	<u>Product Responsibility</u> <ul style="list-style-type: none"> Data privacy & security Quality Customer feedback/ satisfaction 	<ul style="list-style-type: none"> Ensure that the quality and condition of our products remain top-notch and deliveries remain consistent; Perform annual reviews on various certifications including ISO 9001:2015, EMV, security, etc.; and Solicit customer feedback through customer satisfaction surveys and perform supplier appraisals to assess the performance of our suppliers.

Sustainability Statement (Cont'd)

Further details are as elaborated below:

ECONOMIC

Empowering Digital Transformation with Innovative ICT Solutions

Datasonic is involved in the provision of ICT solutions including smart card personalisation (such as secure ID or chip-based credit/ debit/ bank cards), customisation of software and hardware solutions, project management, consultancy, R&D and technical consultancy services. In order to enhance its competitive edge, the Group focuses on investing in R&D and human capital to create highly secured, integrated and innovative ICT solutions for various governmental, commercial and financial markets. Therefore, the Board supports a culture that embraces technological change by empowering digital transformation with our innovative ICT solutions to stay ahead of global competition.

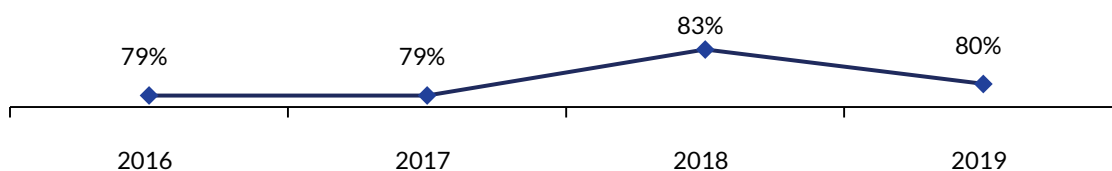
Datasonic aims to capitalise on various business models and our innovation culture to deliver sustainable value to our shareholders/stakeholders. We will continue to explore and venture in the areas of innovation and expansion of capabilities to remain competitive and relevant in delivering global trending or emerging ICT solutions that are trendy yet cost effective and environmentally-friendly, which includes but not limited to e-ID, e-Passport, e-Border Control, e-Visa, Multi-modal Biometric solutions, Smart surveillance & security systems, e-Health and fintech (financial technology) solutions. We have also supported a range of state-of-the-art tools and developments to tap emerging technologies e.g. smart parking, smart city, cloud-based HIS/EMR/PHR, mobile applications, Internet of Things, machine learning, artificial intelligence, data analytics, etc. to drive business value and growth.

Local Employment

While our operations continue to provide direct employment opportunities for local people, we encourage local businesses to be part of our supply chain. We also work with the government to build local skills and expertise. We prioritise the procurement of goods and services from local suppliers who meet our requirements. Suppliers are screened to ensure they meet our high standards in the areas of human rights, labour practices and business integrity. In line with the Bumiputera-status, Datasonic ensures compliance with the following criteria at all times:

At least 51% of the Board of Directors including the Company's Chairman must be <i>Bumiputera</i>	The Managing Director and/or Chief Executive Officer must be <i>Bumiputera</i>	At least 51% of the management team and both professional and supervisory staff must be <i>Bumiputera</i>
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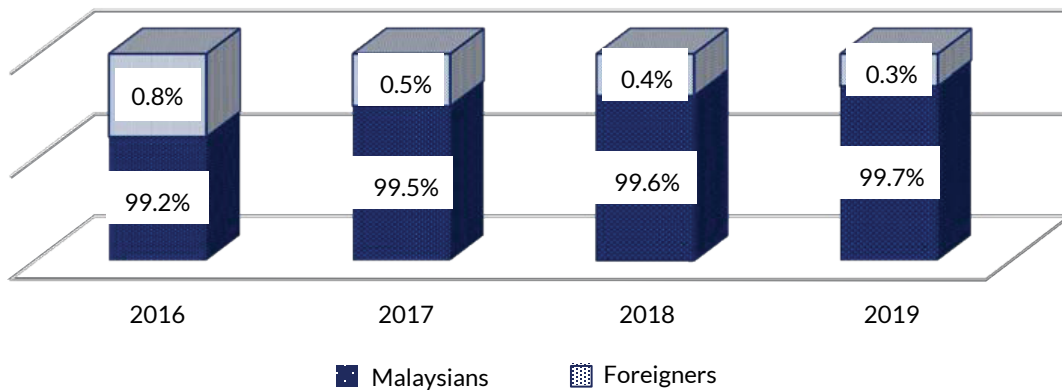
Percentage of Bumiputera in the Workforce



The employment of Malaysian citizens are prioritised, due to the high sensitivity and security of our products and solutions. Identification cards such as MyKad and passport services are important to national security; whilst financial products such as ATM and debit cards are also highly sensitive.

Sustainability Statement (Cont'd)

Malaysians versus Foreigners in the Workforce



Sustainable Supply Chain

Supply chain management is an integral part of the Group's Procurement Practices. We are committed to the principle of sustainability across our operations and place strong emphasis on minimising any adverse impact on society or the environment.

Our risk management processes are governed largely by the ISO 31000 Risk Management Principles and Guidelines. Risk assessments are performed before launching new products such as IT programmes and services or the outsourcing of core or material services as and when necessary.

Supplier risk assessments may be performed either ad-hoc or annually when the project is due for renewal or depending on the circumstances. We also appraise our suppliers/external service providers to ensure that their service levels meet our expectations for timely delivery of goods/services, in accordance with our requirements/product specifications, prompt services, accurate documentation and competitive/reasonableness in pricing. The overall rating of the assessment performed on our IT Distributors/Resellers/Online service providers in FY19 was 81%.

Integrating Sustainability into Procurement Decisions

The effective use of natural resources is part of Datasonic's Code of Ethics and Conduct. For example, we use printing paper that has been sourced from sustainable forests and controlled sources, i.e. paper certified by the Programme for the Endorsement of Forest Certification ("PEFC"). Also, we have implemented e-papers at our Board meetings whereby documents are saved in shared folders with controlled accessibility to reduce paper consumption.

Quality Control of the Highest Standards

The Group continues to improvise its production technologies and quality of the products by carrying out Research and Development (R&D) to generate new knowledge of manufacturing and personalisation processes and the use of products while implementing the innovations in production. In order to ensure that we have an inclusive and safe society, the Group empower all our business and functional units to regularly engage with our stakeholders so that key risks and issues impacting our stakeholders are promptly addressed in our practices and business strategies. Value is created by maintaining relevant certifications and licenses:

- The Group's ISO 9001:2015 and ISO/IEC27001:2013 certifications ensure that our products and services meet the most demanding standards in the industry which in turn, improves the ability of the Group's operations to meet customers' requirements and expectations.
- We comply with relevant legislation to operate our businesses as a secure ID/smart card manufacturer, responsible Network Service and Facilities Service Provider and licensed national security printer.

Sustainability Statement (Cont'd)

ENVIRONMENTAL

Datasonic is committed to conducting business in an ethically, socially responsible and environmentally sustainable manner. Environmental stewardship begins with reporting our environmental performance and ensuring that production and operations meet or exceed relevant environmental legislation.

As we operate in a dynamic and hi-tech industry, we recognise the environmental challenges that this creates. Along with managing our own impacts, we have a responsibility to improve the efficiency of our supply chain, products and services while helping customers address their sustainability challenges. Our Procurement Department works with supply chain partners to encourage the use of products that minimise adverse effects on the environment and health. We also consider the environmental costs associated with our full product life cycles.

Datasonic is committed to designing, manufacturing and distributing environmentally-responsible products. Environmental aspects are considered in the design, manufacture, distribution, use, disposal and reuse of our products. We aim to minimise the environmental impact of our products and operations by conforming to applicable regulations. Sustainable practices in materials selection and use are proactively researched and implemented.

Energy Management

Datasonic continues to focus on opportunities to reduce energy consumption. Operational efficiency improvements include the implementation of energy savings-related projects and a continued focus on utility usage awareness. Some of the on-going environmental conservation initiatives include:

- Reducing energy consumption by switching off the lights and/or setting office equipment to standby mode when not in use;
- Replacing office fittings and equipment with energy-efficient solutions at our office premises, where possible;
- Reusing and recycling paper and printer toners and cartridges where possible; and
- Reducing paper consumption through the use of online or web-based systems.

	FY16	FY17	FY18	FY19
Electricity Consumption (kWh)	1,170,620	1,355,209	1,562,895	1,849,518
Diesel Consumption - Genset (litre)	20	20	20	24

Year-on-year, our electricity consumption have increased in FY19 as compared to FY18 due mainly to heightened security measures implemented by our manufacturing centres, namely 24-hour CCTV monitoring, electric perimeter fencing and 24-hour presence of security guards at our premises. We are currently researching ways of generating cheap, green electricity from sunlight by installing solar panel systems.

Waste Management

Generally, we reduce waste and manage the residue in an environmentally sound manner. Waste generated from our production is categorised into two main categories: solid and scheduled waste. The breakdown of waste disposed of by year is presented below:

	FY16	FY17	FY18	FY19
Solid Waste (kg)	3,539	1,120	23,635	36,861
Shredded waste paper	1,740	-	22,530	29,110
Rejected plastic goods (PVC, PC, PET)	279	170	160	1,202
Carton box/ Packaging box from vendor	215	110	105	2,733
Plastic core/ container (raw material, indirect material)	120	75	70	2,656
Module tape (contains gold and/or silver)	90	45	50	70
Metal	1,095	720	720	1,091

Sustainability Statement (Cont'd)

	FY16	FY17	FY18	FY19
Scheduled Waste (kg)	209	-	1,971	12,060
Machine hydraulic oil	39	-	-	-
Thermal oil	170	-	-	-
Inks, paints, pigments, lacquer, dye, varnish products containing organic solvent, etc.	-	-	1,971	9,950
Contaminated cotton rag and gloves	-	-	-	600
Contaminated drum and paint container	-	-	-	1,510

Year-on-year, the volume of solid waste disposed have increased by 13,226kg in FY19 as compared to FY18 due mainly to higher disposals of expired raw materials, samples from vendors and secure disposal of shredded waste paper, namely records of more than 7 years.

Nonetheless, all paper waste is recycled, where possible. We reuse and recycle waste up to the capacity of internal consumption only. Types of waste being recycled include carton boxes, plastic containers and paper; provided that such waste do not contain any secure or sensitive information. We engaged a professional Company to provide the following services:

- Expert information security services to ensure that our sensitive documents and information are managed with total security; and
- Destruction services for the management of secure information and the recycling of our general office paper waste.

As we are aware that scheduled waste can be potentially hazardous to human health or the environment if improperly managed, the handling and disposal of scheduled waste from our manufacturing plant is outsourced to a third-party licensed contractor (which is a leading recovery and recycling scheduled waste company in Malaysia) to dispose of our chemical waste properly. This ensures that this type of waste is properly treated before it is disposed of safely.

Water Management

Water is essential to Datasonic's smartcard manufacturing and card personalisation operations. Sustainable water management is a broad and complex issue and one that Datasonic strives to support by reducing water consumption wastages.

Water Consumption (m³)*

Site	FY16	FY17	FY18	FY19
Manufacturing Centre, Petaling Jaya	5,181	4,219	2,900	2,568
Manufacturing Centre, Port Klang	921	781	896	969
Card Perso. Centre (Wisma RPS)	1,581	3,213	1,770	1,535
Total	7,683	8,213	5,566	5,072

* We do not monitor water consumption at our rented office premises including our HQ.

Water consumption reduced by 494m³ in FY19 compared to FY18 due mainly to lower number of non-permanent Production workforce, as we did not extend the contract terms upon expiration (FY19: 124 vs. FY18: 143), in line with lower quantity of raw national identity cards produced by our manufacturing centres.

Sustainability Statement (Cont'd)

SOCIAL: LABOUR PRACTICES AND DECENT WORK

At Datasonic, we are dedicated to creating a sustainable and enjoyable workplace. Our efforts in this have successfully been achieved as reflected in our low turnover rate as compared to other market players.

Datasonic's employee turnover rate for FY19 was 5.22%, as compared to a turnover rate of only 0.25% reported in FY18. The increase in employee turnover rate was due mainly to higher number of Non-Executives who were hired for Production and left upon expiration of the terms of employment contract during the year.

Benefits

Our rewards are offered to all eligible employees and our human resource practices comply with local legal requirements. Benefits such as health and welfare, retirement plans and various types of leave provide a foundation to support employee well-being and financial security.

During the year, we have updated our Employee Handbook, which was circulated on 20 April 2018. Additional employee benefits include dental, optical, bereavement aid and service awards and enhanced other employee benefits/allowances.

Additionally, three (3) employee engagement sessions known to us as "DatasoniCares" engagement were also conducted in November 2018, December 2018 and April 2019. Stemming from these employee engagement sessions, a **HRD Plan** that focuses on human capital development was also formulated by our Human Resources Department ("HRD"). The focus of our HRD Plan includes recruitment & development, as well as continuous learning to cultivate brand champions, fortify our company culture and standards, and keeping our employees happy and collaborative, which are aimed at transformation of our Human Resources Department into Human Capital Department ("HCD") based on the following objectives:



- i. HCD as key business partner for strategic management;
- ii. HCD as strategic recruiter;
- iii. HCD as training & development driver;
- iv. HCD to focus on holistic rewards;
- v. HCD as employee relations champion; and
- vi. HCD to focus on proactive payroll administration.

Occupational Safety and Health

We set ourselves high personal safety standards across all operations. We aim to provide a safe working environment in which our people and colleagues are protected from harm and actively encouraged to adopt healthy lifestyles.

Our Safety Performance*:

	FY16	FY17	FY18	FY19
Lost Time Injury (Hour)	-	1	-	-
Safe Man hours	118,395	107,432	124,973	107,433

* Note: Reported by our Manufacturing Centre in Klang only.

Sustainability Statement (Cont'd)

Although we do not have any centralised OSH Committee at our headquarters, our manufacturing centres in Petaling Jaya and Port Klang have their own Occupational Safety and Health (OSH) Committees. Each committee comprises a Chairman, Secretary and both employer and employee representatives.

TRAINING AND DEVELOPMENT

Career Development

Employees develop individually and collectively by enhancing their skills and knowledge to achieve current and future business objectives. Employee development at Datasonic is a collaborative process between a manager and an employee.

Investment in Training (RM)	FY16	FY17	FY18	FY19
Excluding project training without HRDF	132,474	155,998	127,622	158,690

Average Hours of Training per Employee (Ref: GRI 404-1):

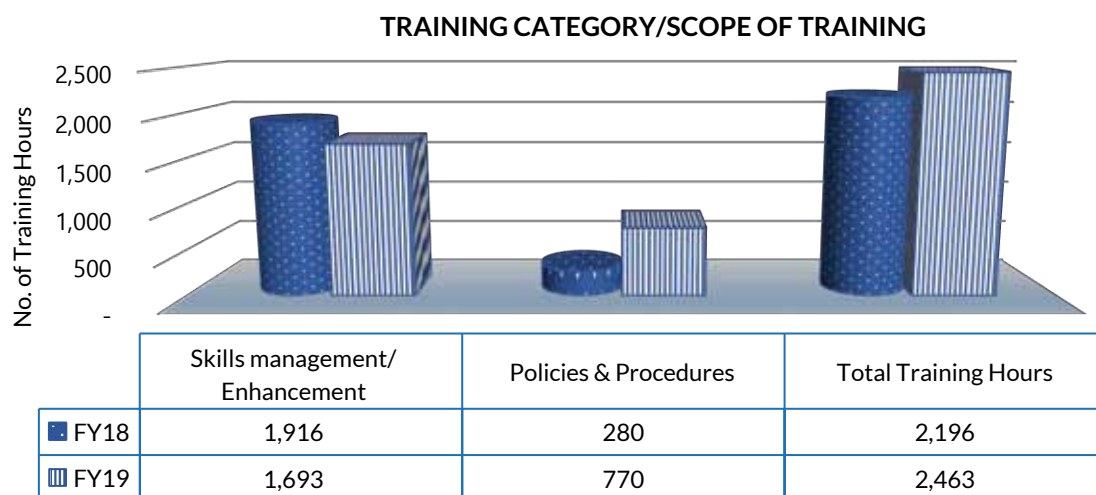
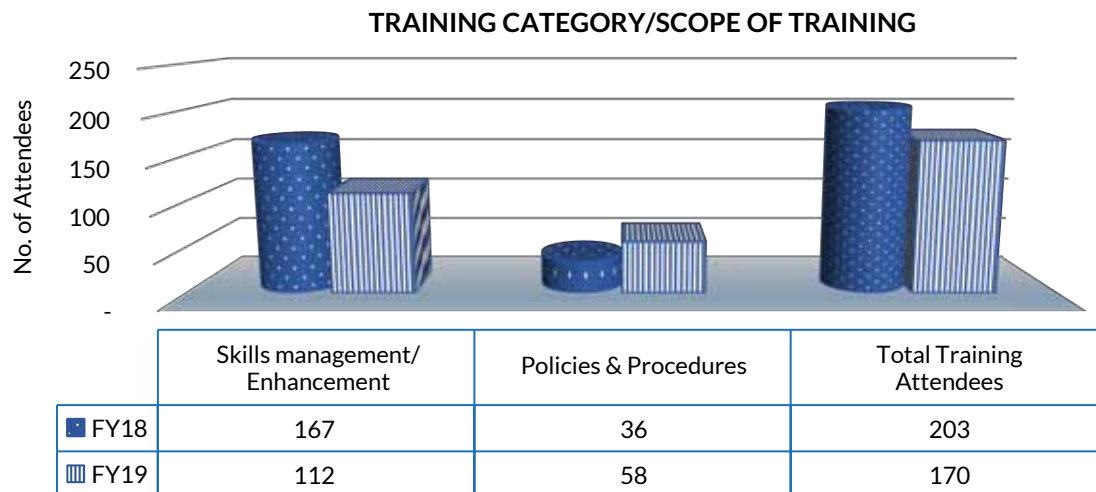
Attendees/ Programme	FY18			FY19		
	Male	Female	Total	Male	Female	Total
No. of Attendees						
a) Top Management	2	3	5	16	7	23
b) Middle Management	10	5	15	15	8	23
c) Executive	96	30	126	39	35	74
d) Non-Executive	39	18	57	29	21	50
Total	147	56	203	99	71	170
No. of Training Hours						
a) Top Management	14	21	35	133	63	196
b) Middle Management	126	56	182	223	168	391
c) Executive	1,008	328	1,336	609	497	1,106
d) Non-Executive	417	226	643	406	364	770
Total	1,565	631	2,196	1,371	1,092	2,463
Total No. of Employees	427	261	688	395	258	653
Average Training Hours per Employee	4	2	3	3	4	4

Year-on-year, total training attendees have reduced by 33 (-16%) i.e. from 203 in FY18 to 170 in FY19, mainly due to lower trainings attended by our Executives (FY19: 74 vs. FY18: 126).

Even so, the average training hours per employee have increased from 3 hours per employee in FY18 to 4 hours per employee in FY19, due mainly to increase in training hours for awareness on Policies & Procedures.

Sustainability Statement (Cont'd)

In accordance with GRI 404-2, the breakdown of training programs for upgrading of employee skills is as follows:



Performance Measurement

The fundamental goal of performance management is promoting and improving employee effectiveness. Performance management is more than a mere annual performance review at Datasonic; it is the continuous process of setting objectives, assessing progress and providing ongoing coaching and feedback to ensure that employees are meeting their objectives and career goals.

An annual performance evaluation is conducted for all confirmed employees. The Group employs the Performance Evaluation Form method to evaluate employee performance.

Diversity and Inclusivity

Datasonic encourages diversity and ensures that the Group has an appropriate mix of skills and talent to conduct its business and achieve its goals.

Our Gender Diversity Policy provides a framework for the Group to balance the different skills, competencies, experience, background, gender and age of its workforce.

Sustainability Statement (Cont'd)

	FY16	FY17	FY18	FY19
Employees				
Total number of employees	521	619	688	653
Executives	317	408	353	364
Non-Executives	204	211	335	289
Permanent	483	536	174	514
Non-permanent	38	83	514	139
Female	195	229	261	258
Male	326	390	427	395
Age group				
<30	139	281	313	230
30-40	246	216	255	277
40-50	90	77	75	99
>50	46	45	45	47
Diversity				
Malay	410	492	568	525
Chinese	81	86	83	83
Indian	23	36	29	38
Others	3	2	4	5
Foreigners	4	3	4	2
Percentage of Women in the Management				
% Women in Management	0.5%	0.5%	0.5%	0.5%
% Women in Top Management	0.4%	0.4%	0.4%	0.4%

SOCIAL: HUMAN RIGHTS

Datasonic supports and upholds the elimination of discriminatory practices in its employment and occupations. The Group promotes and embraces diversity in all aspects of its business operations. Our practices prohibit discrimination based on gender, age, ethnicity, culture, religion, disability or socio-economic backgrounds.

We are pleased to report that there have been no human rights grievances filed, addressed and resolved through formal grievance mechanisms during FY19.

Sustainability Statement (Cont'd)

SOCIAL: SOCIETY

As a good corporate entity, we strive to be an economic, intellectual and social asset to the nation and communities in which we operate. Our involvement in community-related programmes are driven by our commitment to share what we have been blessed with and give back how best we can to society.

Datasonic is committed to uphold its corporate responsibility by supporting different initiatives and charitable events each year. These participations help improve the vitality of the communities in which we operate.

During the year, some of the key contributions/donations/ corporate social responsibility ("CSR") activities include:

i. Donation to Tabung Harapan Malaysia

In assisting the Federal Government to repay the nation's staggering debt sum, our Group Non-executive Chairman handed a cheque to Home Minister Muhyiddin Yassin at the ministry's Hari Raya Aidilfitri open house in Putrajaya on 5 July 2018.



Source: <https://www.malaysiakini.com/news/432837>

ii. Sponsorship in support of Rotary Club of Kuala Lumpur DiRaja (RCKLDIRAJA) "Inspire A Child" – Swiss Dream Circus

We sponsored 25 tickets via The Kuala Lumpur Rotary Charity Foundation (KLRCF) to enable children from various homes in Kuala Lumpur to experience a feted 90-minute Circus performance held on 7 September 2018.

iii. Contribution to Malaysian National Cycling Federation

During the year, we have also sponsored our national athletes and cyclists to represent Malaysia in the 18th Asian Games held in Jakarta, Palembang.

iv. Datasonic "Living the joy of giving" for Rumah Kasih Harmoni

A CSR event promoting "Living the joy of giving" for the benefit of 99 children aged 1 to 17 (comprising 56 boys & 43 girls: 7 pre-schoolers, 43 primary school students & 49 secondary school students of *Rumah Kasih Harmoni*, an orphanage in Sungai Buloh, Selangor, was held on 12 July 2018. Led by our HR Department, various forms of contributions including books, book racks, dictionaries, board games, stationeries, perishables (e.g. rice, cooking oil, flour, condensed milk, biscuits, etc.) were collated from donors within Datasonic. We were truly "Living the joy of giving" as we volunteered in the distribution of the aids for the children at the orphanage, facilitated games, helped in setting up the library and sponsored a luncheon at the orphanage.



Sustainability Statement (Cont'd)



Corruption

Corruption is viewed very seriously and we have zero tolerance for bribery in any form. Employees are prohibited from offering, requesting or accepting bribes or other improper financial advantages. We are committed to maintaining a culture of ethics and expect everyone in Datasonic to adhere to it.

In the performance and exercise of the duties and responsibilities as Directors of the Company or when representing the Company, all our Directors are expected to uphold the Code of Conduct and Ethics for Directors (adopted by the Board since 28 February 2014).

To further enhance the governance of our business practices and ensure long-term growth, development and sustainability of Datasonic, a policy document known as Employee Business Conduct Guidelines ("EBCG") was circulated to all our employees. Made effective 1 November 2018, the EBCG contains our *Credo*, a statement of beliefs which serve as guidelines to be embraced and embodied by every employee in order to comply with the applicable laws and ethical standards. If there are any internal rules and regulations of the Company that may be in conflict with the EBCG, then the EBCG takes precedence.

Besides the EBCG, all employees are also expected to abide by the following:

- Datasonic Group Employee's Handbook and the addendums thereto;
- Other internal rules and regulations, or policies and standard operating procedures which are specific to their departments and/or the Company;
- The applicable laws and legislations governing the standard industry practices that the employees are engaged in; and
- Commit to continuing professional development ("CPD") to regularly update and refresh their skills and knowledge and keep abreast with latest developments pertaining to corporate governance, risk management and compliance.

Upon commencement of employment, each employee is required to declare that he/she has carefully read and understood all the contents of the EBCG. At the discretion of the employee's superior, any violation of the EBCG may subject the employee to appropriate disciplinary actions, including immediate suspension or termination of the employment contract, pursuit of legal liability, etc.

As a result of changes in the business or technological advancements around the world, new business ethics and legal issues may emerge. As new issues and challenges emerge, the EBCG or specific business rules may have new interpretations and applicability within the scope of the basic principles. Hence, our Human Resources Department shall regularly review and update the EBCG to ensure that it continues to remain relevant and appropriate.

Sustainability Statement (Cont'd)

SOCIAL: PRODUCT RESPONSIBILITY

Operating Responsibly

Datasonic Group is principally engaged in the provision of Information and Communication Technology (ICT) solutions. As these activities involve the management of highly secure and sensitive data from our customers, we ensure compliance with all relevant Malaysian laws, regulations and requirements of the government bodies governing our operations.

Commitment to Our Customers

- Be conscious of the interest of our customers at all times

Privacy and Security

As the demand for digitalisation rises, the risk of cyber-attack also increases. We have strengthened our network access controls and firewalls to reduce the risk of cyber-attacks. All recommended updates and patches have been installed to reduce our vulnerability to ransomware. We have also kept abreast with the latest system vulnerabilities so that we can protect our systems against any evolving threats.

Data protection is taken seriously. We have implemented preventive measures to protect the privacy and security of personal data and information in compliance with the Personal Data Protection Act 2010. Security measures are governed by the ISO standards, our standard operating procedures and enterprise risk management framework.

An initial Group-level Security Policy is being implemented following the establishment of our Security Committee in the middle of 2017. The committee addresses both physical and information security policies in collaboration with Corporate MIS at our headquarters. The objectives of our Security Policy include, amongst others:

- To protect security breaches in our networks
- To prevent unauthorised access to our servers and database systems
- To implement data backup and disaster recovery
- To conduct risk assessments regularly

There were no major incidents of Management Information Systems ("MIS") noncompliance based on the Group's recent ISO 9001:2015 QMS audited report. We will continue to monitor, improve and strengthen the information security of the group and company to ensure that information is secure and that there are no breaches.

Provision of Transparent and Accurate Information

Information provided to customers is governed by the terms and conditions in the Letter of Award, agreement, contract and/or Service Level Agreements signed by both parties.

We have established a Shareholders Communication Policy that governs the standards and requirements of the Company in relation to shareholder communications. The policy aims to ensure fair, timely, effective, transparent, accurate and open communications with shareholders.

Quality First

Our manufacturing practices and processes deliver consistent high-quality products and services in accordance with local and international standards. The ISO certifications are a testament to the internal procedures and processes being adopted by our Group.

Sustainability Statement (Cont'd)

The ISO certifications accorded by SGS (Malaysia) Sdn Bhd & SGS United Kingdom Ltd include:

- On 22 April 2015, Datasonic Manufacturing Sdn Bhd ("DMSB") was certified with ISO 9001:2008 by both SGS (Malaysia) Sdn Bhd and SGS United Kingdom Ltd for the manufacturing of smart cards. On 21 May 2018, the ISO 9001:2008 certification for DMSB was upgraded to ISO 9001:2015.
- On 21 May 2018, Datasonic Technologies Sdn Bhd was certified with ISO 9001:2015 for the manufacturing of Machine Readable Travel Document ("MRTD"), or more commonly known as passports.

The ISO certifications accorded by Lloyd's Register Quality Assurance Ltd include:

- In January 2017, the existing ISO 9001:2008 certification awarded to DMSB was upgraded to ISO 9001:2015, a Quality Management System of international standards for the manufacturing of printed cards and smart cards for the commercial, financial and government sectors.
- In April 2017, DMSB was awarded ISO/IEC 27001:2013 certification for the provision of information security covering the facilities in the manufacturing plant.
- In April 2017, Datasonic Group Berhad was awarded ISO 9001:2015 certification for the provision of management support services (Accounting & Finance, Human Resource Management, Procurement, Administration and Management Information System).
- In July 2017, Datasonic Corporation Sdn Bhd ("DCSB") was awarded ISO 9001:2015 certification for the sales and personalisation solutions of chip-based smart cards.

On 2 May 2019, Datasonic's Chip Operating System ("DCOS") developed by Datasonic Smart Solutions Sdn Bhd was certified by CyberSecurity Malaysia with Common Criteria EAL4+ ALC_FLR.2, ALC_DVS.2. The Common Criteria for Information Technology Security Evaluation (referred to as Common Criteria or CC) is an international standard (ISO/IEC 15408) for computer security certification. Products evaluated against a Common Criteria standard exhibit a clear chain of evidence that the process of specification, implementation, and evaluation has been conducted in a rigorous and standard manner. DCOS is certified to protect different types of tampering including Physical Tampering, Side Channel Attack, Memory Tampering, Instruction Tampering and Card Acceptance Device ("CAD") Domain Tampering.

Ensuring Satisfaction

We engage with customers to identify opportunities for growth and areas where additional business investment is warranted. Customer suggestions and feedback are used to influence customer experience and product improvement projects.

Customer Satisfaction Results

a) Customer's Service Level Agreement ("SLA") Adherence for Helpdesk (MyKad Project)

		FY17	FY18	FY19
Total incidents received		554	685	901
Response time	No. of incidents within SLA	554	685	901
	% of adherence	100%	100%	100%
Resolution time*	No. of incidents within SLA	538	683	899
	% of adherence	97.1%	99.7%	99.8%

* Resolution time is dependent on the time taken by the technical support team to resolve the incident which is beyond the control of the Helpdesk team.

Sustainability Statement (Cont'd)

b) Customers' Feedback on Datasonic's Manufacturing Centre in Port Klang

	FY17	FY18	FY19
Customer satisfaction rating [#]	89%	94%	90%

[#] Customer satisfaction rating is based on total customer feedback received as per the evaluation of price, quality, delivery and service.

c) Customers' Feedback on Datasonic's Regional Card Personalisation Centre (Wisma RPS)

	FY17	FY18	FY19
Grade A (80%-100%)	N/A [*]	73%	89%
Grade B (60%-79%)	N/A [*]	27%	11%
Grade C (40%-59%)	N/A [*]	-	-

^{*} Not applicable ("N/A"), as no surveys were conducted in FY17.

d) Customer Feedback on Trainings and/or Workshops Conducted by Datasonic

	FY17	FY18	FY19
Trainings conducted for JPN:			
Training on Transfer of Technologies	88%	89%	96%
Personalisation Centre Training	92%	88%	-
Distributed Printing Project Training	90%	88%	-
Trainings conducted for JIM:			
Workshops on Managing Passport Print Quality	89%	88%	91%

Internal feedback

The quality of management support services (or shared services) rendered at our headquarters (HQ) is also assessed through surveys that gather internal feedback from our directors/management within the Group on an annual basis. In FY19, the overall rating in respect of the service level, delivery and response (to request) rendered for management support services rendered at HQ was 81%.

Conclusion

In short, sustainability remains a key component of Datasonic's culture as we explore better ways to sustain our business as well as financial performance in the competitive environment, promote healthy development and growth for sustenance of our employees, whilst contributing to the pride of our nation for the benefit of our society as a whole.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Datasonic Group Berhad ("the Company") is committed to upholding and inculcating good corporate governance practices, with the primary objectives of safeguarding stakeholders' interests and enhancing shareholders' value.

The Board is pleased to present this overview statement on the application of each practice as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). This statement is prepared in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and it is to be read together with the Corporate Governance Report 2019 of the Company which is available on the Company's website at www.datasonic.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board's roles

The Board is collectively responsible for the long-term success of the Group and deliver sustainable value to the shareholders and various stakeholders. The responsibilities of the Board include setting the Group's strategic directions, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship.

The principal responsibilities of the Board in meeting the goals and objectives of the Company, among others are:-

- a) together with senior management, promote good corporate governance culture within the company which reinforces ethical, prudent and professional behaviour;
- b) review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;
- c) ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- d) supervise and assess management performance to determine whether the business is being properly managed;
- e) ensure there is a sound framework for internal controls and risk management;
- f) understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;
- g) set the risk appetite within which the board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- h) ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and senior management;
- i) ensure that the Company has in place procedures to enable effective communication with stakeholders; and
- j) ensure the integrity of the Company's financial and non-financial reporting.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

Separation of positions of the Chairman and Managing Director

The roles of the Chairman and the Managing Director are segregated and clearly defined. The Chairman who is an Independent Non-Executive Director is responsible for managing the Board and ensures that all Directors receive sufficient and required information relevant to the agenda laid out for the meeting of the Board to enable them to participate actively in the Board's deliberations and decisions. The Chairman is also responsible for ensuring the integrity and effectiveness of the governance processes of the Board. The Managing Director is responsible for the day-to-day management of the business to ensure that the business operates continuously in conformity with the implementation of Board's policies, strategies and decisions.

Qualified and competent Company Secretary

The Board is supported by suitably qualified, experienced and competent Company Secretary.

The Company Secretary holds a professional qualification from the Institute of Chartered Secretaries and Administrators, United Kingdom and is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators.

The Company Secretary has attended the relevant Continuing Professional Development programmes organised by the regulators and other recognised training providers to maintain, enhance and continuous improvement of knowledge, skills and abilities.

The Company Secretary plays an advisory role in supporting the Board on matters relating to the Company's Constitution, Board's policies and procedures, compliance with the Main Market Listing Requirements of Bursa Malaysia, Companies Act, 2016 and related regulations.

Access to Information

The Board members have direct and unrestricted access, to all relevant Company's information and to the senior management personnel to assist them in the discharge of their duties and responsibilities and to enable them to make informed decisions. The Board also has direct communication channels with the External Auditors, Internal Auditors and Board Committees.

The Board members collectively and individually may seek independent professional advice in furtherance of their duties if so required. Such professional advice may be obtained at the Company's expense with prior approval of the Chairman or the Managing Director.

Draft agendas for the Board and Board Committee meetings are circulated to the Chairmen of the Board and Board Committees respectively, in advance, for them to review and suggest items for the agenda.

The notice of meetings and meeting materials with relevant and adequate information are distributed electronically at least 7 days and 4 days respectively in advance to allow the respective Board and Board Committees members sufficient time to review and analyse the materials, seek any clarification that they may need from Management, consult the Company Secretary or independent advisers prior to the meetings and to raise important issues, if warranted, during the meeting. Meeting agendas are sequenced taking into considerations the complexity of the proposals and whether there are items for approval, discussion or notation in order for Board meetings to be effective and to enable in-depth deliberations of matters. All proceedings of meetings including issues raised, deliberations and decisions of the Board are properly minuted and filed in the statutory records of the Company by the Company Secretary.

The Company Secretary will communicate to the relevant Management the Board's decisions/recommendations via circulation of draft minutes of meetings in a timely manner upon conclusion of the meetings for appropriate actions to be taken. The Company Secretary will also follow-up with the Management on status of actions taken with reference to the previous minutes of meetings for updating the Board. Action items would remain as matters arising in the minutes of meetings until they are resolved.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

Board Charter

The Company's Board Charter provides guidance and clarity regarding the roles and responsibilities of the Board and the Board Committees, the requirements of Directors in carrying out their roles and in discharging their duties towards the Company as well as the Board's operating practices.

The Board Charter is available for reference on the Company's website at www.datasonic.com.my.

Demarcation of responsibilities between the Board, Board Committees and Management

To assist the Board to discharge its functions, the Board delegates certain authorities to the Board Committees, the Executive Committee, the Management Committee and the Managing Director.

The Board has delegated specific responsibilities to the following Board Committees:-

a) Audit Committee ("AC")

The AC serves to implement and support the oversight function of the Board on audit matters. It provides a means for review of the Company's and Group's processes for producing financial data, its internal controls, corporate code of conduct, the independence of the Company's External Auditors, and maintain an open line of communication and consultation between the Board, the Internal Auditors, the External Auditors and the Management.

The AC Report which provides insights into the manner in which the AC discharged its functions, roles and responsibilities for the Company during the financial year is contained in this Annual Report.

b) Nomination and Remuneration Committee ("NRC")

The NRC is to assist the Board in its responsibilities in evaluating new nominees to the Board, Chief Executive, Chief Financial, Chief Operating and other key management personnel as determined by the Company and in assessing the remuneration packages of the Directors and key management personnel of the Group to ensure that compensation is competitive, reflective of market conditions and consistent with the Company's performance and practices. The NRC shall also assess the Directors of the Company on an ongoing basis, the effectiveness of each individual Director and the Board as a whole and various Board Committees.

c) Risk Management Committee ("RMC")

The objective of the RMC is to assist the Board in overseeing risk management framework and policies in order to manage the overall key risk exposures of the Group.

The Terms of Reference of the above Board Committees set out among others the objectives, composition, rights and authority, duties and responsibilities of these committees, which are available for reference on the Company's website at www.datasonic.com.my. The details of the AC, NRC and RMC members are set out in the Corporate Information section of this Annual Report.

The Managing Director and Deputy Managing Director ("Executive Committee") are responsible for the day-to-day management of the business and operations of the Group. The Executive Committee is supported by the Management Committee and Project Planning and Management Office ("PPMO").

The Management Committee is to assist the Executive Committee in the effective and seamless implementation of the Board's policies and to make proposals and recommendations for the strategic directions and growth of the Group. The Management Committee meet at least 4 times for each financial year to review financial, operational issues and business performances.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

Demarcation of responsibilities between the Board, Board Committees and Management (Cont'd)

The PPMO is to lead all Project Management Offices in resource planning and project management, so as to be aligned with the Group's strategic initiatives and to administer Enterprise Risk Management activities at the Management/Risk Owners and Staff level, including finding resolutions for the key operational issues. Corporate strategies, key business prospects/proposals and significant operational issues deliberated at the PPMO meetings were reported to the Executive Committee and the Management Committee.

The Board reviewed and discussed reports submitted by the Managing Director on the progress of the operations, business prospects, issues and challenges related to the projects, compliance management, financial performance and issues affecting the corporate image of the Group during the quarterly Board and Special Board meetings.

During the year, the Board reviewed and assessed various local and overseas investment proposals as part of the Group's strategic plan for expansion into local and foreign markets. The Board is also regularly kept informed by the Executive Directors and the Management on the Group's operations, the latest laws and regulations and current issues.

Code of Conduct

The Board has established the Code of Conduct and Ethics for Directors (Executive and Non-Executive Directors) which describes the standards of business undertaking and ethical behaviour for Directors in the performance and exercise of their duties and responsibilities as Directors of the Company or when representing the Company.

The Group's Employee Handbook governs the terms and conditions of employment and the standards of ethics and good conduct expected of the Executive Directors and employees.

The Whistleblowing Policy and Procedures established by the Board applies to all the Directors and employees of the Group.

The Code of Conduct and Ethics for Directors and the Whistleblowing Policy and Procedures are made available for reference on the Company's website at www.datasonic.com.my.

II. BOARD COMPOSITION

Board Composition and Independent Directors on the Board

During the year, the Board comprises fourteen (14) members, six (6) of whom are Independent Non-Executive Directors, seven (7) are Executive Directors and one (1) is Non-Independent Non-Executive Director, in compliance with Paragraph 15.02(1) of the MMLR of Bursa Malaysia. The Independent Directors make up 43% of the composition of the Board. Presently, the number of female Directors on the Board is two (2), representing approximately 14% of the total Board composition. The Board will review its composition and size from time to time with the aim of eventually to achieve the target of 30% female representation on the Board.

The Company acknowledges and recognises the benefits arising from the boardroom and workforce diversity, including enhancing the Group's performance, improving efficiency and employee retention.

The Gender Diversity Policy is available for reference on the Company's website at www.datasonic.com.my.

The NRC has conducted an annual review on the diversity in skills, experience, age, cultural background and gender of the Directors and Key Senior Management.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Board Composition and Independent Directors on the Board (Cont'd)

The current diversity in the skill, experience, gender, age, ethnicity and tenure of the Board members are as follows:-

Board members

Skill and Experience	Percentage of the Board members
Security	71
Information Technology/Engineering	64
Project Development	93
Corporate Management/Business	93
Finance/Taxation	29
Accounting/Auditing	50
Human Capital	29
Legal	14
Shariah law	7

Gender	Number	Percentage
Male	12	86
Female	2	14
Total	14	100

Age Group	Male	Female
30 – 39 years	1	2
40 – 49 years	1	0
50 – 59 years	2	0
60 years and above	8	0
Total	12	2

Ethnicity	Male	Female
Bumiputera	9	2
Chinese	2	0
Punjabi	1	0
Total	12	2

Tenure	Executive Director	Non-Executive Director
3-5 years	1	1
6-8 years	5	6
>9 years	1	0
Total	7	7

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Key Senior Management

The current diversity in the skill, experience, gender, age, ethnicity and tenure of the Key Senior Management are as follows:-

Skill and Experience	Percentage of the Key Senior Management
Security	40
Information Technology/Engineering	100
Project Development	100
Corporate Management/Business	100
Human Capital	20

Gender	Number	Percentage
Male	3	60
Female	2	40
Total	5	100

Age Group	Male	Female
50 – 59 years	1	1
60 years and above	2	1
Total	3	2

Ethnicity	Male	Female
Bumiputera	2	2
Chinese	1	0
Total	3	2

Tenure	Key Senior Management
3-5 years	2
6-8 years	2
>9 years	1
Total	5

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Tenure of Independent Directors

The Board has a policy which limits the tenure of its Independent Directors to nine (9) years. Upon the completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. The Board may recommend and subject to the approval of the Company's shareholders, retain an Independent Director who has served beyond a cumulative term of nine (9) years as an Independent Director of the Company.

None of the Independent Directors of the Company have served the Board for nine (9) years. Hence, no shareholders' approval will be sought for this purpose at the forthcoming Annual General Meeting ("AGM").

If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board would seek shareholders' approval through a two-tier voting process. Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders' meeting:-

- Tier 1: Only the Large Shareholder(s) of the Company votes.
- Tier 2: Shareholders other than Large Shareholder(s) votes.

Annual Assessment of Independence

In April 2019, each of the Independent Directors was given and completed the confirmation of Independence as part of the annual assessment on independence.

The Board through the NRC undertook the independence assessment of all its Independent Directors. The NRC and the Board are satisfied with the level of independence demonstrated by all the Independent Directors, their abilities to act in the best interest of the Company and meet the independence criteria prescribed by the MMLR of Bursa Malaysia.

Appointment of new Directors and Board Assessment

The appointment of new Directors is under the purview of the NRC whose primary responsibilities are to evaluate, assess and recommend candidates for the Board's approval.

The NRC interviews shortlisted candidates before formally considering and recommending them for appointment to the Board.

In reviewing and recommending to the Board on any new Director appointment, the NRC considers the candidate's ability to discharge such responsibilities/function as expected from independent non-executive directors, in the case of the appointment of an Independent Non-Executive Director as well as the candidate's competencies, commitment, contribution and performance, skills, knowledge, expertise and experience, professionalism, age, cultural backgrounds, leadership qualities and integrity.

Upon appointment, new Directors will be issued with a manual which consists amongst others the Constitution of the Company, the Board Charter, the relevant policies and procedures of the Group, the Board meetings schedule for the year as well as obligations in relation to disclosure of interests in securities, conflict of interest and restrictions on dealings in securities. During the year under review, no new Director was appointed to the Board.

In April 2019, the Company Secretary facilitated the NRC in carrying out the annual evaluation of the effectiveness of the Board, Board Committees and individual Directors.

In May 2019, the NRC reviewed the results of the evaluation exercise and take heed of the comments given by the Board and Board Committees members on the areas for continuous improvement. The NRC recommended results of the evaluation exercise to be adopted by the Board.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Directors' Retirement and Re-election

In May 2019, the NRC assessed the performance and time commitment of those Directors who are due to retire and eligible to stand for re-election at the Eleventh AGM, taking into consideration the results of the evaluation on the effectiveness of the Board, Board Committees and Directors' self-assessment; time commitments in discharging their roles and responsibilities, including attendance at Board or Board Committees meetings, briefings and site visitations; participation in continuing training programmes, contribution to the Board through their skills, knowledge, expertise and experience; and directorships in other public listed companies, public companies and corporations.

The NRC is satisfied with the performance of the Directors, namely, Dato' Wan Mohd Safiain bin Wan Hasan, Mr. Chew Ben Ben, Encik Mohamed Zulkhornain bin Ab Ranee, Puan Talya Zholeikha binti Abu Hanifah and Mr. Yee Kim Shing @ Yew Kim Sing who are retiring in accordance with Article 126 of the Articles of Association of the Company at the forthcoming Eleventh AGM. The Board approved the NRC's recommendations for the re-election of the concerned Directors.

Succession Planning

The Board recognises the importance of identifying and retaining talent as key factor to the Group's continued growth and success. The Succession Planning Guidelines adopted by the Board are intended to provide a general method to help the Group develop and implement its own succession planning process. The Guidelines are to ensure continuity of key management positions that exert critical influence on organisational activities, either operationally, strategically or both.

Foster Commitment

The Board is satisfied that its members have devoted sufficient time towards fulfilling their roles and responsibilities as Directors of the Company. Details of the Directors' attendance at Board, AC, NRC and RMC meetings held during the financial year ended 31 March 2019 are set out below:-

Name of Director	Attendance of Meetings			
	Board	AC	NRC	RMC
Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B) (Chairman)	8/8	-	-	-
Dato' Wan Mohd Safiain bin Wan Hasan	8/8	4/4	-	1/1
Datuk Haji Abu Hanifah bin Noordin	8/8	-	-	-
Mr. Chew Ben Ben	7/8	-	-	-
Encik Handrianov Putra bin Abu Hanifah	8/8	-	-	-
Encik Md Diah bin Ramli	8/8	-	-	1/1
Encik Mohamed Zulkhornain bin Ab Ranee	7/8	-	-	-
Mr. Raghbir Singh A/L Hari Singh	8/8	-	-	-
Puan Talya Zholeikha binti Abu Hanifah	8/8	-	-	-
Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir	7/8	-	1/1	-
Dato' Wan Ibrahim bin Wan Ahmad	7/8	4/4	-	1/1
Puan Safia Zuleira binti Abu Hanifah	5/8	-	1/1	-
Mr. Yee Kim Shing @ Yew Kim Sing	6/8	4/4	-	1/1
Dato' Zaiful Ayu Ibrahim bin Ibrahim	8/8	-	1/1	-

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Foster Commitment (Cont'd)

To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance each year. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees, the AGM as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results. In addition, notice on the closed period for dealings in the securities of the Company is circulated to all Directors and principal officers who are deemed to be privy to any sensitive information and knowledge in advance whenever the closed period is applicable based on the targeted date of announcement of the quarterly results of the Group.

The Directors are required to disclose and update their directorships and shareholdings in other companies as and when necessary at every Board meeting. The Directors are also expected to comply with Paragraph 15.06 of the MMLR of Bursa Malaysia on the maximum number of 5 directorships they can hold in public listed companies to ensure that all Directors are able to commit sufficient time to carry out their roles and responsibilities. Currently, all the Directors of the Company have complied with the said requirements.

The Directors are also required to notify the Chairman before accepting any new directorship and shall include an indication of time that will be spent on the new appointment.

Directors' Training

The Directors are mindful that they are required to attend suitable training programmes to keep abreast with the current development of the industry as well as the applicable statutory and regulatory requirements. The Directors are encouraged to evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminars, briefings or dialogues that are best suited to enhance their knowledge.

The Board through the NRC evaluated and assessed the training needs of the Board members and also recommended the type of training programmes for the Directors to attend.

The Directors will continue to participate in training programmes to equip themselves and to effectively discharge their duties as Directors as and when necessary. The Company Secretary facilitates programme registration for participating Directors and would maintain such records of the programmes and their attendance thereat.

All Directors have attended the Mandatory Accreditation Programme as prescribed by Bursa Malaysia.

The NRC reviewed the training programmes attended by the Directors during the financial year under review. The various training programmes, seminars and conferences attended by the Directors are as follows:-

Name of Director	Training Programmes/ Seminars/ Conferences
Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B)	<ul style="list-style-type: none">- Overview of MFRS 9 and MFRS 15 11 April 2018- The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018- Corporate Liability Provisions 21 March 2019

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Directors' Training (Cont'd)

Name of Director	Training Programmes/ Seminars/ Conferences
Dato' Wan Mohd Safiain bin Wan Hasan	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018 Sales and Services Tax briefing 7 September 2018
Datuk Haji Abu Hanifah bin Noordin	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018
Mr. Chew Ben Ben	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018
Encik Handrianov Putra bin Abu Hanifah	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018
Encik Md Diah bin Ramli	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018
Encik Mohamed Zulkhornain bin Ab Raneer	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 Blue Ocean Shift : Beyond Competing Masterclass 24 - 25 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Directors' Training (Cont'd)

Name of Director	Training Programmes/ Seminars/ Conferences
Mr. Raghbir Singh A/L Hari Singh	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018 Sales and Services Tax briefing 7 September 2018
Puan Talya Zholeikha binti Abu Hanifah	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018 Sales and Services Tax briefing 7 September 2018
Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir	<ul style="list-style-type: none"> The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018
Dato' Wan Ibrahim bin Wan Ahmad	<ul style="list-style-type: none"> The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018 Sales and Services Tax briefing 7 September 2018
Puan Safia Zuleira binti Abu Hanifah	<ul style="list-style-type: none"> The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018
Mr. Yee Kim Shing @ Yew Kim Sing	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018
Dato' Zaiful Ayu Ibrahim bin Ibrahim	<ul style="list-style-type: none"> Overview of MFRS 9 and MFRS 15 11 April 2018 The New Malaysian Code on Corporate Governance and its impact on Directors 26 June 2018 Sales and Services Tax briefing 7 September 2018

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. REMUNERATION

Remuneration of Directors and Key Senior Management

The remuneration packages of the Executive Directors are structured based on their experience, responsibilities and performance. The NRC reviewed the salary increment and bonuses for the Managing Director, Deputy Managing Director, Executive Directors as well as the Key Senior Management based on their respective responsibilities, performance and the business performance of the Group in terms of profit contributions.

The remuneration of Non-Executive Directors is by way of fixed annual fees, based on the recommendation of the Board to be approved by the shareholders at the AGM. The level of remuneration reflects the experience and level of responsibilities undertaken by each Non-Executive Director. The Directors concerned do not participate in the deliberations and decisions in respect of their individual remuneration. They are also reimbursed reasonable expenses incurred in the course of carrying out their duties on behalf of the Group, if applicable. In addition, the Non-Executive Directors are also paid meeting allowances based on their attendance at the Board and Board Committees meetings to defray their expenses in preparation and attendance of such meetings.

The Remuneration Framework adopted by the Board is designed to increase the motivation level and productivity of the Group's employees and ensure that the salary levels commensurate to the individual staff's performance. As a general principle, the remuneration of Directors and Key Senior Management (i.e. Directors of the subsidiary companies, Chief Operating Officer and Heads of Departments) is link to their level of responsibilities and how well these responsibilities have been discharged.

In January and February 2019, the NRC reviewed the bonus and salary increment for the Managing Director, Deputy Managing Director and the Executive Directors and Senior Management of the Group respectively. The key factors used in determining the bonus and salary increment were on performance, work commitments and business results of the Group in terms of profit contributions.

In May 2019, the Board approved the NRC's recommendation for the Company to seek the shareholders' approval at the Eleventh AGM for the Directors' fees payable to the Non-Executive Directors of the Company up to an amount of RM1,100,000.00 from the day after the Eleventh AGM until the next AGM of the Company, to be paid monthly in arrears; and the Directors' benefits payable to the Non-Executive Directors of the Company up to an amount of RM200,000.00 from the day after the Eleventh AGM until the next AGM of the Company.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. REMUNERATION (Cont'd)

Remuneration of Directors and Key Senior Management (Cont'd)

The details of the Directors' Remuneration for the financial year ended 31 March 2019 are set out below:-

Directors	Company				Subsidiary Companies				Group
	Directors' Fee	Other Benefits (Salary, bonus, allowance and EPF) RM	Estimated money value of benefits-in-kind RM	Total RM	Directors' Fee RM	Other Benefits (Salary, bonus, allowance and EPF) RM	Estimated money value of benefits-in-kind RM	Total RM	Total RM
Non-Executive Directors									
Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B)	216,000.00	8,000.00	-	224,000.00	-	-	-	-	224,000.00
Dato' Wan Mohd Safian bin Wan Hasan	102,000.00	13,000.00	-	115,000.00	-	-	-	-	115,000.00
Datuk Dr. Aziz Jamaludin bin Hj Mhd Tahir	78,000.00	8,000.00	-	86,000.00	-	-	-	-	86,000.00
Safia Zuleira binti Abu Hanifah	78,000.00	6,000.00	-	84,000.00	-	36,000.00	-	36,000.00	120,000.00
Yee Kim Shing @ Yew Kim Sing	126,000.00	11,000.00	-	137,000.00	-	-	-	-	137,000.00
Dato' Wan Ibrahim bin Wan Ahmad	90,000.00	12,000.00	-	102,000.00	-	-	-	-	102,000.00
Dato' Zaiful Ayu Ibrahim bin Ibrahim	90,000.00	9,000.00	-	99,000.00	-	-	-	-	99,000.00
Executive Directors									
Datuk Haji Abu Hanifah bin Noordin	-	1,017,642.55	-	1,017,642.55	-	-	-	-	1,017,642.55
Chew Ben Ben	-	474,553.80	-	474,553.80	-	-	-	-	474,553.80
Handrianov Putra bin Abu Hanifah	-	335,853.40	-	335,853.40	-	-	-	-	335,853.40
Md Diah bin Ramli	-	330,315.40	-	330,315.40	-	-	-	-	330,315.40
Mohamed Zulkhornain bin Ab Raneer	-	892,371.40	7,200.00	899,571.40	-	-	-	-	899,571.40
Raghibir Singh A/L Hari Singh	-	562,295.57	-	562,295.57	-	-	-	-	562,295.57
Talya Zholeikha binti Abu Hanifah	-	335,853.40	-	335,853.40	-	-	-	-	335,853.40
Total Directors' Remuneration	780,000.00	4,015,885.52	7,200.00	4,803,085.52	-	36,000.00	-	36,000.00	4,839,085.52

The aggregate remuneration of the top 5 Key Senior Management of the Company during the financial year ended 31 March 2019 are as follows:-

Key Senior Management Remuneration	Number
RM250,000 - RM300,000	2
RM300,000 - RM350,000	2
RM501,000 - RM550,000	1

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AC

Composition of AC

The AC comprises of three (3) members, all of whom are Independent Non-Executive Directors in compliance with the requirements of Paragraphs 15.09 (1)(a) and (b) of the MMLR of Bursa Malaysia.

To ensure the overall effectiveness and independence of the AC, the positions of the Chairman of the Board and Chairman of the AC are held by different persons.

Collectively, the AC members possess a wide range of necessary skills to discharge their duties and responsibilities.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I. AC (CONT'D)

Composition of AC (Cont'd)

The Terms of Reference of the AC is available for reference on the Company's website at www.datasonic.com.my.

The composition and details of the activities carried out by the AC for the financial year under review are set out in AC Report of this Annual Report.

Financial Reporting Process

The Board takes responsibility to provide a balanced and meaningful assessment of the Group's financial performance and position primarily through the financial statements of the Company and of the Group, quarterly management report and accounts and quarterly financial results to Bursa Malaysia, Chairman's Statement and Management Discussion and Analysis in the Annual Report.

The Board is assisted by the AC and the Chief Financial Officer in overseeing and governing the Group's financial reporting processes and the quality and integrity of its financial information.

The Directors' Responsibilities Statement in respect of the preparation of the Annual Audited Financial Statements is set out separately in this Annual Report.

External Auditors and its Independence

As one of its functions, the AC undertakes an annual assessment of the External Auditors to gauge their performance, suitability and independence. Based on the results of this assessment, the AC make recommendation to the Board for their re-appointment or termination, as applicable.

The annual evaluation of the External Auditors provide the AC with a disciplined approach for maintaining effective oversight of the External Auditors' performance. The objective of this External Auditors Assessment Policy is to outline the guidelines and procedures for the AC to review, assess and monitor the competency of the External Auditors.

The External Auditors Assessment Policy is available for reference on the Company's website at www.datasonic.com.my.

In this regard, the AC assessed the performance, suitability and independence of Messrs Crowe Malaysia PLT as External Auditors of the Company as well as reviewed the non-audit services provided by them for the financial year under review. The AC also received confirmation from Messrs Crowe Malaysia PLT that they will continuously comply with the relevant ethical requirements regarding professional independence with respect to the audit of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws (On Professional Ethics, Conduct and Practice).

The Board approved the AC's recommendation for the Company to seek the shareholders' approval for the re-appointment of Messrs Crowe Malaysia PLT as External Auditors of the Company at the forthcoming AGM.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Internal Controls

The Board is responsible for ensuring that risks and opportunities are identified on a timely basis to continuously safeguard the shareholders' investment and the Group's assets. The Board is assisted by the Executive Committee, Management Committee and PPMO who are responsible to perform continuous review and monitor on the adequacy and effectiveness of risk mitigation plans and internal control measures pertaining to the key risks.

The Board uphold their ongoing commitment to an effective implementation of Enterprise Risk Management Framework of the Group, with the aim of providing a consistent approach for risk management processes and facilitating a reasonably accurate perception of acceptable risks by all employees.

The RMC was established to assist the Board in overseeing risk management framework and policies in order to manage the overall risk exposure of the Group. The RMC comprises of four (4) members, three (3) of whom are Independent Non-Executive Directors and one (1) Executive Director.

The Statement on Risk Management and Internal Control made pursuant to Paragraph 15.26(b) of the MMLR of Bursa Malaysia is separately set out in this Annual Report.

The Terms of Reference of the RMC is available for reference on the Company's website at www.datasonic.com.my.

Internal Audit function

The Internal Audit function is led by the Chief Internal Auditor who reports functionally to the AC and administratively to the Managing Director.

Details of the Group's internal control systems are set out separately in the Statement on Risk Management and Internal Control and the AC Report in this Annual Report.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS/SHAREHOLDERS

Communication with Stakeholders/Shareholders

The Board recognises the importance of ongoing communication with shareholders and stakeholders of the Company which will build trust and better understanding. The Company is committed to provide its shareholders, stakeholders and investors with comprehensive, accurate and quality information on timely and even basis of the Company's operations, financial condition and future prospects in conformity with applicable legal and regulatory requirements.

The Corporate Disclosure Policy and Procedures established by the Board outlines the Company's approach towards the determination and dissemination of material information.

The Board established the Shareholders Communication Policy which sets out the standards and requirements of the Company in relation to the shareholders' communications.

The Corporate Disclosure Policy and Procedures and the Shareholders Communication Policy are made available for reference on the Company's website at www.datasonic.com.my.

Information is communicated to the Shareholders mainly through the Company's annual reports, quarterly financial reports, AGM and other extraordinary general meetings that may be convened, as well as by way of disclosures made to Bursa Malaysia and other corporate publications on the Company's website.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

I. COMMUNICATION WITH STAKEHOLDERS/SHAREHOLDERS (CONT'D)

Communication with Stakeholders/Shareholders (Cont'd)

The Company recognises the importance of providing adequate information to the shareholders on a timely basis. The shareholders are kept well informed of the developments and performance of the Company through timely announcements and disclosures made to Bursa Malaysia including the release of financial results on a quarterly basis. Additionally, the AGM is the principal forum for dialogue and interaction with all shareholders, who are given the opportunity to enquire and seek clarification on the operations and financial performance of the Group.

The Company encourages shareholders to participate in shareholders' meetings or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.

Notices of general meetings, annual reports and the accompanying documents are provided within a prescribed time prior to the meetings on the website of the Company and via Bursa Malaysia, and also given to shareholders in hard copies or electronic forms.

In addition to the above, the Company is always willing to meet up with institutional investors whenever the need arises, to elaborate or to further clarify the information which has been disclosed to the shareholders. The shareholders can also obtain up-to-date information from the Company's website at www.datasonic.com.my.

II. CONDUCT OF GENERAL MEETING

Encourage shareholders participation at general meetings

The AGM and Extraordinary General Meetings of the Company are important platforms for the Directors and senior management to engage with the shareholders to facilitate greater understanding of the Company's business, governance and performance.

The Board encourages shareholders' participation and engagement at the general meetings as it provides an opportunity for the Board to assess the market expectations and more importantly, it provides an avenue for the shareholders to ask questions on the resolutions being proposed and to seek clarifications on the business and performance of the Group.

The notice of general meetings together with the Company's Annual Report and/or Circular to Shareholders will be despatched to the shareholders within the prescribed notice period prior to the scheduled general meetings in order to provide sufficient time to the shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative or by proxy.

The Notice of Eleventh AGM will be issued to the shareholders on 3 July 2019 and the AGM will be held on 1 August 2019, which is more than 28 days prior to the AGM date.

In line with the MMLR of Bursa Malaysia, the Company will conduct voting through electronic polling for all the resolutions set out in the Notice of Eleventh AGM. The Company will appoint Malaysian Issuing House Sdn Bhd (Company No. 258345-X) to perform scrutineering services and to validate the votes cast at the Eleventh AGM.

This Corporate Governance Overview Statement was approved by the Board of Directors of the Company on 31 May 2019.

AUDIT COMMITTEE REPORT

The Audit Committee of Datasonic Group Berhad ("the Company") is pleased to present the Audit Committee Report for the financial year ended 31 March 2019 which provides insights into the manner in which the Audit Committee discharged its functions, roles and responsibilities for the Company during the financial year.

COMPOSITION AND ATTENDANCE

The Audit Committee comprises of three (3) members, all of whom are Independent and Non-Executive Directors ("INED") in compliance with the requirements of paragraphs 15.09 (1) (a) and (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Chairman of the Audit Committee, Mr. Yee Kim Shing is a member of the Malaysian Institute of Accountants ("MIA"), the Institute of Chartered Accountant of Australia and the Institute of Certified Public Accountants of Singapore which further complies with paragraph 15.09 (1)(c)(i) of the MMLR.

The Audit Committee held four (4) meetings during the financial year ended 31 March 2019 and the attendance of the members was as follows:-

Audit Committee Members	Designation	Numbers of meetings attended
Mr. Yee Kim Shing @ Yew Kim Sing	Chairman, Independent Non-Executive Director	4/4
Dato' Wan Mohd Safiain bin Wan Hasan	Member, Independent Non-Executive Director	4/4
Dato' Wan Ibrahim bin Wan Ahmad	Member, Independent Non-Executive Director	4/4

The Board reviewed the terms of office and performance of the Audit Committee and its members through an annual effectiveness evaluation carried out by the Nomination and Remuneration Committee. Based on the Nomination and Remuneration Committee's assessment and recommendation, the Board is satisfied that the Audit Committee and its members have carried out their functions, duties and responsibilities in accordance with its Terms of Reference which supported the Board in ensuring the Group upholds appropriate Corporate Governance Standards and practices.

MEETINGS

Upon invitation by Audit Committee, the Audit Committee meetings were attended by the Managing Director, Deputy Managing Director, representatives of the External Auditors, Chief Operating Officer, Chief Financial Officer, Internal Auditors and relevant members of the Management Team to facilitate direct communication and provide clarification on audit issues, Group's operations as well as other matters within the terms of reference of the Audit Committee, as applicable.

Minutes of each Audit Committee meeting were recorded and tabled for confirmation and adoption at the next following Audit Committee meeting and subsequently presented to the Board for notation. The minutes of the Audit Committee meetings which include details of deliberations, decisions and resolutions on the matters brought up in the meetings are properly maintained by the Company Secretary.

AUDIT COMMITTEE MEMBERS' TRAINING

Information on training programmes and seminars attended by each Audit Committee member during the financial year are set out in the Corporate Governance Statement under "Directors' Training".

Audit Committee Report (Cont'd)

THE PROCESS OF THE AUDIT COMMITTEE

The Audit Committee meets at least four (4) times a year scheduled every quarter and will have no hesitation to convene additional meetings whenever necessary. The Audit Committee may invite any employee of the Group to attend its meetings if appropriate, has access to any relevant form of advice from independent professionals, information and the views and services of the Company Secretary, as and when warranted in carrying out its duties and functions.

The Audit Committee Chairman reports to the Board on a quarterly basis on all significant matters discussed, deliberated upon and dealt with at the Audit Committee Meetings. Amongst others, it covers the Audit Committee's recommendations to approve the quarterly Management Reports and Accounts, the quarterly consolidated financial results released to Bursa Malaysia, the annual financial statements of accounts, key disclosure statements on governance and other relevant matters in the Annual Report as well as significant audit issues raised by the External Auditors and Internal Auditors, as applicable.

The Audit Committee continuously reviews and revises its Terms of Reference to reflect the updated internal processes of the Management and current requirements as promulgated by the authorities. The Terms of Reference of the Audit Committee is available for reference on the Company's website at www.datasonic.com.my.

A. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

During the financial year, the Audit Committee has fully discharged its functions and duties as set out in its terms of reference. Summary of work and activities undertaken by the Audit Committee during the financial year comprised the following:-

1. Financial Reporting

- a. Reviewed the audited financial statements of accounts of the Group and of the Company for inclusion in the Annual Report as well as the related statutory auditors' report prior to submission to the Board of Directors ("Board") for their consideration and approval, after ensuring that:-
 - i. The audited financial statements were drawn up in accordance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Malaysian Companies Act 2016 in Malaysia;
 - ii. Key audit matters are properly presented in the auditors' report based on the auditors' professional judgement that such matters are most significant in their audit of the financial statements of accounts of the Group and of the Company for the current financial year; and
 - iii. The audited annual financial statements of accounts do not contain any misstatement of transactions and the auditors are in a position to issue an unqualified opinion on the matter of truth and fairness of the financial performance and the financial position of the Company and of the Group.
- b. Reviewed and discussed the quarterly Management Reports and Accounts of the Company and of the Group as well as the unaudited quarterly consolidated financial results of the announcements and made recommendations to the Board for approval before release to Bursa Malaysia.

To uphold the integrity of the financial statements of accounts, the Chief Financial Officer and the Assistant Financial Controller attended all Audit Committee meetings held throughout the financial year and confirmed that:-

- i. Appropriate accounting policies had been adopted and applied consistently; and
- ii. Prudent and realistic estimates had been made in accordance with the requirements as set out in the applicable MFRSs.

Audit Committee Report (Cont'd)

A. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D)

1. Financial Reporting (Cont'd)

- c. Reviewed and discussed with the Management on the adequacy of processes and controls in place for an effective and meaningful financial reporting and disclosures in support of the integrity of financial information issued by the Group.
- d. Reviewed and discussed with the Management on the appropriateness of bases and relevant documentations as evidence in support of the recoverability and fair valuation of major assets pertaining to trade receivables, inventories, project-in-progress, development expenditures, goodwill on consolidation, fixed assets as well as prepayments.

2. External Auditors

- a. In February 2019, reviewed and discussed the Audit Planning Memorandum of the External Auditors for the financial year ending 31 March 2019. This covers the engagement and reporting requirements, audit approach, areas of audit emphasis, significant events and transactions during the year, communication with management and Audit Committee, engagement team, reporting and deliverables, proposed audit fees and the updates of accounting standards as well as other regulatory bodies of significance, as appropriate.
- b. In May 2019, reviewed and discussed the Audit Review Memorandum issued by the External Auditors upon completion of the annual year-end audit, covering on significant audit findings, material deficiencies in internal controls, status of audit, independence, communication with Audit Committee on major issues, summary of unadjusted differences and the expected opinion to be rendered by the auditors.
- c. In accordance with External Auditors Assessment Policy, the Audit Committee had in May 2019 undertook an annual assessment on the performance of the External Auditors in which the assessment of their suitability, objectivity and professional independence with the assistance of the Chief Financial Officer and Management. The External Auditors' Assessment Policy is available for reference on the Company's website at www.datasonic.com.my.

c (i):-

A questionnaires checklist was used to determine the minimum performance assessment procedures on the quality and effectiveness of the external audit functions to derive at the decision as to whether to recommend to the Board on the question of the re-appointment. Input and feedback were also obtained from the Management who had frequent contact and involvement with the external auditors throughout the financial year to assess on the level of professionalism conducted by the External Auditors.

Audit Committee Report (Cont'd)

A. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D)

2. External Auditors (Cont'd)

c (ii):-

The assessment and evaluation process covered the following areas:-

i. Independence and objectivity

- (a) Reviewed and discussed on the professional independence of the External Auditors for the financial year ended 31 March 2019 which amongst others include assessment on the:-
 - External auditors firm with emphasis on key professionals assigned in the external audit team to ensure their independence and objectivity in fact and appearance;
 - The terms of the audit engagement and quality control partners on the issues of rotation requirements from the risks and best practice viewpoints;
 - Measures to keep track of evolving best standards and practices in areas relating to independence and ethical rules to ensure continuous compliance, of the same; and
 - Detailed list of non-audit services rendered by the external auditors firm and related fees together with the pertinent information on the nature of the services undertaken focusing on the potential impairment of the professional independence.
- (b) In February and May 2019, the External Auditors had provided written assurances to the Audit Committee that they had continuously comply with the relevant ethical requirements regarding professional independence with respect to the audited financial statements of accounts of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* and the *Malaysian Institute of Accountants' By-Laws (on Professional, Ethics, Conduct and Practice)*. The External Auditors also provided confirmation that the total fees paid including that of non-audit services rendered to the Group for the financial year under review did not impair on their professional independence.
- (c) The Audit Committee had reviewed and discussed the summary of non-audit services rendered to the Group which comprised mainly recurring assignments of non-audit services in respect of tax compliance, transfer pricing documentation review and the annual review on the Statement on Internal Control and Risk Management.

The Group has incurred a total of approximately RM194,000 for non-audit services representing around 46% of total fees. The nature of the non-audit services with the related fees were critically reviewed by the Audit Committee from the point of view of conflict of interest and reasonableness. It was concluded by the Audit Committee that the fees charged by the auditors were fair and reasonable commensurate with the nature and complexity of the assignments and that the non-audit services rendered did not adversely impair on professional independence and objectivity of the external auditors.

Audit Committee Report (Cont'd)

A. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D)

2. External Auditors (Cont'd)

c (ii) (cont'd):-

ii. Performance, suitability and competencies

The Audit Committee had assessed and evaluated the performance, suitability and competencies of the External Auditors based on the following guidelines and criterion:-

- Calibre of the external audit firm of international status, size and resources to conduct effective and constructive audits of listed issuers;
- Quality of processes and performance audit procedures which cover quality control, the approach to seek and assess management representations, the approach to audit judgments and understanding of key issues and intricacies of business operations, the bases and extent of reliance external auditors place on management as well as the performance targets' achievement of quality audits (i.e. audit scopes, audit plan, timing, etc.);
- Audit team with emphasis on the competencies, qualifications and experiences of the Engagement Partner, Concurring Partner, Audit Manager and Audit Senior taking into consideration on the matter of familiarities with DGB's industry and complex operations;
- Adequacy and appropriateness of audit scopes, planning and conduct of work in line with the related risks and internationally best practices;
- Fairness and reasonableness of audit fees in tandem with the scopes and size of the audit assignments; and
- Quality and timely communications and dealing of of audit issues, recommendations and resolutions in an atmosphere of sound and professional relationship with the relevant personnel of the Company.

c (iii):-

Further, the Management had confirmed that the External Auditors had:-

- i. Maintained active and fruitful engagement and communications with relevant Management personnel in the undertaking of the audits; and
- ii. Substantiated the proposed audit fees as competitive and reasonable based on the complexities, sizeable volume of transactions and time spent on the audit undertakings.

With reference to the meetings held with the external auditors, the AC was satisfied with the extent of communication and interaction with the audit engagement partner and the engagement team, which clearly demonstrated their unquestionable independence, objectivity and professionalism. The outcome of the performance assessment supports the Audit Committee's recommendation to the Board for re-appointment of Messrs Crowe Malaysia PLT as the External Auditors of the Company for the ensuing year.

The Board at its meeting in May 2019 was satisfied with the disciplined assessment procedures performed and reported by the Audit Committee. Accordingly, the Board approved the Audit Committee's recommendation to re-appoint Messrs Crowe Malaysia PLT, subject to the shareholders' approval to be sought at the forthcoming Annual General Meeting.

Audit Committee Report (Cont'd)

A. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D)

2. External Auditors (Cont'd)

- d. With reference to the *MIA Circular No. 25/2018: Change in Partner Rotation Period*, the lead engagement partner and quality control review partner for the financial statements of Datasonic Group will be subject to a seven-year rotation with a three-year cooling-off period. The audit engagement partner and quality control review partner were appointed in 2018 and 2019 respectively and will be due for rotation in 2025 and 2026 respectively.
- e. Reviewed and discussed the progress of the implementation and assessment of new financial reporting standards adopted by the Group, details of which are reflected in the financial statements of accounts incorporated in the Annual Report. The adoption of the new financial reporting standards mainly are not expected to have material impact on the financial statements of accounts of the Group and of the Company.
- f. Reviewed the Statement on Risk Management and Internal Control for the financial year ended 31 March 2019 issued by the Company together with the report issued by the External Auditors in accordance with the *Recommended Practice Guide ("RPG") 5, Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control* issued by MIA.
- g. In May 2019, the Audit Committee held private meetings with the External Auditors without the presence of the Executive Directors and the Senior Management. There were no significant unfavourable points raised by the External Auditors which warranted the attention of the Audit Committee and the Senior Management.

3. Internal Auditors

- a. Reviewed and discussed the Internal Audit Reports which consists of the audit findings, recommendations and the corrective actions agreed and committed upon by the Management which will ensure that all key risks are addressed on a timely basis with mitigating controls in place. There were 14 Internal Audit Reports issued by the Internal Audit Department ("IAD") for the financial year ended 31 March 2019 which were aligned to the approved Audit Planning Memorandum.

The selected key audit areas for the financial year ended 31 March 2019 which constituted the subject matters of the audit assignments carried out by the IAD were as follows:-

- i. Human Resource
- ii. Project Management focusing on budgetary controls and contract compliance
- iii. Inventory Management
- iv. Manufacturing Operations focusing on production and quality controls/assurance
- v. Management Information System
- vi. Prospect Management and Business Development

The audit findings predominantly related to normal operational shortcomings of lapses of controls in the internal control system. The Internal Audit Reports were also shared and reviewed by the External Auditors in their audit planning purpose for effective co-ordination between internal and external auditor functions as well as to assist in their audit undertakings in line with required auditing procedures and methodologies.

Audit Committee Report (Cont'd)

A. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D)

3. Internal Auditors (Cont'd)

- b. Reviewed the performance, progress and activities of the Internal Audit functions on quarterly basis which covered the following aspects:-
 - i. The status of completion of planned audit assignments and other compliance work as per the approved Audit Planning Memorandum;
 - ii. Modifications to the approved Audit Planning Memorandum, if any, to cater for ad-hoc audit assignments requested by the Management/Executive Committee and/or Audit Committee/ Board or as a result of consequential changes in the business operations and corporate development of the Group;
 - iii. Adequacy of resources, skills and competencies in regard to the Internal Audit professionals. For skills and competencies, the Audit Committee also reviewed the applicable training and development programme attended by IAD personnel as well as the continuing education programme of relevance to ensure that the IAD developed a mixture of skilled and competent auditors in the IAD;
 - iv. Significant matters/issues/challenges faced by IAD in the conduct of audit work evaluated and dealt with effectively; and
 - v. The manhours and costs incurred by IAD in discharging its roles and responsibilities within accepted parameters.
- c. Reviewed the progress of the implementation of the corrective action plans committed by the Management for all key audit findings and recommendations highlighted in the previous Internal Audit Reports.

 In respect of long-outstanding audit findings of significance, the Audit Committee followed the practice to instruct IAD to formally communicate with the auditees in regard to the Audit Committee concerns with requests of timely resolution of the outstanding audit issues.
- d. Reviewed and approved the Audit Planning Memorandum of the IAD for the working period from June 2019 to May 2020 in respect of the financial year ending 31 March 2020 with emphasis on the audit scopes of work, audit activities and planned of work, adequacy of resources and sufficiency of coverage of auditable areas selected in accordance with the risk-based audit approach. The identified key audit assignments planned for FY2019/2020 areas covered the following areas:-
 - i. Finance and Accounting
 - ii. Management Information System
 - iii. Fixed Assets Management
 - iv. Project Management
 - v. Inventory Management
 - vi. Manufacturing Production Operations
 - vii. Personalisation Solutions Production Operations
 - viii. Quality Control and Quality Assurance
 - ix. Safety and Security

Audit Committee Report (Cont'd)

A. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D)

4. Corporate Governance and Compliance

- a. Reviewed and published the annual report of the Company which encompasses all relevant disclosure statements of corporate governance as well as required documentations as set out in Part A of Appendix 9C of the MMLR.
- b. Reviewed the revised Financial Authority Limits ("FAL") of the Group which had been put in place additional delegation of responsibilities for various aspects of operations to the new and existing Management committees and personnel before recommending the same to the Board for approval.
- c. Reviewed with the assistance of the Internal Audit Department on a quarterly basis to determine the presence of any related party transaction to ensure compliance with the MMLR of Bursa Malaysia and the internal procedures in place, remain relevant.
- d. Discussed and noted the updates of new standards/regulatory requirements issued by the regulatory, statutory and professional bodies and relevant business news articles published by the mass media considered to be of interests to Audit Committee/Board members.

B. INTERNAL AUDIT FUNCTION

The Internal Audit ("IA") Function is headed by Pn. Norreen Mohd Salim who is a member of Malaysian Institute of Accountants ("MIA") and Institute of Internal Auditors ("IIA"). She reports directly and functionally to the Audit Committee on the adequacy and effectiveness of the internal control systems. The Internal Audit Function conduct its internal audit activities in accordance with the *International Standards for Professional Practices of Internal Auditing*. The purpose, authority and responsibility as well as the scopes of work of the Internal Audit Function are outlined in the approved Internal Audit Charter. To ensure that the responsibilities of IA are fully discharged in accordance with the abovementioned standard and its approved charter, the Audit Committee reviews the adequacy of the scopes and resources of the IA function as well as the competency and experience of the internal auditor professionals.

The activities of the Internal Audit Function for the financial year ended 31 March 2019 were carried out in accordance with the Audit Planning Memorandum which has been approved by the Audit Committee. In order to determine the significant auditees and related auditable areas for the planned audit assignments, IA had applied a risk-based audit approach in which all possible risk factors identified were assessed using high-level likelihood and consequence rating assessment and populated into the Likelihood and Consequence Matrix ("LCM"). The possible risk factors of the Group were compiled from the following sources:-

- a. Observation and risks identified from the previous internal audit assignments;
- b. Observation, risks and concerns highlighted by the Board Audit Committee and Board of Directors;
- c. Discussion and input from the Risk Facilitators of the Group as well as their risk reports and relevant documentations;
- d. Discussion with the Executive Committee, key management personnel, heads of department and other risk owners, as applicable;
- e. Review the minutes of Board and Board Committees meetings, Management meetings and key working groups established in the Group;
- f. Review relevant reports and materials highlighted and deliberated in Management meetings held throughout the year; and
- g. Review the recent strategic business exercises/activities initiated by the Board and the Management (e.g. corporate strategy engagement session, proposed acquisition, incorporation of new subsidiaries or business processes/key activities).

Audit Committee Report (Cont'd)

B. INTERNAL AUDIT FUNCTION (CONT'D)

The results of the audits performed by IA were reviewed by the Audit Committee. All Internal Audit reports were presented and discussed at the Management Committee Meetings with a concentration on matters of disputable findings and audit recommendations/corrective measures for appropriate resolutions prior to the Audit Committee meetings. The relevant Management members were made responsible to ensure the committed corrective actions were implemented within the committed timeframes. IA conducted follow-up audits on the key findings to ensure that the corrective actions were implemented appropriately and as committed.

As at 31 May 2019, the Internal Audit Function is staffed with 5 personnel and all internal auditors possess tertiary qualifications with number of years of audit and work experience. The internal auditors are kept abreast of development in the profession and industry through continuous trainings and development activities appropriate to their respective levels. The Audit Committee remained satisfied that the Internal Audit Function had sufficient resources during the financial year to undertake its duties effectively and able to function independently. The total costs incurred by the Internal Audit function in discharging its roles and responsibilities for the working period in the financial year ended 31 March 2019 amounted to approximately RM 453,000.

This Report was made in accordance with the resolution of the Board of Directors passed on 31 May 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“the Board”) of Datasonic Group Berhad (“the Group”) is pleased to present the Statement on Risk Management and Internal Control of the Group which outlines the main features of the Group’s risk management and internal control system for the financial year ended 31 March 2019 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR of Bursa Malaysia”), Malaysian Code of Corporate Governance (“MCCG 2017”) and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“Guidelines”).

As Datasonic Group Berhad (“the Group”) operates in a dynamic and cyclical business environment in which risk management and internal control system must be responsive to support its business objectives, the Board and Management uphold their ongoing commitment to embed and improve the risk management and internal control system into the culture, processes and structure of the Group. The efforts continued to evolve on a progressive basis for the financial year ended 31 March 2019 and up to date of approval of this Statement for inclusion into the Annual Report.

ROLES AND RESPONSIBILITIES

Board of Directors

The Board recognises the importance of sound risk management and internal control system to ensure the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations, policies, procedures and contracts. Hence, the Board with the assurance from the Executive Directors and Management affirms its overall responsibilities for the Group’s risk management and internal control system. These responsibilities are delegated to the Audit Committee and Risk Management Committee which are empowered by their respective terms of reference to provide oversight and perform regular reviews on the risk management and internal control systems for continuous improvement thereof.

The Board acknowledges the limitations that are inherent in any risk management and internal control system. As such the systems designed are meant to manage and minimise the extent and severity of the risks, rather than completely eliminate the risks of failure of achieving the Group’s objectives and strategies. Consequently, the Board recognises that a sound internal control system provides reasonable but not absolute assurance that the Group will not be hindered in achieving its business objectives in the ordinary course of business.

Executive Directors and Management

Executive Directors and Management are accountable to the Board and responsible for implementing the processes of identifying, evaluating, monitoring and reporting of risks and the effectiveness of internal control systems, taking appropriate and timely corrective actions as required. The Executive Directors and Management have assured the Board that the Group’s risk management and internal control systems are operating adequately and effectively in all material aspects, based on the risk management framework and internal control systems adopted by the Group.

Internal Audit Department

The internal audit function plays a role to provide some comfort to the Board on the adequacy and effectiveness of the risk management practices of the Group by adopting a risk-based approach and focusing on the key risks areas to determine the auditees and auditable areas. During the financial year ended 31 March 2019, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee in relation to the internal audits conducted by the Internal Audit Department (“IAD”) according to the approved audit plan.

Audit issues and actions taken by the Management to address the shortcomings raised by the IAD were deliberated and accepted at the Audit Committee meetings. Additionally, the Audit Committee also reviewed the implementation progress of the corrective action plans committed by the Management for all key findings and recommendations highlighted in the previous Internal Audit Reports to ensure all the corrective actions were implemented appropriately. Minutes of the Audit Committee meetings which recorded these deliberations and decisions were subsequently presented to the Board for notation. A description of IAD’s activities for the financial year ended 31 March 2019 are available in the Audit Committee Report included in this Annual Report.

Statement on Risk Management and Internal Control (Cont'd)

ROLES AND RESPONSIBILITIES (CONT'D)

Risk Management Function

The risk management function assist the Risk Management Committee in discharging their risk management responsibilities. The risk management function comprises of Risk Facilitators who facilitate risk review and amongst other are tasked to:-

- Act as the central contact and guide for clarification of Enterprise Risk Management ("ERM") issues within the Company;
- Coordinate the risk management activities routinely among the various business units and/or support & administration functions, including monitoring progress of risk mitigation plans, and supervises ERM policy implementation within the Company;
- Prepare reports to the Risk Management Committee and maintains relevant documentations on the ERM processes; and
- Establish a common risk management language that includes common measures for likelihood and consequences, and common risk categories as well as communicate ERM information within the Company to create risk awareness amongst the staff.

KEY ELEMENTS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS OF THE GROUP

The Group's risk management and internal control systems during the financial year ended 31 March 2019 and up to the date of approval of this statement for inclusion in the Annual Report encompassed, inter alia, the following key elements:-

RESPONSIBILITY AND AUTHORITY

1. Board Committees

The Board has delegated certain responsibilities to the Board Committees established in the Group, namely the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and Procurement Committee. These Board Committees have oversight authorities to examine and/or consider all matters within their scope of responsibilities as defined in their respective formalised terms of references and to report to the Board with their recommendations appropriately.

Regular Board and Audit Committee meetings were conducted to provide effective governance practices. Decisions of the Board are only made after the required information is made available and deliberated upon by the Board. The Board reviewed and approved the quarterly and full year financial results announced to Bursa Malaysia and shareholders, as applicable, based on the recommendations made by the Audit Committee. Additionally, the Board also approved and implemented the changes in Group policies to improve on the efficiency of internal process of management.

2. Management Committees

i. Management Committee, led by the EXCO

The Management Committee comprises the Managing Director as the Chairman, Deputy Managing Director and Executive Directors of the Group. The Management Committee meets at least once every quarter and additional meetings will be held as and when considered necessary by the Chairman.

The Management Committee provides a forum for the Management to discuss on key management concerns encompassing the strategic, operational, financial and reporting objectives, deliberation of key operational risk issues and/or challenges encountered in the undertaking of the significant projects as well as status of key resolutions decided upon by the Group. Appropriate action plans to resolve the issues or manage the risks are formulated and continuous updates were obtained in subsequent meetings from the respective parties assigned until satisfactory resolution of the action plans.

Statement on Risk Management and Internal Control (Cont'd)

KEY ELEMENTS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS OF THE GROUP (CONT'D)

RESPONSIBILITY AND AUTHORITY (CONT'D)

2. Management Committees (Cont'd)

ii. *Management Procurement Committee*

The Management Procurement Committee ("MPC") comprises Executive Directors and Management is responsible to review, recommend and approve critical decisions involving investments, significant purchases, capital expenditures, and award of contracts. The reviews performed includes evaluating risks associated with those critical decisions and the reasonableness of the associated mitigating factors prior to approval.

iii. *Corporate Disclosure Committee*

The Corporate Disclosure Committee ("CDC") comprises the Managing Director, Deputy Managing Director, Chief Operating Officer, Chief Financial Officer and Head of Company Secretary, is responsible to ensure appropriate and timely corporate disclosures to shareholders, stakeholders and investors in accordance with the MMLR of Bursa Malaysia and applicable laws of Malaysia.

iv. *Strategic Management Committee*

In May 2019, the Strategic Management Committee ("SMC") has been formally set-up in the Group as another sub-committee to complement the Management Committee. The SMC comprises Executive Directors and Management is responsible to set the centralized business strategy and master plan, govern and monitor the implementation of the approved business strategy and master plan as well as overall projects/business prospects' performance review.

3. Financial Authority Limits

The Group has established the Financial Authority Limits ("FAL") which defines the approving authority with its approving limits delegated to the Executive Directors and Management of the Group to conform to the Group's strategies and risk appetite without stifling the Management's decisions that made the Group's operations successful.

In May 2019, the Board has approved the revised FAL which includes the revision to the limits and additional delegation of responsibilities for various aspects of operations to the new and existing Management committees and personnel. From time to time, the FAL shall be reviewed in terms of suitability, relevance and applicability.

4. Organisational Structures

The Group has a clear organisational structure with well-defined accountabilities and responsibilities, and lines of reporting for each division and department established within the Group. The organisational structure provides the basic framework to help the Group's operations to proceed smoothly and functionally as well as ensuring proper supervision, coordination and a sense of accountability among the employees.

POLICIES AND PROCEDURES

1. Standard Operating Procedures

Standard Operating Procedures ("SOP") governing the Group's key businesses and operations are documented and approved by the Executive Directors and Management. Continuous reviews have been carried out on the adequacy, appropriateness and comprehensiveness of SOP developed to govern the business processes and activities of the Group, to ensure compliance with applicable laws and regulations as well as significant changes and development in business and operational environment.

Statement on Risk Management and Internal Control (Cont'd)

KEY ELEMENTS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS OF THE GROUP (CONT'D)

POLICIES AND PROCEDURES (CONT'D)

2. ISO Certification

The implementation of the ISO certifications as part of on-going quality improvement initiatives of the Group help to transform the Quality Management Systems and procedures of the applicable processes and departments/divisions into effective functional units that are of International Standards and aligned with the Group's objectives, besides creating a more conducive operating environment for the Management and employees. The list of ISO certifications granted to the Group are available in the Sustainability Statement included in this Annual Report.

3. Code of Conduct and Ethics for Directors

The Code of Conduct and Ethics for Directors describe the standards of conduct and ethical behaviour for Directors in the performance and exercise of their duties and responsibilities as Directors of the Company or when representing the Company. The Group strongly believes that the appropriate standards of conduct and ethical behaviour are fundamental to the preservation of the Company's reputation and the success of its operations and to the exercise of their duties and responsibilities as Directors of the Company.

4. Employee Business Conduct Guidelines

The Employee Business Conduct Guidelines contains the code of conduct on the expected standards of business conduct for every employee who works for the Group or any of its affiliates in order for the Group to comply with the applicable laws and ethical standards to govern and ensure its long-term growth, development and sustenance of the Group.

PROJECT PLANNING AND MANAGEMENT

1. Group Project Planning and Management Office

As part of the key strategic initiatives of the Group, the Project Planning and Management Office ("PPMO") was established as the focal contact between the Management Committee and the respective Project Directors and Project Managers. The main objectives of the PPMO are:-

- As the focal point to lead all project management offices and project divisions in project management, so as to be aligned with the strategic initiatives of the Group;
- To initiate the Group's Enterprise Risk Management activities, including finding resolution to minimise or mitigate the key risks identified;
- To plan and mobilise resources within the Group, thereby ensuring that all project deliverables are executed within the committed/ contractual timelines, budgeted costs without compromising the high standard of requirements and quality expectations of the clients; and
- To provide management with a "bird's eye view" of what is happening across the project lifecycle (from pre-sales to inception and thereafter to closure/ completion) through periodical monitoring and reporting measures.

The PPMO Team has been working closely with the respective Project Directors and Project Managers as well as the Management team to support the execution of the necessary activities, processes and procedures to enable the project teams to achieve their short, medium, and long-term objectives. Periodic PPMO meetings chaired by the PPMO Chairman is held with all Project Directors and Project Managers to openly discuss the actual progress and performance of projects and portfolios registered with the PPMO Team.

2. Project Level Budgeting Process

A project level budgeting process is implemented as part of the key initiatives of cost optimisation efforts which requires all appointed Project Directors and Project Managers of the awarded projects and key potential projects to prepare Project Budgets to monitor and control the expenditures incurred for each project. The Project Budgets are reviewed by the Chief Operating Officer, Chief Financial Officer and relevant Management personnel and approved by the Executive Directors.

Statement on Risk Management and Internal Control (Cont'd)

KEY ELEMENTS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS OF THE GROUP (CONT'D)

INFORMATION AND COMMUNICATION

1. Formal Reporting on Key Operational Matters by the Managing Director to the Board

Key operational activities, financial performance analyses, statistics and key risks that affect the operational activities are formally reported by the Managing Director at the Board meetings. This is to ensure that the Board receives continuous updates on the business operations and makes informed and timely decisions on policies in relation to the Group's operations, where necessary.

2. Whistleblowing Policies and Procedures

Whistleblowing Policies and Procedures established by the Board applies to the Directors and employees of the Group as part of Group's commitment to promote and maintain high standards of transparency, accountability and ethics in the conduct of its business and operations, there is an established process for reporting anyone found to be abusing or circumventing processes and controls of the Group. All staff are accorded the opportunity to report via the whistle-blowing mechanism with the assurance that the report will be dealt with confidentially and that the reporter's identity will be protected.

There is no report received throughout the financial year ended 31 March 2019 that warranted the implementation of whistleblowing exercise.

MONITORING

1. Reviews by the Audit Committee

Reviews carried out by the Audit Committee on the adequacy and effectiveness of the internal control systems concerning operational issues reported by the internal and external auditors and attributable actions taken by Management in respect of the findings to provide assurance that control procedures are in place and are being followed as intended.

Internal control and risk-related matters which warranted the attention of the Board were conveyed by the Audit Committee to the Board.

2. Independent Reviews by Internal Audit Department

Internal Audit Department ("IAD") performs regular reviews of the Group's operations and system of internal controls and evaluates the adequacy and effectiveness of the controls processes implemented by process owners and Management. IAD adopts a risk-based audit approach in which the Likelihood and Consequence Matrix ("LCM") is used to determine the auditees and auditable areas. If necessary, the auditable areas are modified periodically to reflect any change and development in prevailing risks prioritisation and business concerns.

There were 14 Internal Audit Reports issued and reviewed by the Audit Committee throughout the financial year in which the IAD has provided its recommendations to the Management to improve the design and/or effectiveness of controls where applicable. From the Internal Audit Reports issued, there were some weaknesses and gaps in internal controls identified which were not considered significant in terms of the business operations of the Group. Nevertheless, remedial actions and corrective measures including monitoring have been and are being taken to address such weaknesses.

3. Continuous Compliance Review

The Management team together with the respective Project Directors continuously perform review on the compliance level in regard to the contractual obligations as well as the terms and conditions imposed on certifications and licenses granted to the Group.

Statement on Risk Management and Internal Control (Cont'd)

KEY ELEMENTS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS OF THE GROUP (CONT'D)

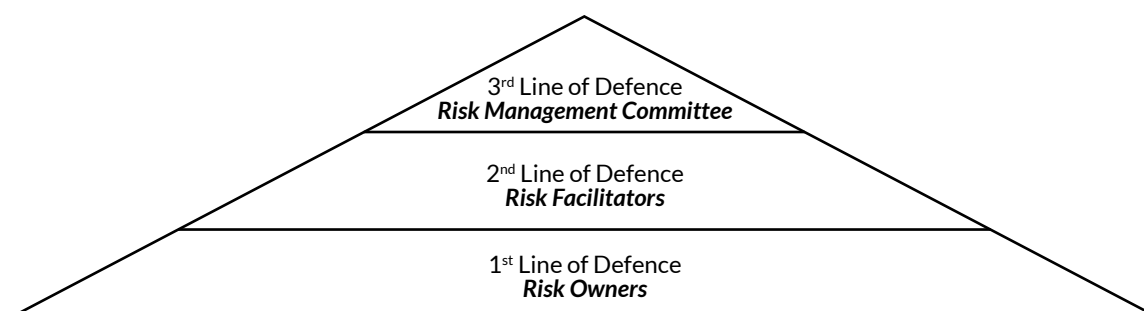
RISK MANAGEMENT

1. Risk Management Committee

The Risk Management Committee, which comprises a majority of independent directors is entrusted by the Board with the overall responsibility of overseeing the Group's risk management framework and policies. The full responsibilities and authorities of the Risk Management Committee are as set out in its Terms of Reference published on the Company's website at www.datasonic.com.my.

2. Risk Management Governance Structure

The risk governance structure of the Group comprising three lines of defence is illustrated below:-



The Heads of Business Units/Heads of Departments are deemed as the "risk owners" and first line of defence. They are responsible to perform operational risk assessment management, monitoring and reporting risk exposures in their areas/activities within their control.

The second line of defence is provided by the Risk Facilitators with oversight by the Risk Management Committee. The Risk Facilitators are responsible to monitor the risks of the Group in line with the responsibilities assigned as informed in Roles and Responsibilities section above.

The third line of defence is provided by the Risk Management Committee who is responsible to overseeing the effectiveness of Group's risk management framework and policies.

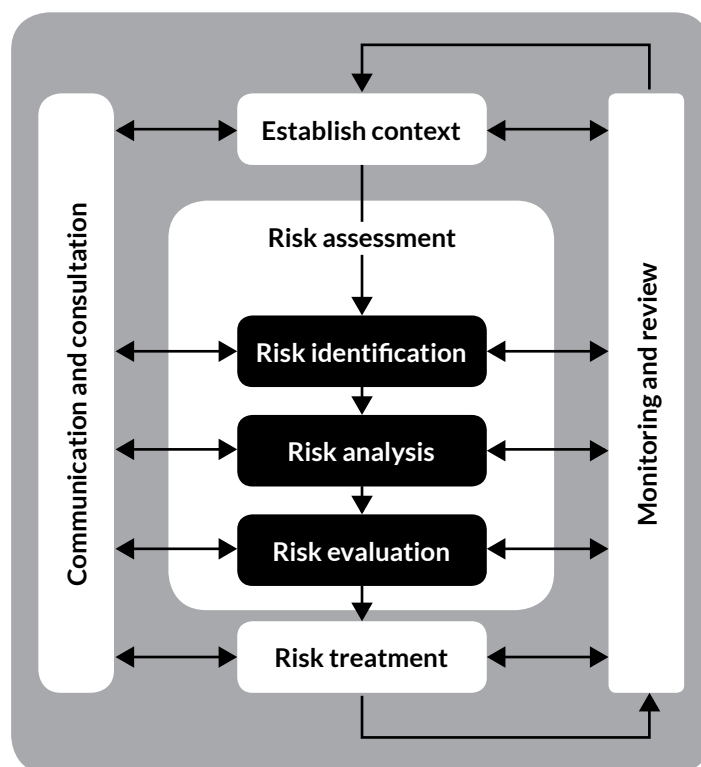
Statement on Risk Management and Internal Control (Cont'd)

KEY ELEMENTS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS OF THE GROUP (CONT'D)

RISK MANAGEMENT (CONT'D)

3. Risk Management Framework and Procedures

The risk management framework and methodology is compliant with and based largely on the ISO 31000 *Risk Management- Principles and Guidelines* represented in brief, as follows:-



Additionally, the SOP governing risk management processes and reporting procedures are in place to support and outline the policies and procedures for the implementation of the ERM Framework.

The salient features of the ERM Framework and procedures are as follow:-

- The roles and responsibilities of the parties involved in risk management system;
- At minimum, strategic and operational risk assessment shall be formally conducted and reported to the Risk Management Committee, in conjunction with the approved Risk Review Planning Memorandum. As and when necessary, the Company would also perform project risk assessments. Such risk assessments may be performed depending on the circumstances and/or requirements, i.e. prior to the commencement of significant projects or as and when required under any Acts, rules and regulations, etc;
- Procedures for the identification, analysis, evaluation, treatment, communication as well as monitoring and review of risks and risk mitigation strategies. Each risk identified is assessed by considering estimates of both likelihood and consequence or impact in the context of existing control measures, in order to arrive at residual risks and appropriate mitigation strategies; and
- Significant risk issues evaluated by the Risk Facilitators are discussed at Risk Management Committee meetings. The Risk Management Committee reviews the effectiveness of the mitigating measures implemented by the Management/risk owners. Significant risk matters that require the attention of the Directors are escalated to the Board.

Statement on Risk Management and Internal Control (Cont'd)

KEY ELEMENTS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS OF THE GROUP (CONT'D)

RISK MANAGEMENT (CONT'D)

4. Risk Management Processes

The activities of the risk management function for the financial year ended 31 March 2019 were carried out in accordance with the Risk Review Planning Memorandum which has been approved by the Risk Management Committee in October 2018. Subsequently, the activities and progress of the risk management function were reported to the Risk Management Committee. The effort to implement formal risk management reviews and reporting by the risk management function continued to improve on a progressive basis and the execution and completion of planned risk review assignments carried out by Risk Facilitators are still on-going.

Even though the formal risk management activities and reporting carried out by the risk management function of the Group are continuously being improved, the Executive Directors and Management asserts that there have been on-going processes of risk management throughout the financial year and the key risks involved were in fact reviewed by the Executive Directors and Management in the course of managing the business activities.

SYSTEMS AND INFORMATION SECURITY

1. IT systems

The Group had undertaken continuous development and improvement on the information technology systems and platforms to support the operational efficiency in various operational activities as well as enable effective decision-making by providing the decision makers with timely and accurate information.

2. Group Disaster Recovery Plan

The Group's disaster recovery plan has been developed and the implementation has been on-going during the financial year. The plan will help to minimise downtime and data loss as well as to ensure the continuity of business operations in the unfortunate event of management systems breakdown and other potential hazards such as fire and flood. Key information and data back-ups of are systematically performed on a periodical basis.

3. Non-Disclosure Agreement

The enforcement of Non-Disclosure Agreement ("NDA") to be signed by all employees of the Group, consultants and key suppliers so as to protect and preserve the security of confidential and proprietary information from being wrongly disseminated or distributed to unauthorised parties.

EMPLOYEES COMPETENCY MANAGEMENT

Continuous training and development programmes are conducted to ensure the Group's employees acquire the necessary competencies required to carry out their respective job roles in achieving the Group's objectives.

INSURANCE

Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against material loss resulting from property damage, machinery breakdown, business interruption and general liability. A yearly policy renewal exercise is undertaken by the Chief Operating Officer to review the coverage of the assets as recorded in the current fixed asset register and their respective net book values and the prevailing market price for the same or similar item, where applicable.

Statement on Risk Management and Internal Control (Cont'd)

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the MMLR of Bursa Malaysia, the External Auditors have reviewed this Statement for inclusion into the Annual Report of the Group for the financial year ended 31 March 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines to be set out, nor is factually inaccurate.

CONCLUSION

The Board is of the view that the risk management and internal control system is satisfactory for the year under review, and up to the date of approval of this Statement and the Management continues to monitor all major risks affecting the Group and the necessary measures to mitigate or minimise them as well as continue to enhance the adequacy and effectiveness of the risk management and internal control system of the Group.

The Board has received assurance from the Executive Directors and Management that a process has been put in place to improve on its internal control and risk management initiatives to harness sustainability of the business operations. To the best of knowledge, nothing has come to the attention of the Executive Directors and the Management which may render the financial results presented and the information provided to be misleading in any material respect.

This Statement is made in respect of the financial year ended 31 March 2019 and in accordance with resolution of the Board of Directors passed on 31 May 2019.

ADDITIONAL COMPLIANCE INFORMATION

The following information are provided in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds raised from corporate proposal during the financial year ended 31 March 2019.

2. AUDIT AND NON-AUDIT SERVICES

During the financial year ended 31 March 2019, the total audit and non-audit fees incurred for the services rendered to the Company and the Group by the external auditors, or a firm affiliated to the external auditors are as follows:-

	Group RM	Company RM
Audit fees	226,700	45,000
Non-audit fees	194,090	138,125
Total	420,790	183,125

3. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF THE DIRECTORS, CHIEF EXECUTIVE WHO IS NOT A DIRECTOR OR MAJOR SHAREHOLDERS

Except for the disclosure in Note 43 to the audited financial statements for the financial year ended 31 March 2019, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of the Directors, Chief Executive who is not a Director or Major Shareholders during the financial year ended 31 March 2019.

DIRECTORS' RESPONSIBILITIES STATEMENT

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the Group's and of the Company's financial statements each financial year in accordance with the requirements of the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, Companies Act, 2016 ("the Act") and Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Central to these requirements is the need to ensure that the audited financial statements present a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of their results, cash flows and statement of changes in equity for the financial year then ended.

In the preparation of these financial statements, the Directors have:-

- a) applied the appropriate and relevant accounting policies in a consistent manner;
- b) made judgements and estimates that are reasonable and prudent; and
- c) prepared the annual audited financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.



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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit after taxation for the financial year	36,435	34,333
Attributable to:-		
Owners of the Company	36,533	34,333
Non-controlling interests	(98)	-
	36,435	34,333

DIVIDENDS

The amount of dividends declared or paid by the Company since 31 March 2018 were as follows:-

	RM'000
In respect of the financial year ended 31 March 2018:	
- Fourth interim single tier tax-exempt dividend of 1 sen per share, declared on 31 May 2018 and paid on 6 July 2018	13,500
In respect of the financial year ended 31 March 2019:	
- First interim single tier tax-exempt dividend of 1 sen per share, declared on 24 August 2018 and paid on 23 November 2018	13,500
- Second interim single tier tax-exempt dividend of 0.5 sen per share, declared on 10 December 2018 and paid on 8 January 2019	6,750
- Third interim single tier tax-exempt dividend of 0.5 sen per share, declared on 28 February 2019 and paid on 27 May 2019	6,750
	40,500

In respect of the financial year ended 31 March 2019, the Directors had on 31 May 2019 declared a fourth interim single tier tax-exempt dividend of 0.5 sen per share, amounting to RM6.75 million based on the issued and paid-up share capital as at 31 March 2019 of 1,350,000,000 ordinary shares. The Entitlement Date will be determined and announced in due course. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in shareholders' equity as an appropriation of retained profits for the financial year ending 31 March 2020.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 March 2019.

Directors' Report (Cont'd)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

WARRANTS 2018/2023

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

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

- (a) Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at any time on or before the maturity date, 5 July 2023, falling five (5) years from the date of issue of the Warrants. Unexercised Warrants after the exercise period will thereafter lapse and cease to be valid;
- (b) The exercise price of the Warrants is fixed at RM1.09 per Warrant;
- (c) The new ordinary shares to be issued upon the exercise of the Warrants shall rank pari passu in all respects with the existing ordinary shares of the Company; and
- (d) The Warrants were listed and quoted on the Main Market of Bursa Securities on 12 July 2018.

As at the end of the financial year, 675,000,000 Warrants remained unexercised.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

Directors' Report (Cont'd)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Directors' Report (Cont'd)

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Jeneral Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (B) (Chairman)
Dato' Wan Mohd Safiain Bin Wan Hasan (Deputy Chairman) ⁽¹⁾
Datuk Haji Abu Hanifah Bin Noordin (Managing Director)
Chew Ben Ben (Deputy Managing Director) ⁽¹⁾
Handrianov Putra Bin Abu Hanifah
Md Diah Bin Ramli
Mohamed Zulkhornain Bin Ab Raneer ⁽¹⁾
Raghibir Singh A/L Hari Singh
Talya Zholeikha Binti Abu Hanifah ⁽¹⁾
Datuk Dr. Aziz Jamaludin Bin Hj Mhd Tahir
Safia Zuleira Binti Abu Hanifah
Dato' Wan Ibrahim Bin Wan Ahmad
Yee Kim Shing @ Yew Kim Sing ⁽¹⁾
Dato' Zaiful Ayu Ibrahim Bin Ibrahim

⁽¹⁾ In accordance with Article 126 of the Company's Articles of Association, Dato' Wan Mohd Safiain Bin Wan Hasan, Mr. Chew Ben Ben, Encik Mohamed Zulkhornain Bin Ab Raneer, Puan Talya Zholeikha Binti Abu Hanifah and Mr. Yee Kim Shing @ Yew Kim Sing retire from the Board by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Datin Popi Riandani Binti Dody Muchtar
Datuk Ab. Hamid Bin Mohamad Hanipah
Dato' Mohd Habib Bin Jamaldin
Chandrash A/L Jitendrakumar Babulal
Chuah Ban Cheng
Ding Yong
Ng Shih Shing
Shaikh Harun Bin Mustafa
Siti Rohana Binti Abd. Majid
Teng Boon Hou @ Andrew Teng
Jamaludin H.M Alwan
Datuk Abdul Rahim Bin Osman (Appointed on 15 August 2018)
Zulkifli Bin Ahmad (Appointed on 15 August 2018)
Chia Kok Khuang (Appointed on 19 November 2018)
Choi Hyung Chul (Resigned on 31 October 2018)
Datuk Hj. Aminuddin Bin Md Hanafiah (Resigned on 2 May 2018)

Directors' Report (Cont'd)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and of its related corporations during the financial year are as follows:-

	At 1.4.2018	Number of Ordinary Shares		At 31.3.2019
		Bought	Sold	
THE COMPANY				
<i>Direct Interests</i>				
Jeneral Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (B)	7,500,000	-	-	7,500,000
Dato' Wan Mohd Safain Bin Wan Hasan	25,000	-	(25,000)	-
Datuk Haji Abu Hanifah Bin Noordin	204,292,260	-	(30,000)	204,262,260
Chew Ben Ben	183,915,200	34,740,700	(70,197,100)	148,458,800
Handrianov Putra Bin Abu Hanifah	2,023,800	2,013,800	(4,037,600)	-
Md Diah Bin Ramli	314,990	193,100	(372,100)	135,990
Mohamed Zulkhornain Bin Ab Raneer	288,300	-	(288,300)	-
Raghbir Singh A/L Hari Singh	763,700	296,300	(370,000)	690,000
Talya Zholeikha Binti Abu Hanifah	3,000,000	-	-	3,000,000
Dato' Wan Ibrahim Bin Wan Ahmad	20,000	-	-	20,000
Safia Zuleira Binti Abu Hanifah	3,000,000	-	-	3,000,000
Dato' Zaiful Ayu Ibrahim Bin Ibrahim	1,250,000	-	(1,250,000)	-
<i>Indirect Interests</i>				
Datuk Haji Abu Hanifah Bin Noordin				
Dibena Enterprise Sdn. Bhd. ⁽¹⁾	2,112,010	-	-	2,112,010
Gerbang Subur Sdn. Bhd. ⁽¹⁾	130,660,000	-	-	130,660,000
Datin Popi Riandani Binti Dody Muchtar ⁽²⁾	42,970,000	2,093,800	(2,013,800)	43,050,000
Harrizal Rizhan Bin Abu Hanifah ⁽³⁾	3,000,000	-	-	3,000,000
Chew Ben Ben				
Enrich Epitome Sdn. Bhd. ⁽¹⁾	130,250,000	-	-	130,250,000
Zhao Tong ⁽²⁾	26,900,000	29,000,000	(32,900,000)	23,000,000
Yee Kim Shing @ Yew Kim Sing				
Kor Lee Lu ⁽²⁾	100,000	-	-	100,000

Notes:-

⁽¹⁾ - Deemed interest through the shares held pursuant to Section 8(4) of the Companies Act 2016.

⁽²⁾ - Deemed interest in shares held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

⁽³⁾ - Deemed interest in shares held by children pursuant to Section 59(11)(c) of the Companies Act 2016.

Datuk Haji Abu Hanifah Bin Noordin and Chew Ben Ben by virtue of their substantial interests in the Company, they are deemed to have interests in the shares of all the subsidiaries within the Group to the extent the Company has an interest.

Other than as stated above, none of the other directors who were in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

Directors' Report (Cont'd)

DIRECTORS' INTERESTS (CONT'D)

	Issued On 6.7.2018	Number of Warrants		At 31.3.2019
		Bought	Sold	
THE COMPANY				
<i>Direct Interests</i>				
Jeneral Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (B)	3,750,000	-	-	3,750,000
Dato' Wan Mohd Safiain Bin Wan Hasan	12,500	-	-	12,500
Datuk Haji Abu Hanifah Bin Noordin	102,131,130	-	-	102,131,130
Chew Ben Ben	92,415,100	66,448,450	(64,553,450)	94,310,100
Handrianov Putra Bin Abu Hanifah	1,011,900	1,011,900	(2,023,800)	-
Md Diah Bin Ramli	194,045	100,000	(244,045)	50,000
Mohamed Zulkhornain Bin Ab Ranee	125,150	-	(125,150)	-
Raghibir Singh A/L Hari Singh	395,000	290,000	(200,000)	485,000
Talya Zholeikha Binti Abu Hanifah	1,500,000	-	-	1,500,000
Dato' Wan Ibrahim Bin Wan Ahmad	20,000	-	-	20,000
Safia Zuleira Binti Abu Hanifah	1,500,000	-	-	1,500,000
Dato' Zaiful Ayu Ibrahim Bin Ibrahim	625,000	-	(425,000)	200,000
<i>Indirect Interests</i>				
Datuk Haji Abu Hanifah Bin Noordin				
Dibena Enterprise Sdn. Bhd. ⁽¹⁾	1,056,010	-	-	1,056,010
Gerbang Subur Sdn. Bhd. ⁽²⁾	65,330,000	-	-	65,330,000
Datin Popi Riandani Binti Dody Muchtar ⁽⁵⁾	21,500,000	1,011,900	(1,011,900)	21,500,000
Harrizal Rizhan Bin Abu Hanifah ⁽³⁾	1,500,000	-	-	1,500,000
Chew Ben Ben				
Enrich Epitome Sdn. Bhd. ⁽⁴⁾	65,125,000	-	-	65,125,000
Zhao Tong ⁽⁵⁾	13,450,000	-	-	13,450,000
Yee Kim Shing @ Yew Kim Sing				
Kor Lee Lu ⁽⁵⁾	50,000	-	-	50,000

Notes:-

⁽¹⁾ - Deemed interest through his substantial shareholding in Dibena Enterprise Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

⁽²⁾ - Deemed interest through his substantial shareholding in Gerbang Subur Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

⁽³⁾ - Deemed interest in warrants held by child pursuant to Section 59(11)(c) of the Companies Act 2016.

⁽⁴⁾ - Deemed interest through his substantial shareholding in Enrich Epitome Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

⁽⁵⁾ - Deemed interest in warrants held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of salaries and bonus received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report (Cont'd)

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 41 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM10,000,000 and RM21,000 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 36 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 May 2019.

Jeneral Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (B)

Datuk Haji Abu Hanifah Bin Noordin

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Jeneral Tan Sri (Dr) Mohamed Hashim Bin Mohd Ali (B) and Datuk Haji Abu Hanifah Bin Noordin, being two of the directors of Datasonic Group Berhad, state that, in the opinion of the directors, the financial statements set out on pages 101 to 181 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and of their financial performance and cash flows for the financial year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 May 2019.

Jeneral Tan Sri (Dr) Mohamed Hashim
Bin Mohd Ali (B)

Datuk Haji Abu Hanifah Bin Noordin

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Chew Ben Ben, being the director primarily responsible for the financial management of Datasonic Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 101 to 181 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Chew Ben Ben,
at Kuala Lumpur
in the Federal Territory
on this 31 May 2019

Before me

Chew Ben Ben

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DATASONIC GROUP BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Datasonic Group Berhad, which comprise the statements of financial position as at 31 March 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 101 to 181.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report (Cont'd)

To the Members of Datasonic Group Berhad

Key Audit Matters (Cont'd)

We have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of Trade Receivables Refer to Notes 11 and 47.1(b)(iii) to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>As at 31 March 2019, trade receivables that were past due and not impaired amounted to approximately RM81.045 million. The details of trade receivables and its credit risks are disclosed in Note 47.1(b)(iii) to the financial statements.</p> <p>The management applied assumptions in assessing the level of allowance for impairment losses on trade receivables based on the following:-</p> <ul style="list-style-type: none"> specific known facts or circumstances on customers' ability to pay; and/or by reference to past default experiences <p>The Group assessed at each of the reporting date whether there is any objective evidence that trade receivables are impaired based on the validity of contractual terms, analysis of customer creditworthiness, past historical payment trends and expectation of repayment.</p> <p>The impairment assessment involved significant judgements and there is inherent uncertainty in the assumptions applied by the management to evaluate the adequacy of the allowance for impairment losses and estimation of future cash collection.</p> <p>We determined this to be a key audit matter due to the inherent subjectivity that is involved in making judgement in relation to credit risk exposures to assess the recoverability of trade receivables.</p>	<p>Our audit procedures included, amongst others:-</p> <ul style="list-style-type: none"> reviewed and understand the management's assessment of recoverability of major trade receivables; reviewed contractual terms to ensure the Group has contractual right to recognise revenue and collect payments; reviewed legal opinion, where applicable, on the contractual terms; reviewed recoverability of major trade receivables including but not limited to the review of subsequent collections; enquired management on project/receivables status for major customers; reviewed collections and sales trends during the financial year of major trade receivables; and/or reviewed management's basis of estimation on the adequacy of the Group's allowance for impairment loss on trade receivables.

Independent Auditors' Report (Cont'd)

To the Members of Datasonic Group Berhad

Key Audit Matters (Cont'd)

Assessment for Impairment of Development Expenditure Refer to Note 10 to the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>We determined this to be a key audit matter as the Group carries significant development expenditure which are in the process of development and the inherent subjectivity in impairment testing.</p> <p>For purposes of the annual impairment assessment of development expenditure not yet in use, significant judgements are involved in the estimation of the present value of future cash flows generated by development expenditure. These assessments involves uncertainties and are significantly affected by assumptions used and judgement made in estimating the future cash flows, which include, amongst others, the achievability of long-term business plans.</p>	<p>Our audit procedures included, amongst others:-</p> <ul style="list-style-type: none"> • evaluation and determination of the cash-generating units; • reviewed management's estimate of the recoverable amounts and tested the cash flow forecasts for their accuracy; • reviewed the key business drivers underpinning the cash flow forecasts prepared to support the recoverable amount; • evaluated the key assumptions used by management including any customer orders already contracted by the Group; • assessed the reasonableness of cash flow forecast and projections by comparison to historical performance, future outlook and the achievability of the business plans through discussion with management; • evaluated whether the model used to calculate recoverable amount of the individual cash-generating units complies with the requirements of MFRS 136 - Impairment of Assets; and • reviewed sensitivity analysis taking into account the historical forecasting accuracy of the Group to stress test the key assumptions in the impairment model performed by management.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report (Cont'd)

To the Members of Datasonic Group Berhad

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report (Cont'd)

To the Members of Datasonic Group Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Lee Kok Wai
Approved No: 02760/06/2020 J
Chartered Accountant

Kuala Lumpur

31 May 2019

STATEMENTS OF FINANCIAL POSITION

AT 31 MARCH 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	177,575	172,798	17,830	17,480
Investments in subsidiaries	6	-	-	90,910	90,900
Investment in an associate	7	-	-	90	90
Other investment	8	110	110	-	-
Goodwill	9	4,153	4,153	-	-
Development expenditure	10	31,111	36,969	-	-
Trade receivables	11	6,162	4,351	-	-
		219,111	218,381	108,830	108,470
CURRENT ASSETS					
Projects-in-progress	12	3,161	4,562	-	-
Inventories	13	49,431	34,213	-	-
Trade receivables	11	119,293	137,947	-	-
Other receivables, deposits and prepayments	14	14,418	12,397	552	412
Amounts owing by subsidiaries	15	-	-	77,924	94,582
Tax recoverable		4,806	5,193	385	446
Short-term investments	16	3,716	1,151	3,716	1,151
Deposits with licensed banks	17	6,462	7,651	-	23
Cash and bank balances	17	26,935	23,941	12,674	937
		228,222	227,055	95,251	97,551
TOTAL ASSETS		447,333	445,436	204,081	206,021

The annexed notes form an integral part of these financial statements.

Statements of Financial Position (Cont'd)

At 31 March 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	135,000	135,000	135,000	135,000
Merger deficit	19	(11,072)	(11,072)	-	-
Foreign exchange translation reserve	20	(56)	(72)	-	-
Retained profits		139,373	143,340	14,167	20,334
Equity attributable to owners of the Company		263,245	267,196	149,167	155,334
Non-controlling interests		(617)	(519)	-	-
TOTAL EQUITY		262,628	266,677	149,167	155,334
NON-CURRENT LIABILITIES					
Long-term borrowings	21	81,350	90,402	6,320	7,241
Deferred tax liabilities	25	2,026	506	-	-
		83,376	90,908	6,320	7,241
CURRENT LIABILITIES					
Trade payables	26	12,169	6,935	-	-
Other payables and accruals	27	27,130	29,144	666	959
Amounts owing to subsidiaries	15	-	-	39,862	41,289
Short-term borrowings	28	55,280	51,772	1,316	1,198
Dividend payable	29	6,750	-	6,750	-
		101,329	87,851	48,594	43,446
TOTAL LIABILITIES		184,705	178,759	54,914	50,687
TOTAL EQUITY AND LIABILITIES		447,333	445,436	204,081	206,021
NET ASSETS PER SHARE (SEN)					
	30	19.50	19.79		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
REVENUE	32	219,559	258,601	50,252	70,520
COST OF SALES		(100,569)	(113,865)	-	-
GROSS PROFIT		118,990	144,736	50,252	70,520
OTHER INCOME	33	1,094	5,331	2,182	2,323
		120,084	150,067	52,434	72,843
ADMINISTRATIVE EXPENSES		(71,498)	(71,795)	(17,306)	(16,809)
		48,586	78,272	35,128	56,034
FINANCE COSTS	35	(8,112)	(7,931)	(366)	(395)
PROFIT BEFORE TAXATION	36	40,474	70,341	34,762	55,639
INCOME TAX EXPENSE	37	(4,039)	(3,220)	(429)	(279)
PROFIT AFTER TAXATION		36,435	67,121	34,333	55,360
OTHER COMPREHENSIVE INCOME					
<u>Item that May be Reclassified</u>					
<u>Subsequently to Profit or Loss</u>					
Foreign currency translation differences		16	(82)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		36,451	67,039	34,333	55,360

The annexed notes form an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income (Cont'd)

For the Financial Year ended 31 March 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
PROFIT AFTER TAXATION					
ATTRIBUTABLE TO:-					
Owners of the Company		36,533	67,244	34,333	55,360
Non-controlling interests		(98)	(123)	-	-
		<u>36,435</u>	<u>67,121</u>	<u>34,333</u>	<u>55,360</u>
TOTAL COMPREHENSIVE					
INCOME ATTRIBUTABLE TO:-					
Owners of the Company		36,549	67,162	34,333	55,360
Non-controlling interests		(98)	(123)	-	-
		<u>36,451</u>	<u>67,039</u>	<u>34,333</u>	<u>55,360</u>
EARNINGS PER SHARE (SEN)	38				
Basic		<u>2.71</u>	<u>4.98</u>		
Diluted		<u>2.71</u>	<u>4.98</u>		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Group	Note	Share Capital RM'000	Foreign Exchange Merger Deficit RM'000	Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of The Group RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 April 2018		135,000	(11,072)	(72)	143,340	267,196	(519)	266,677
Profit after taxation for the financial year		-	-	-	36,533	36,533	(98)	36,435
Other comprehensive income for the financial year:								
- foreign currency translation differences		-	-	16	-	16	-	16
Total comprehensive income for the financial year		-	-	16	36,533	36,549	(98)	36,451
Distributions to owners of the Company:								
- dividends	31	-	-	-	(40,500)	(40,500)	-	(40,500)
At 31 March 2019		135,000	(11,072)	(56)	139,373	263,245	(617)	262,628
At 1 April 2017		135,000	(11,072)	10	136,846	260,784	(396)	260,388
Profit after taxation for the financial year		-	-	-	67,244	67,244	(123)	67,121
Other comprehensive income for the financial year:								
- foreign currency translation differences		-	-	(82)	-	(82)	-	(82)
Total comprehensive income for the financial year		-	-	(82)	67,244	67,162	(123)	67,039
Distributions to owners of the Company:								
- dividends	31	-	-	-	(60,750)	(60,750)	-	(60,750)
At 31 March 2018		135,000	(11,072)	(72)	143,340	267,196	(519)	266,677

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity (Cont'd)

For the Financial Year ended 31 March 2019

Company	Note	Share Capital RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 April 2018		135,000	20,334	155,334
Profit after taxation/Total comprehensive income for the financial year		–	34,333	34,333
Distribution to owners of the Company: - dividends	31	–	(40,500)	(40,500)
At 31 March 2019		135,000	14,167	149,167
At 1 April 2017		135,000	25,724	160,724
Profit after taxation/Total comprehensive income for the financial year		–	55,360	55,360
Distribution to owners of the Company: - dividends	31	–	(60,750)	(60,750)
At 31 March 2018		135,000	20,334	155,334

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	40,474	70,341	34,762	55,639
Adjustments for:-				
Amortisation of development expenditure	5,916	4,499	-	-
Allowance for impairment losses on:				
- inventories	-	104	-	-
- trade receivables	-	2,518	-	-
Depreciation of property, plant and equipment	16,037	11,444	970	920
Equipment written off	#	17	-	2
Interest expense	8,112	7,931	366	395
Loss/(Gain) on disposal of plant and equipment	3,059	(#)	(7)	-
Dividend income	-	-	(35,000)	(56,000)
Interest income	(720)	(967)	(536)	(735)
Unrealised gain on foreign exchange	(172)	(41)	(#)	-
Writeback of impairment losses on:				
- inventories	-	(109)	-	-
- trade receivables	-	(2,094)	-	-
Operating profit before working capital changes	72,706	93,643	555	221
Decrease in projects-in-progress	1,401	1,771	-	-
(Increase)/Decrease in inventories	(15,221)	15,362	-	-
Decrease/(Increase) in trade and other receivables	14,824	23,869	(140)	216
Increase/(Decrease) in trade and other payables	3,373	(13,187)	(293)	(13)
Decrease/(Increase) in amount owing by subsidiaries	-	-	2,658	(15,386)
Increase/(Decrease) in amount owing to subsidiaries	-	-	5,573	(5,149)
CASH FROM/(FOR) OPERATING ACTIVITIES	77,083	121,458	8,353	(20,111)
Income tax paid	(2,132)	(2,926)	(368)	(280)
Interest paid	(8,112)	(7,931)	(366)	(395)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	66,839	110,601	7,619	(20,786)

Note:

- Amount less than RM1,000.

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows (Cont'd)

For the Financial Year ended 31 March 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investment in a subsidiary	39	-	-	(10)	(775)
Interest received		720	967	536	735
Dividend received		-	-	42,000	63,400
Development expenditures paid		(58)	(799)	-	-
Proceeds from disposal of plant and equipment		42	#	7	-
Purchase of property, plant and equipment		(24,083)	(49,029)	(1,320)	(853)
Placement of short-term investments		(2,565)	-	(2,565)	-
Proceeds from disposal of short-term investments		-	28,002	-	28,002
(Placement)/Withdrawal of deposits pledged to licensed banks		(111)	262	23	(2)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(26,055)	(20,597)	38,671	90,507

Note:

- Amount less than RM1,000.

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows (Cont'd)

For the Financial Year ended 31 March 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES					
Dividends paid		(33,750)	(67,500)	(33,750)	(67,500)
Drawdown of hire purchase and finance lease	40	400	18,747	400	-
Repayment of hire purchase and finance lease obligations	40	(6,590)	(4,907)	(36)	(20)
Drawdown of trade financing	40	97,874	85,876	-	-
Repayment of trade financing	40	(95,341)	(116,670)	-	-
Drawdown of term loans	40	18,776	8,536	-	-
Repayment of term loans	40	(19,496)	(4,535)	-	-
Repayment of term financing	40	(1,167)	(1,762)	(1,167)	(1,762)
NET CASH FOR FINANCING ACTIVITIES		(39,294)	(82,215)	(34,553)	(69,282)
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		1,490	7,789	11,737	439
EFFECTS OF FOREIGN EXCHANGE TRANSLATION					
		204	(101)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR					
		25,241	17,553	937	498
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR					
	17	26,935	25,241	12,674	937

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1. GENERAL INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia. The registered office and principal place of business are at Level 6, Bangunan Setia 1, No. 15, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur.

The financial statements has been authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 31 May 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

3.1 BASIS OF ACCOUNTING

The financial statements of the Group and of the Company 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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- (a) 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):-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

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

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

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

Amendments to MFRS 15: Effective Date of MFRS 15

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

Amendments to MFRS 140 – Transfers of Investment Property

Annual Improvements to MFRS Standards 2014 – 2016 Cycles

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

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements other than the new classification of financial assets under MFRS 9. This is because the measurement of financial assets under MFRS 9 and the timing and amount of revenue recognised under MFRS 15 are consistent to the Group's and the Company's current practice.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

3. BASIS OF PREPARATION (CONT'D)

3.1 BASIS OF ACCOUNTING (CONT'D)

- (b) The Group and the Company has not applied in advance the following accounting standards and/or interpretations (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 year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
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 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-Term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and the Company upon their initial application except as follows:-

MFRS 16: Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities if the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

3. BASIS OF PREPARATION (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Merger Accounting for Common Control Business Combinations

Acquisitions which result in a business combination involving common control entities, are outside the scope of MFRS 3. Accordingly, merger accounting has been used by the Group to account for such common control business combinations.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the interests of the controlling party or parties.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(b) Acquisition Method of Accounting for Non-common Control Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

3. BASIS OF PREPARATION (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each financial year, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(d) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 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 Group's 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:-

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) 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 Group anticipates 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.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its 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 expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Property, Plant and Equipment

The Group determines whether its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

(d) Amortisation of Development Expenditures

The estimates for the residual values, useful lives and related amortisation charges for the development costs 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 Group anticipates that the residual values of its development costs will be insignificant. As a result, residual values are not being taken into consideration for the computation of the amortisation 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 amortisation charges could be revised.

(e) Write-down of Inventories and Projects-in-progress

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

(f) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(g) Impairment of Other Receivables

The loss allowances for other financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(h) 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 considers that the present value of the minimum lease payments approximates the fair value of the land at the inception of the lease. Accordingly, management is of the view that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(i) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(j) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires 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 Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

4.2 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the financial period are translated at the exchange 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 recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the financial year. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the financial year.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. 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 Group has a legally enforceable right to offset and intends 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 (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change, if any.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at 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. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(c) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

4.5 INVESTMENTS IN SUBSIDIARIES

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

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.

4.6 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to the end of the financial year. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENTS IN ASSOCIATES (CONT'D)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9 (2018 - MFRS 139). Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

4.7 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

4.8 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use, and the costs dismantling and removing the items and restoring that site on which they are located.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss.

Subsequent costs are included in the asset's 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 Group 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 Group is obligated to incur when the asset is acquired, if applicable.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on 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:-

Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10% - 33.33%
Machineries	Over the project output, 10% - 50%
Renovation	10%
Buildings	2%
Leasehold land	Over the lease periods of 54 years

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each financial year to ensure that the amounts, method and periods 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. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Assets-in-progress represent assets under construction, and which are not ready for commercial use at the end of the financial year. Assets-in-progress are stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of assets-in-progress include direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

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, being the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

4.9 RESEARCH AND DEVELOPMENT EXPENDITURES

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

Development expenditures are recognised as expense except that expenditures incurred on development projects are capitalised as non-current assets to the extent that such expenditures are expected to generate future economic benefits. Development expenditures are capitalised if, and only if an entity can demonstrate all of the following:-

- its ability to measure reliably the expenditures attributable to the asset under development;
- the product or process is technically and commercially feasible;
- its future economic benefits are probable;
- its intention to complete and the ability to use or sell the developed asset; and
- the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditures are measured at cost less accumulated amortisation and impairment losses, if any. Development expenditures initially recognised as expenses are not recognised as assets in the subsequent period.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 RESEARCH AND DEVELOPMENT EXPENDITURES (CONT'D)

The development expenditures are amortised on a unit of production method over the life of the project when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditures are written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each financial year.

4.10 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 Impairment of Assets does not apply, are reviewed at the end of each financial year for impairment when an annual impairment assessment is compulsory 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. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an assets is the higher of the assets' fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets (Cont'd)

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. Any impairment losses recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

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 profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.11 PROJECTS-IN-PROGRESS

Projects-in-progress represent costs incurred on projects which are not completed as at the end of the financial year. Projects-in-progress are stated at cost, which includes directly attributable labour costs and an appropriate proportion of directly attributable costs and overheads on such projects. When it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately. The revenue is recognised progressively in profit or loss upon completion of the projects based on delivery of goods and customers' acceptance.

4.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

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 obsolete, damaged and slowing-moving items. The Group write down its obsolete or slow moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

4.13 LEASED ASSETS

(a) Hire Purchase and Finance Lease Payables

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statements of financial position as hire purchase and finance lease payables.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 LEASED ASSETS (CONT'D)

(a) Hire Purchase and Finance Lease Payables (Cont'd)

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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 with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.15 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.16 BORROWING COSTS

Borrowing costs that directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

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

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill 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 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 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 the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Sales Tax and Service Tax ("SST")

SST are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are either capitalised or recognised in profit or loss. The amount of SST charged arising from revenue and is payable to the authorities at the end of the reporting period is included in other payables.

4.18 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss or included in the development expenditures, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss or included in the development expenditures, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 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 Group. 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, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.20 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.21 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

4.22 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 RELATED PARTIES (CONT'D)

Related parties also include key management personnel defined as directors having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly.

4.23 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Sale of Goods and Software Solutions ("SS")

Revenue from sale of goods and SS is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Rendering of Services

Revenue from providing services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.24 REVENUE FROM OTHER RESOURCES AND OTHER OPERATING INCOME****(a) Management Fee**

Management fee is recognised on an accrual basis.

(b) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(c) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(d) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

5. PROPERTY, PLANT AND EQUIPMENT

Group	Furniture and Fittings RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Machineries RM'000	Renovation RM'000	Buildings RM'000	Leasehold Land RM'000	Assets-In-Progress RM'000	Total RM'000
Cost									
At 1 April 2018	713	1,500	5,546	234,503	11,058	34,306	13,340	-	300,966
Additions	135	703	707	3,755	1,469	-	-	17,314	24,083
Assets written off	-	-	(14)	(459)	-	-	-	-	(473)
Disposals	(17)	(95)	(15)	(3,094)	-	-	-	-	(3,221)
Translation difference	-	-	(8)	(163)	-	-	-	-	(171)
At 31 March 2019	831	2,108	6,216	234,542	12,527	34,306	13,340	17,314	321,184
Accumulated Depreciation									
At 1 April 2018	396	1,106	4,153	116,615	3,538	1,034	1,326	-	128,168
Charge for the year	60	183	684	13,323	1,163	377	247	-	16,037
Assets written off	-	-	(14)	(459)	-	-	-	-	(473)
Disposals	(4)	(92)	(9)	(15)	-	-	-	-	(120)
Translation difference	-	-	#	(3)	-	-	-	-	(3)
At 31 March 2019	452	1,197	4,814	129,461	4,701	1,411	1,573	-	143,609
Net Book Value	379	911	1,402	105,081	7,826	32,895	11,767	17,314	177,575

Note:

- Amount less than RM1,000.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Furniture and Fittings RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Machineries RM'000	Renovation RM'000	Buildings RM'000	Leasehold Land RM'000	Total RM'000
Cost								
At 1 April 2017	731	1,500	4,686	197,830	10,417	25,644	13,340	254,148
Additions	25	-	1,009	38,682	651	8,662	-	49,029
Assets written off	(43)	-	(147)	(2,009)	(10)	-	-	(2,209)
Disposals	-	-	(2)	-	-	-	-	(2)
At 31 March 2018	713	1,500	5,546	234,503	11,058	34,306	13,340	300,966
Accumulated Depreciation								
At 1 April 2017	382	920	3,541	109,838	2,400	758	1,079	118,918
Charge for the year	56	186	759	8,782	1,138	276	247	11,444
Assets written off	(42)	-	(145)	(2,005)	-	-	-	(2,192)
Disposals	-	-	(2)	-	-	-	-	(2)
At 31 March 2018	396	1,106	4,153	116,615	3,538	1,034	1,326	128,168
Net Book Value	317	394	1,393	117,888	7,520	33,272	12,014	172,798

Notes to the Financial Statements (Cont'd)
For the Financial Year ended 31 March 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Furniture and Fittings RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Renovation RM'000	Building RM'000	Leasehold Land RM'000	Total RM'000
Cost							
At 1 April 2018	75	718	674	5,039	4,306	10,740	21,552
Additions	109	702	154	355	-	-	1,320
Disposal	-	(58)	-	-	-	-	(58)
At 31 March 2019	184	1,362	828	5,394	4,306	10,740	22,814
Accumulated Depreciation							
At 1 April 2018	31	715	347	1,570	416	993	4,072
Charge for the year	12	29	120	525	86	198	970
Disposal	-	(58)	-	-	-	-	(58)
At 31 March 2019	43	686	467	2,095	502	1,191	4,984
Net Book Value	141	676	361	3,299	3,804	9,549	17,830

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Furniture and Fittings RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Renovation RM'000	Building RM'000	Leasehold Land RM'000	Total RM'000
Cost							
At 1 April 2017	75	718	435	4,428	4,306	10,740	20,702
Additions	-	-	242	611	-	-	853
Assets written off	-	-	(3)	-	-	-	(3)
Transfer from a subsidiary	-	-	#	-	-	-	#
At 31 March 2018	75	718	674	5,039	4,306	10,740	21,552
Accumulated Depreciation							
At 1 April 2017	24	685	255	1,065	330	794	3,153
Charge for the year	7	30	93	505	86	199	920
Assets written off	-	-	(1)	-	-	-	(1)
At 31 March 2018	31	715	347	1,570	416	993	4,072
Net Book Value	44	3	327	3,469	3,890	9,747	17,480

Note:

- Amount less than RM1,000.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (i) The net book values of the property, plant and equipment which were charged to licensed banks for facilities granted to the Group and the Company as at the end of the financial year were as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Leasehold land	11,767	12,014	9,549	9,747
Buildings	32,895	33,272	3,804	3,890
Assets-in-progress	17,314	-	-	-
	61,976	45,286	13,353	13,637

- (ii) The net book value of equipment acquired under hire purchase and finance lease terms at the end of the financial year is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Motor vehicles	881	332	676	3
Machineries	20,144	22,567	-	-
	21,025	22,899	676	3

These assets have been pledged as security for the related finance lease liabilities of the Group.

- (iii) No depreciation was provided for the following property and plant as these assets were not available for commercial use as at the end of the financial year:-

	Group	
	2019 RM'000	2018 RM'000
Building	11,832	20,494
Machineries	22,839	46,883
	34,671	67,377

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost:		
- in Malaysia	90,072	90,072
- outside Malaysia	838	828
	90,910	90,900

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Datasonic Corporation Sdn. Bhd. ("DCSB")	Malaysia	100	100	Personalisation of smart cards.
Datasonic Technologies Sdn. Bhd. ("DTSB")	Malaysia	100	100	Customisation of software and hardware solutions, project management, consultancy, manufacturing and research and development activities.
Datasonic Smart Solutions Sdn. Bhd. ("DSSSB") *	Malaysia	100	100	Research and development and technical consultancy services.
Datasonic Innovation Sdn. Bhd. ("DISB")	Malaysia	70	70	Provision of biometrics solution.
Datasonic Manufacturing Sdn. Bhd. ("DMSB")	Malaysia	100	100	Manufacturing of electrical integrated circuit cards or commonly known as smart cards and its related products.
Amalan Fokus Sdn. Bhd. ("AFSB") ^	Malaysia	100	100	Dormant.
Datasonic Digital Sdn. Bhd. ("DDSB") (fka Astana Inovasi Sdn Bhd) ^	Malaysia	100	100	Dormant.
Datasonic International Sdn. Bhd. ("DINT") ^	Malaysia	100	100	Dormant.
Datasonic New Zealand Limited ("DNZL") ~	New Zealand	100	100	Software development services and computer systems design and related activities.
PT Datasonic Teknologi Indonesia ("PTD") ^ #	Indonesia	100	100	Personalisation of smart cards.
Datasonic International W.L.L ("DIWLL") ^^ ##	Bahrain	100	-	Dormant.
<i>Held by DMSB</i>				
Constant Ahead Sdn. Bhd. ("CASB") ^	Malaysia	100	100	Dormant.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Notes:-

- * - The subsidiary was granted Multimedia Super Corridor status which qualifies for Pioneer Status incentive under the Promotion of Investments Act, 1986 as disclosed in Note 37 to the financial statements.
- ^ - These subsidiaries were audited by other firms of chartered accountants.
- ~ - No audit requirement of this subsidiary under New Zealand Companies Act 1993 as the Company satisfied the exemption requirements.
- ^^ - Not required to be audited under the laws of the country of incorporation.
- # - 1% held by a wholly-owned subsidiary, DTSB.
- ## - 5% held by a wholly-owned subsidiary, DTSB.
- (a) On 10 January 2019, the Company incorporated a new subsidiary DIWLL holding 95% equity interest and the remaining 5% is held by DTSB, a wholly-owned subsidiary of the Company.
- (b) In the previous financial year, the Company incorporated a new subsidiary PTD holding 99% equity interest and the remaining 1% is held by DTSB, a wholly-owned subsidiary of the Company.
- (c) The non-controlling interests at the end of the financial year comprise the following:-

	Effective Equity Interest		Group	
	2019 %	2018 %	2019 RM'000	2018 RM'000
DISB	30	30	(617)	(519)

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests is not presented as the non-controlling interests are not material to the Group.

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted share, at cost	90	90	90	90
Share of post-acquisition loss	(90)	(90)	-	-
	-	-	90	90

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

7. INVESTMENT IN AN ASSOCIATE (CONT'D)

The details of the associate are as follows:-

Name of Associate	Principal Place of Business	Effective Equity Interest		Principal Activity
		2019 %	2018 %	
Electric Vehicle Automotive (M) Sdn. Bhd. ("EVAM")	Malaysia	30	30	Dormant.
(a) The share of results in the associate is based on the financial statements for the financial year ended 31 March 2019.				
(b) The summarised financial information for the associate is not presented as the associate is not material to the Group.				
(c) The Group has not recognised losses of EVAM, where its share of losses exceeds the Group's cost of investment. The Group's cumulative share of unrecognised losses at the end of the financial year was approximately RM74,000 (2018 - RM73,000) of which approximately RM1,000 (2018 - RM3,000) was the share of the current financial year's losses. The Group has no obligation in respect of these losses.				

8. OTHER INVESTMENT

	Group	
	2019 RM'000	2018 RM'000
Investment in club membership, at fair value	110	110

At 1 April 2018, the Group designated this investment to be measured at fair value through profit or loss. In the last financial year, this investment was classified as available-for-sale financial asset and is measured at fair value.

9. GOODWILL

	Group	
	2019 RM'000	2018 RM'000
Goodwill	4,153	4,153

The amount of goodwill relates to the manufacturing of cards cash-generating unit. The goodwill arose from the investment in subsidiaries and is reviewed for impairment annually.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

9. GOODWILL (CONT'D)

The Group has assessed the recoverable amount of goodwill, and determined that no impairment is required. The recoverable amount of the manufacturing of cards cash-generating unit is computed using the value in use approach, and this is derived from the present value of the future cash flows from the cash-generating unit based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-

- | | |
|-------------------------------|--|
| (i) Budgeted gross margin | Average gross margin achieved in the 5 years immediately before the budgeted period increased for expected efficiency improvements and cost saving measures. |
| (ii) Growth rate | Based on the expected projection of the smart card business. |
| (iii) Discount rate (pre-tax) | Reflects specific risks relating to the relevant cash-generating unit. |

The values assigned to the key assumptions represent management's assessment of future projections in the cash-generating unit and are based on both external sources and internal historical data.

10. DEVELOPMENT EXPENDITURE

	Group	
	2019 RM'000	2018 RM'000
At cost:-		
At 1 April 2018/2017	51,749	50,950
Additions	58	799
	<hr/>	<hr/>
At 31 March 2019/2018	51,807	51,749
Accumulated amortisation:-		
At 1 April 2018/2017	(13,558)	(9,059)
Amortisation during the financial year (Note 36)	(5,916)	(4,499)
	<hr/>	<hr/>
At 31 March 2019/2018	(19,474)	(13,558)
Accumulated impairment losses:-		
At 1 April 2018/31 March 2019	(1,222)	(1,222)
	<hr/>	<hr/>
	31,111	36,969
	<hr/>	<hr/>

Included in the development expenditure is an amount of RM58,000 (2018 - RM799,000) in respect of staff costs incurred during the financial year.

The development expenditure consist of direct and related costs for overhead and software solutions incurred in the process of development, and attributable to the Group's customised smart card solutions ("CSCS") reportable segment. Their amortisation charges are recognised in profit or loss under the "Cost of Sales" line item.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

10. DEVELOPMENT EXPENDITURE (CONT'D)

The Group has assessed the recoverable amounts of the development expenditure which are in the process of development and determined that no impairment is required. Their recoverable amounts are determined using the value in use approach, and this is derived from the present value of the future cash flows from the customised software and hardware systems business computed based on the projections of financial budgets covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

- | | | |
|-------|-------------------------|--|
| (i) | Budgeted gross margin | Gross margin is the forecasted margin as a percentage of revenue over the five-year projection periods which were determined based on the expectations of market development and, adjusted for market and economic conditions, internal resource efficiency, where applicable. |
| (ii) | Growth rate | Based on the expected projection of the customised software and hardware systems business. |
| (iii) | Discount rate (pre-tax) | Reflects specific risks relating to the relevant cash-generating unit. |

11. TRADE RECEIVABLES

	Group	
	2019 RM'000	2018 RM'000
Trade receivables	112,382	131,123
Allowance for impairment losses	(2,602)	(3,136)
	<hr/>	<hr/>
Accrued income	109,780	127,987
	15,675	14,311
	<hr/>	<hr/>
	125,455	142,298

The trade receivables are made up of:-

(a) <u>Non-current:</u>		
Accrued income	6,162	4,351
(b) <u>Current:</u>		
Trade receivables	109,780	127,987
Accrued income	9,513	9,960
	<hr/>	<hr/>
	119,293	137,947
	<hr/>	<hr/>
	125,455	142,298
	<hr/>	<hr/>
Allowance for impairment losses:-		
At 1 April 2018/2017	(3,136)	(2,712)
Addition	-	(2,518)
Writeback	-	2,094
Written off	534	-
	<hr/>	<hr/>
At 31 March 2019/2018	(2,602)	(3,136)

The Group's normal trade credit terms range from 30 to 90 (2018 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

11. TRADE RECEIVABLES (CONT'D)

The allowance for impairment losses is made on those trade receivables from those companies which are in serious financial difficulties and which have defaulted on payments.

Accrued income represents revenue earned for work performed and goods delivered but the related invoices have yet to be issued.

12. PROJECTS-IN-PROGRESS

	Group	
	2019 RM'000	2018 RM'000
At costs:-		
Site preparation	1,439	3,140
Technical Services	1,674	1,340
Others	48	82
	<hr/> 3,161	<hr/> 4,562

13. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
At costs:-		
Raw materials	26,885	23,030
Manufactured cards	11,309	472
Spare parts	7,643	8,001
Consumables	1,339	1,229
Equipment	1,044	1,502
Software	32	34
Goods-in-transit	2,079	845
	<hr/> 50,331	<hr/> 35,113
Less: Allowance for impairment losses	(900)	(900)
	<hr/> 49,431	<hr/> 34,213
Allowance for impairment losses:-		
At 1 April 2018/2017	(900)	(905)
Additions	-	(104)
Writeback	-	109
	<hr/> (900)	<hr/> (900)
At 31 March 2019/2018		
<u>Recognised in profit or loss</u>		
Inventories sold	50,387	80,586
Impairment losses	-	104
Writeback of impairment losses	-	(109)

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	1,743	2,103	125	109
Deposits	952	432	202	122
Prepayments	11,723	9,862	225	181
	14,418	12,397	552	412

15. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Amounts owing by:- for non-trade balances	77,924	94,582
Amounts owing (to):- for non-trade balances	(39,862)	(41,289)

The amounts owing by/(to) subsidiaries represent unsecured payments made on behalf and are interest-free and receivable/(repayable) on demand.

The amounts owing are to be settled in cash and in kind as appropriate.

16. SHORT-TERM INVESTMENTS

	Group/Company			
	2019		2018	
	Carrying Amount RM'000	Market Value RM'000	Carrying Amount RM'000	Market Value RM'000
Money market funds, at fair value	3,716	3,716	1,151	1,151

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits with licensed banks	6,462	7,651	–	23
Cash and bank balances	26,935	23,941	12,674	937
	33,397	31,592	12,674	960
Less: Deposits pledged to licensed banks	(6,462)	(6,351)	–	(23)
	26,935	25,241	12,674	937

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

17. CASH AND CASH EQUIVALENTS (CONT'D)

The deposits with licensed banks of the Group and of the Company at the end of the financial year bore effective interest rates ranging from 2.90% to 3.45% (2018 - 2.90% to 3.45%) per annum and Nil (2018 - 3.15%) per annum respectively. The deposits have maturity periods ranging from 1 to 24 (2018 - 1 to 24) months and Nil (2018 - 12 months) for the Group and the Company respectively.

Deposits pledged to licensed banks as security for banking facilities granted to the Group and the Company are disclosed in Note 22 to the financial statements.

18. SHARE CAPITAL

Group/Company	2019		2018	
	Number of Shares '000	Share Capital RM'000	Number of Shares '000	Share Capital RM'000
Issued and Fully Paid-Up				
Ordinary shares with no par value	1,350,000	135,000	1,350,000	135,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

19. MERGER DEFICIT

The merger deficit of RM11,072,000 (2018 - RM11,072,000) resulted from the difference between the carrying value of the investments in subsidiaries and the nominal value of the shares of the Company's subsidiaries upon consolidation under the merger accounting principle.

20. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

21. LONG-TERM BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Secured:-				
Term loans (Note 22)	70,505	71,295	-	-
Term financing (Note 23)	6,003	7,214	6,003	7,214
Hire purchase and finance lease payables (Note 24)	4,842	11,893	317	27
	81,350	90,402	6,320	7,241

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

22. TERM LOANS (SECURED)

	2019 RM'000	Group 2018 RM'000
Current liabilities (Note 28)	2,735	2,665
Non-current liabilities (Note 21)	70,505	71,295
	<u>73,240</u>	<u>73,960</u>

Details of the repayment terms are as follows:-

Term Loan	Number Of Monthly Instalments	Monthly Instalment Amount RM'000	Date Of Commencement Of Repayment	Effective Interest Rate	Group Amount Outstanding 2019 RM'000	2018 RM'000
1	120	39	1 November 2011	5.80% (2018 - 5.80%)	1,185	1,583
2	144	54	1 January 2015	4.70% (2018 - 4.60%)	4,178	4,618
3	<----- Note 1 ----->			5.70% (2018 - 5.70%)	20,212	30,466
4	<----- Note 2 ----->			5.67% (2018 - 5.67%)	16,470	19,849
5	144	88	1 July 2017	4.55% (2018 - 4.55%)	8,677	9,326
6	84	98	5 Feb 2018	4.55% (2018 - 4.55%)	6,942	8,118
7	120	134	6 July 2020	4.55%	15,576	-
					<u>73,240</u>	<u>73,960</u>

Notes:-

- Term loan 3 is a capital expenditure loan with tenure of up to 60 months from the first day of the following month from the date of first disbursement and is repayable by 13% of each contract proceeds received from the project until full settlement.
- Term loan 4 is a capital expenditure loan with tenure of up to 60 months from the first day of the following month from the date of first disbursement and is repayable by 12.5% out of 85% of each contract proceeds received from the project until full settlement.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

22. TERM LOANS (SECURED) (CONT'D)

The term loans above are with floating rates ranging from 4.55% to 5.80% (2018 - 4.55% to 5.80%) per annum.

Term loan 1 is secured by:-

- (a) a legal charge over 1 unit of property of the Group; and
- (b) a corporate guarantee of the Company.

Term loan 2 is secured by:-

- (a) a legal charge over certain properties of the Group; and
- (b) a corporate guarantee of the Company.

Term loan 3 is secured by:-

- (a) proceeds from the project as disclosed in the footnote (Note 1) above; and
- (b) a corporate guarantee of the Company.

Term loan 4 is secured by:-

- (a) proceeds from the project as disclosed in the footnote (Note 2) above; and
- (b) a corporate guarantee of the Company and a subsidiary.

Term loan 5 is secured by:-

- (a) a legal charge over certain properties of the Group; and
- (b) a corporate guarantee of the Company.

Term loan 6 is secured by:-

- (a) a legal charge over certain properties of the Group; and
- (b) a corporate guarantee of the Company.

Term loan 7 is secured by:-

- (a) a legal charge over certain properties of the Group; and
- (b) a corporate guarantee of the Company.

Term loan 3 amounting to approximately RM20,212,000 (2018 - RM30,466,000) is secured by a negative pledge that imposes certain covenants on a subsidiary that has received the loan. The significant covenant of the term loan is that the Company's gearing shall not exceed 3.5 times during the subsistence of the financing facilities with the bank.

Term loan 4 amounting to approximately RM16,470,000 (2018 - RM19,849,000) is secured by a negative pledge that imposes certain covenants on a subsidiary that has received the loan. The significant covenants of the term loan are as follows:-

- (i) The Company's gearing shall not exceed 2.0 times during the subsistence of the financing facilities with the bank.
- (ii) DTSB shall remain the licensed holder for Jabatan Imigresen Malaysia contracts. The bank shall be notified in the event of termination or changes in the appointment by the contract awarder.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

23. TERM FINANCING (SECURED)

	Group/Company	
	2019	2018
	RM'000	RM'000
Current liabilities (Note 28)	1,220	1,176
Non-current liabilities (Note 21)	6,003	7,214
	<u>7,223</u>	<u>8,390</u>

Details of the repayment terms are as follows:-

Term Financing	Number Of Monthly Instalments	Monthly Instalment Amount RM'000	Date Of Commencement Of Repayment	Effective Interest Rate	Group/Company Amount Outstanding	
					2019	2018
					RM'000	RM'000
1	120	126	1 July 2014	4.70% (2018 - 4.60%)	<u>7,223</u>	<u>8,390</u>

Term financing 1 is secured by a legal charge over a property of the Company and is with floating rate of 4.70% (2018 - 4.60%) per annum.

24. HIRE PURCHASE AND FINANCE LEASE PAYABLES (SECURED)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Secured:-				
Minimum hire purchase and finance lease payments:				
- not later than 1 year	8,319	8,089	113	23
- later than 1 year and not later than 5 years	5,114	13,003	344	28
	<u>13,433</u>	<u>21,092</u>	<u>457</u>	<u>51</u>
Less: Future finance charges	(1,154)	(2,623)	(44)	(2)
Present value of hire purchase and finance lease payables	<u>12,279</u>	<u>18,469</u>	<u>413</u>	<u>49</u>
Analysed by:-				
Current liabilities (Note 28)	7,437	6,576	96	22
Non-current liabilities (Note 21)	4,842	11,893	317	27
	<u>12,279</u>	<u>18,469</u>	<u>413</u>	<u>49</u>

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

24. HIRE PURCHASE AND FINANCE LEASE PAYABLES (SECURED) (CONT'D)

- (a) The hire purchase and finance lease payables of the Group and of the Company are secured by the Group's and the Company's motor vehicles and machineries. The hire purchase and finance lease arrangements shall expire from 3 to 7 (2018 - 3 to 7) years.
- (b) The hire purchase and finance lease payables of the Group and of the Company at the end of the financial year bore effective interest rates ranging from 4.33% to 13.40% (2018 - 4.53% to 13.40%) per annum and ranging from 4.33% to 4.55% (2018 - 4.53%) per annum respectively. The interest rates are fixed at the inception of the hire purchase and finance lease arrangements.

25. DEFERRED TAX LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
At 1 April 2018/2017	506	558
Recognised in profit or loss (Note 37)	1,520	(52)
At 31 March 2019/2018	2,026	506

The deferred tax liabilities recognised in the financial statements consist of the tax effects of temporary differences arising from the following item:-

	Group	
	2019 RM'000	2018 RM'000
Accelerated capital allowances	2,026	506

The Group has not recognised the deferred tax liability of the following item as the directors are of the opinion that the deferred tax liability will not crystallise in a wholly-owned subsidiary, DSSSB, which was granted Multimedia Super Corridor status which qualifies for Pioneer Status incentive under the Promotion of Investments Act, 1986.

	Group	
	2019 RM'000	2018 RM'000
Accelerated capital allowances	27,653	30,715

26. TRADE PAYABLES

	Group	
	2019 RM'000	2018 RM'000
Trade payables	12,169	6,935

The normal trade credit terms granted to the Group range from 30 to 90 (2018 - 30 to 90) days.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables	1,331	1,441	80	202
Deferred income	1,258	2,118	-	-
Provisions	1,693	2,988	60	352
Accruals	22,848	22,597	526	405
	27,130	29,144	666	959

28. SHORT-TERM BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Secured:-				
Term loans (Note 22)	2,735	2,665	-	-
Term financing (Note 23)	1,220	1,176	1,220	1,176
Hire purchase and finance lease payables (Note 24)	7,437	6,576	96	22
Trade financing	43,888	41,355	-	-
	55,280	51,772	1,316	1,198

The trade financing bore effective interest rates ranging from 5.30% to 5.92% (2018 - 5.20% to 6.01%) per annum at the end of the financial year and are secured by a corporate guarantee of the Company.

29. DIVIDEND PAYABLE

	Group/Company	
	2019 RM'000	2018 RM'000
Third interim single tier tax-exempt dividend of 0.50 sen per share, declared on 28 February 2019	6,750	-

30. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net asset value at the end of the financial year of RM263,245,000 (2018 - RM267,196,000) divided by the number of ordinary shares at the end of the financial year of 1,350,000,000 (2018 - 1,350,000,000).

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

31. DIVIDENDS

	Sen Per Share	Group/Company 2019 RM'000	Sen Per Share	2018 RM'000
In respect of the financial year ended 31 March 2017:				
- Fourth interim single tier tax-exempt dividend declared on 25 May 2017 and paid on 20 June 2017	-	-	1.5	20,250
In respect of the financial year ended 31 March 2018:				
- First interim single tier tax-exempt dividend declared on 25 August 2017 and paid on 13 October 2017	-	-	1.0	13,500
- Second interim single tier tax-exempt dividend declared on 24 November 2017 and paid on 9 January 2018	-	-	1.0	13,500
- Third interim single tier tax-exempt dividend declared on 28 February 2018 and paid on 28 March 2018	-	-	1.0	13,500
- Fourth interim single tier tax-exempt dividend declared on 31 May 2018 and paid on 6 July 2018	1.0	13,500	-	-
In respect of the financial year ended 31 March 2019:				
- First interim single tier tax-exempt dividend declared on 24 August 2018 and paid on 23 November 2018	1.0	13,500	-	-
- Second interim single tier tax-exempt dividend declared on 10 December 2018 and paid on 8 January 2019	0.5	6,750	-	-
- Third interim single tier tax-exempt dividend declared on 28 February 2019 and paid on 27 May 2019	0.5	6,750	-	-
		<u>40,500</u>		<u>60,750</u>

In respect of the financial year ended 31 March 2019, the Directors had on 31 May 2019 declared a fourth interim single tier tax-exempt dividend of 0.5 sen per share, amounting to RM6.75 million based on the issued and paid-up share capital as at 31 March 2019 of 1,350,000,000 ordinary shares. The Entitlement Date will be determined and announced in due course. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in shareholders' equity as an appropriation of retained profits for the financial year ending 31 March 2020.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 March 2019.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

32. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sales of goods and services	219,559	258,601	-	-
Management service fee	-	-	15,252	14,520
Dividend income from subsidiaries	-	-	35,000	56,000
	219,559	258,601	50,252	70,520

The information on the details of revenue is disclosed in Note 44 to the financial statements

33. OTHER INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Writeback of impairment losses on:				
- trade receivables	-	2,094	-	-
- inventories	-	109	-	-
Gain on disposal of equipment	-	#	-	-
Realised gain on foreign exchange	-	1,970	-	-
Interest income on financial assets:				
- at fair value through profit or loss	424	643	424	643
- not at fair value through profit or loss	296	324	112	92
Rental income	-	-	1,584	1,575
Sundries	374	191	62	13
	1,094	5,331	2,182	2,323

Note:

- Amount less than RM1,000.

34. STAFF COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and other benefits	37,806	36,469	5,435	5,399
Defined contribution plan	4,668	4,122	673	598
	42,474	40,591	6,108	5,997

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

35. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on financial liabilities not at fair value through profit or loss	8,112	7,931	366	395

36. PROFIT BEFORE TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Property, plant and equipment:				
- Depreciation	16,037	11,444	970	920
- Written off	#	17	-	2
- Loss/(Gain) on disposal	3,059	(#)	(7)	-
Amortisation of development expenditures	5,916	4,499	-	-
Inventories:				
- Allowance for impairment losses	-	104	-	-
- Writeback	-	(109)	-	-
Trade receivables:				
- Allowance for impairment loss	-	2,518	-	-
- Writeback	-	(2,094)	-	-
Auditors' remuneration:				
- current year	227	199	45	41
- underprovision in the previous financial year	-	7	-	-
Directors' remuneration (Note 41):				
- Non-executive directors:				
- Fees	790	838	780	778
- Allowances	115	109	67	61
- Executive directors' salaries and bonus	7,025	5,965	3,949	3,462
Staff costs (Note 34)	42,474	40,591	6,108	5,997
Loss/(Gain) on foreign exchange:				
- Realised	209	32	(#)	5
- Unrealised	(172)	(41)	(#)	-
Rental expense on:				
- equipment	131	425	31	25
- premises	928	782	479	347
- vehicles	85	41	38	9

Note:

- Amount less than RM1,000.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

37. INCOME TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax expense:				
- for the financial year	2,545	3,181	411	328
- (over)/underprovision in previous financial years	(26)	91	18	(49)
	2,519	3,272	429	279
Deferred tax liabilities (Note 25):				
- for the financial year	1,520	2	-	-
- overprovision in the previous financial year	-	(54)	-	-
	1,520	(52)	-	-
	4,039	3,220	429	279

On 6 November 2012, a wholly-owned subsidiary, DSSSB was granted Multimedia Super Corridor 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 is exempted from tax. The application for an extension of another five years was approved on 4 April 2018 for the years from 18 May 2017 to 17 May 2022.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

37. INCOME TAX EXPENSE (CONT'D)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	40,474	70,341	34,762	55,639
Tax at the statutory tax rate of 24%	9,714	16,882	8,343	13,353
Tax effects of:-				
Non-deductible expenses	2,240	1,214	618	618
Non-taxable income	(129)	(154)	(8,529)	(13,594)
Income tax exempted from tax due to pioneer status	(8,545)	(10,483)	-	-
Deferred tax liabilities not recognised due to pioneer status	-	(3,028)	-	-
Deferred tax asset not recognised during the financial year	810	94	-	-
Utilisation of deferred tax assets previously not recognised	(21)	(1,344)	(21)	(49)
Effects of differential in tax rates of subsidiary	(4)	2	-	-
(Over)/Underprovision in the previous financial year:				
- current taxation	(26)	91	18	(49)
- deferred taxation	-	(54)	-	-
Income tax expense for the financial year	4,039	3,220	429	279

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 - 24%) of the estimated assessable profit for the financial year.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

38. EARNINGS PER SHARE

	Group	
	2019	2018
Profit attributable to owners of the Company (RM'000)	36,533	67,244
Weighted average number of ordinary shares ('000)	1,350,000	1,350,000
Basic earnings per share (sen)	2.71	4.98

The effects of potential ordinary shares arising from the conversion of Warrants are anti-dilutive and accordingly, they have been ignored in the calculation of dilutive earnings per share. As a result, the diluted earnings per ordinary share is the same as basic earnings per share.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

39. INCORPORATION AND ACQUISITION OF SUBSIDIARIES

- (a) On 10 January 2019, the Company incorporated a new subsidiary DIWLL holding 95% equity interest and the remaining 5% is held by DTSB, a wholly-owned subsidiary of the Company.
- (b) In the previous financial year, the Company incorporated a new subsidiary PTD holding 99% equity interest and the remaining 1% is held by DTSB, a wholly-owned subsidiary of the Company.

40. CASH FLOW INFORMATION

The movements of liabilities arising from financing activities are as follows:-

Group	Term Loans RM'000	Term Financing RM'000	Hire Purchase and Finance Lease RM'000	Trade Financing RM'000	Total RM'000
2019					
At 1 April 2018	73,960	8,390	18,469	41,355	142,174
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	18,776	-	400	97,874	117,050
Repayment of borrowing principal	(19,496)	(1,167)	(6,590)	(95,341)	(122,594)
	(720)	(1,167)	(6,190)	2,533	(5,544)
At 31 March 2019	73,240	7,223	12,279	43,888	136,630
2018					
At 1 April 2017	69,959	10,152	4,629	72,149	156,889
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	8,536	-	18,747	85,876	113,159
Repayment of borrowing principal	(4,535)	(1,762)	(4,907)	(116,670)	(127,874)
	4,001	(1,762)	13,840	(30,794)	(14,715)
At 31 March 2018	73,960	8,390	18,469	41,355	142,174

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

40. CASH FLOW INFORMATION (CONT'D)

The movements of liabilities arising from financing activities are as follows (cont'd):-

Company	Term Financing RM'000	Hire Purchase and Finance Lease RM'000	Total RM'000
2019			
At 1 April 2018	8,390	49	8,439
<u>Changes in Financing Cash Flows</u>			
Proceeds from drawdown	-	400	400
Repayment of borrowing principal	(1,167)	(36)	(1,203)
	(1,167)	364	(803)
At 31 March 2019	7,223	413	7,636
2018			
At 1 April 2017	10,152	69	10,221
<u>Changes in Financing Cash Flows</u>			
Proceeds from drawdown	-	-	-
Repayment of borrowing principal	(1,762)	(20)	(1,782)
	(1,762)	(20)	(1,782)
At 31 March 2018	8,390	49	8,439

41. DIRECTORS' REMUNERATION

The directors' remuneration during the financial year are as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
Executive:				
- salaries and bonus	3,949	3,462	3,949	3,462
Non-executive:				
- fees	780	778	780	778
- allowances	103	97	67	61
	883	875	847	839
	4,832	4,337	4,796	4,301
Benefits-in-kind	7	7	7	7

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

41. DIRECTORS' REMUNERATION (CONT'D)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of Subsidiaries				
Executive:				
- salaries and bonus	3,076	2,503	-	-
Non-executive:				
- fees	10	60	-	-
- allowances	12	12	-	-
	22	72	-	-
	3,098	2,575	-	-
Benefits-in-kind	7	14	-	-
Total	7,944	6,933	4,803	4,308
Analysis excluding benefits-in-kind:-				
Total executive directors' salaries and bonus	7,025	5,965	3,949	3,462
Total non-executive directors:				
- fees	790	838	780	778
- allowances	115	109	67	61
	905	947	847	839
Total directors' remuneration excluding benefits-in-kind	7,930	6,912	4,796	4,301

42. CONTINGENT LIABILITIES

The following items are disclosed as contingent liabilities as it is not probable that a future sacrifice of economic benefits will be required or the amounts are not capable of reliable measurement:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Performance guarantees extended to customers	16,788	17,737	16,788	17,737
Performance guarantees extended to suppliers	20	40	-	40
	16,808	17,777	16,788	17,777
Corporate guarantees for banking facilities granted to the subsidiaries	-	-	128,814	133,428
	16,808	17,777	145,602	151,205

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

42. CONTINGENT LIABILITIES (CONT'D)

On 1 August 2018, a wholly-owned subsidiary, DTSB, has 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.

Both parties are currently negotiating to resolve the matter. Management estimated that the potential financial impact, if any, could be approximately RM5 million.

43. RELATED PARTY DISCLOSURES

The transactions of the Company with its related parties are as follows:-

	Company	
	2019	2018
	RM'000	RM'000
Subsidiaries		
Management services fees	15,252	14,520
Dividend income	35,000	56,000
Equipment transferred from	-	#
Rental income	1,584	1,575
Purchase from	-	1

Note:

- Amount less than RM1,000.

44. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the chief operating decision makers in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on the products and services provided.

The Group is organised into three main reportable segments as follows:-

Customised smart card solutions ("CSCS") - provision of large scale customised software and hardware systems for secure ID, total smart card solutions and ICT project management.

Manufacturing ("MA") - manufacturing of cards and booklets.

Investment holding ("IH") - investment holding and provision of management services to the group of companies.

- The chief operating decision makers assess the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.
- Each reportable segment assets is measured based on all assets (including goodwill) of the segment other than the tax-related assets.
- Each reportable segment liabilities is measured based on all liabilities of the segment other than the borrowings and the tax-related liabilities.

Transactions between reportable segments are carried out on agreed terms and such inter-segment transactions are eliminated on consolidation.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

44. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS

	CSCS RM'000	MA RM'000	IH RM'000	Group RM'000
2019				
Revenue				
External revenue	184,086	35,473	–	219,559
Inter-segment revenue	5,590	13,907	50,252	69,749
	189,676	49,380	50,252	289,308
Consolidation adjustments				(69,749)
Consolidated revenue				219,559
Represented by:-				
<u>Revenue recognised at a point of time</u>				
- Sales of goods and software solutions	159,239	49,380	50,252	258,871
<u>Revenue recognised over time</u>				
- Sales of services	30,437	–	–	30,437
	189,676	49,380	50,252	289,308
Consolidation adjustments				(69,749)
Consolidated revenue				219,559
Results				
Segment profit before interest expense and taxation	58,596	8,506	35,128	102,230
Finance costs				(8,112)
Consolidation adjustments				(53,644)
Consolidated profit before taxation				40,474
Segment profit before interest expense and taxation includes the following:-				
Interest income	180	4	536	720
Unrealised foreign exchange gain	162	10	–	172
Amortisation of development expenditures	(5,916)	–	–	(5,916)
Depreciation of property, plant and equipment	(8,870)	(6,198)	(969)	(16,037)
Equipment written off	–	(#)	–	(#)

Note:

- Amount less than RM1,000.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

44. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	CSCS RM'000	MA RM'000	IH RM'000	Group RM'000
2019				
Assets				
Segment assets	464,422	117,716	191,022	773,160
Unallocated asset:				
- deposits with licensed banks				6,462
- cash and bank balances				26,935
- tax recoverable				4,806
Consolidation adjustments				(364,030)
Consolidated total assets				447,333
Additions to non-current assets other than financial instruments are:-				
Property, plant and equipment	10,461	12,302	1,320	24,083
Development expenditures	58	-	-	58
Liabilities				
Segment liabilities	320,622	79,795	54,914	455,331
Unallocated liabilities:				
- deferred tax liabilities				2,026
Consolidation adjustments				(272,652)
Consolidated total liabilities				184,705

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

44. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	CSCS RM'000	MA RM'000	IH RM'000	Group RM'000
2018				
Revenue				
External revenue	227,330	31,271	–	258,601
Inter-segment revenue	4,464	20,353	70,520	95,337
	231,794	51,624	70,520	353,938
Consolidation adjustments				(95,337)
Consolidated revenue				258,601
Results				
Segment profit before interest expense and taxation	87,928	7,584	56,034	151,546
Finance costs				(7,931)
Consolidation adjustments				(73,274)
Consolidated profit before taxation				70,341
Segment profit before interest expense and taxation includes the following:-				
Interest income	191	41	735	967
Unrealised foreign exchange gain/(loss)	48	(7)	–	41
Writeback of allowance for impairment losses:				
- inventories	109	#	–	109
- trade receivables	2,094	–	–	2,094
Allowance for impairment losses:				
- inventories	(29)	(75)	–	(104)
- trade receivables	(2,518)	–	–	(2,518)
Amortisation of development expenditures	(4,499)	–	–	(4,499)
Depreciation of property, plant and equipment	(6,143)	(4,381)	(920)	(11,444)
Equipment written off	(11)	(4)	(2)	(17)

The information on the disaggregation of revenue is not presented for the comparative year as the Group has applied MFRS 15 using the modified retrospective application.

Note:

- Amount less than RM1,000.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

44. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	CSCS RM'000	MA RM'000	IH RM'000	Group RM'000
2018				
Assets				
Segment assets	515,513	96,358	204,615	816,486
Unallocated asset:				
- deposits with licensed banks				7,651
- cash and bank balances				23,941
- tax recoverable				5,193
Consolidation adjustments				(407,835)
Consolidated total assets				445,436
 Additions to non-current assets other than financial instruments are:-				
Property, plant and equipment	29,212	18,964	853	49,029
Development expenditures	799	-	-	799
Liabilities				
Segment liabilities	376,218	72,409	50,687	499,314
Unallocated liabilities:				
- deferred tax liabilities				506
Consolidation adjustments				(321,061)
Consolidated total liabilities				178,759

GEOGRAPHICAL INFORMATION

No information is presented on the basis of geographical segment as the Group operates primarily in Malaysia during the financial year.

MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Revenue		Segment
	2019 RM'000	2018 RM'000	
Customer #1	147,143	136,426	CSCS, MA
Customer #2	31,434	85,853	CSCS

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

45. COMMITMENTS

45.1 CAPITAL COMMITMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Renovation	67	38	26	–
Acquisition of machineries and equipment	1,102	182	2	35
Acquisition of a property ⁽¹⁾	472	16,422	–	–
	1,641	16,642	28	35

⁽¹⁾ On 21 February 2018, Datasonic Manufacturing Sdn Bhd, a wholly-owned subsidiary of the Company, accepted the offer to purchase a factory with a total built up area of 46,610 square feet known as “Excellent Technology Park II Phase 2” located in Klang, Selangor and thereafter on 2 April 2018, DMSB entered into an Agreement for the purchase of the said factory at a total purchase price of RM18.88 million, of which an amount of RM0.38 million was paid as a deposit together with a further discount granted by the developer. Progress payments amounting to RM15.95 million were paid by cash and term loan during the year. The factory is intended to be used for production of smart card.

45.2 OPERATING LEASE COMMITMENTS

Leases as Lessee

The Group leases a number of factory facility and copier equipment under non-cancellable operating leases. The lease periods range from 1 to 5 (2018 - 1 to 5) years with an option to renew after that date.

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Not more than 1 year	528	758	360	269
Later than 1 year and not later than 5 years	47	173	12	12
	575	931	372	281

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

46. 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 financial year were as follows:-

	2019 RM	2018 RM
United States Dollar ("USD")	4.09	3.86
New Zealand Dollar ("NZD")	2.78	2.80
Euro ("EUR")	4.59	4.76
Singapore Dollar ("SGD")	3.01	2.94
Indonesian Rupiah 100 ("IDR")	2.87	2.81
Great Britain Pound ("GBP")	5.32	5.43
Swiss Franc ("CHF")	4.11	N/A
Chinese Yuan Renminbi ("CNY")	0.61	N/A

Note:

N/A - Not applicable.

47. FINANCIAL INSTRUMENTS

The Group'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. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

47.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar, New Zealand Dollar, Euro, Singapore Dollar, Indonesian Rupiah, Great Britain Pound, Swiss Franc and Chinese Yuan Renminbi. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the financial year is summarised below:-

Foreign Currency Exposure

Group	USD RM'000	NZD RM'000	EUR RM'000	SGD RM'000	IDR RM'000	GBP RM'000	CHF RM'000	CNY RM'000	RM RM'000	Total RM'000
2019										
Financial Assets										
Other investment	-	-	-	-	-	-	-	-	110	110
Trade receivables ⁽¹⁾	-	-	-	-	25	-	-	398	109,357	109,780
Other receivables and deposits ⁽²⁾	-	1	-	-	401	-	-	-	1,275	1,677
Short-term investments	-	-	-	-	-	-	-	-	3,716	3,716
Deposits with licensed banks	-	-	-	-	-	-	-	-	6,462	6,462
Cash and bank balances	31	38	2	1	85	1	-	-	26,777	26,935
	31	39	2	1	511	1	-	398	147,697	148,680

Notes to the Financial Statements (Cont'd)
For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Group	USD RM'000	NZD RM'000	EUR RM'000	SGD RM'000	IDR RM'000	GBP RM'000	CHF RM'000	CNY RM'000	RM RM'000	Total RM'000
2019										
Financial Liabilities										
Trade payables	495	-	8,344	72	164	256	17	-	2,821	12,169
Other payables and accruals ⁽³⁾	-	-	-	-	11	-	-	-	25,093	25,104
Trade financing	-	-	-	-	-	-	-	-	43,888	43,888
Hire purchase and finance lease payables	-	-	-	-	-	-	-	-	12,279	12,279
Term financing	-	-	-	-	-	-	-	-	7,223	7,223
Term loans	-	-	-	-	-	-	-	-	73,240	73,240
	495	-	8,344	72	175	256	17	-	164,544	173,903

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Group	USD RM'000	NZD RM'000	EUR RM'000	SGD RM'000	IDR RM'000	GBP RM'000	CHF RM'000	CNY RM'000	RM RM'000	Total RM'000
2019										
Net financial (liabilities)/ assets	(464)	39	(8,342)	(71)	336	(255)	(17)	398	(16,847)	(25,223)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currency	-	(39)	-	-	(336)	-	-	-	16,847	16,472
Currency exposure	(464)	-	(8,342)	(71)	-	(255)	(17)	398	-	(8,751)

Notes:-

- (1) - The trade receivables exclude accrued income.
- (2) - The other receivables exclude goods and services tax receivable and advances to suppliers.
- (3) - The other payables and accruals exclude deferred income, goods and services tax payable and sales and services tax payable.

Notes to the Financial Statements (Cont'd)
For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)
47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Group	USD RM'000	NZD RM'000	EUR RM'000	SGD RM'000	IDR RM'000	GBP RM'000	RM RM'000	Total RM'000
2018								
Financial Assets								
Other investment	-	-	-	-	-	-	110	110
Trade receivables ⁽¹⁾	-	-	-	-	-	-	127,987	127,987
Other receivables and deposits ⁽²⁾	-	1	-	-	7	-	1,039	1,047
Short-term investments	-	-	-	-	-	-	1,151	1,151
Deposits with licensed banks	-	-	-	-	-	-	7,651	7,651
Cash and bank balances	156	94	11	6	446	12	23,216	23,941
	156	95	11	6	453	12	161,154	161,887
Financial Liabilities								
Trade payables	2,578	-	2,664	-	-	433	1,260	6,935
Other payables and accruals ⁽³⁾	-	-	-	-	#	-	27,026	27,026
Trade financing	-	-	-	-	-	-	41,355	41,355
Hire purchase and finance lease payables	-	-	-	-	-	-	18,469	18,469
Term financing	-	-	-	-	-	-	8,390	8,390
Term loans	-	-	-	-	-	-	73,960	73,960
	2,578	-	2,664	-	#	433	170,460	176,135

Note:-

- Amount less than RM1,000.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Group	USD RM'000	NZD RM'000	EUR RM'000	SGD RM'000	IDR RM'000	GBP RM'000	RM RM'000	Total RM'000
2018								
Net financial (liabilities)/ assets	(2,422)	95	(2,653)	6	453	(421)	(9,306)	(14,248)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currency	-	(95)	-	-	(453)	-	9,306	8,758
Currency exposure	(2,422)	-	(2,653)	6	-	(421)	-	(5,490)

Notes:-

- (1) - The trade receivables exclude accrued income.
 (2) - The other receivables and deposits exclude goods and services tax receivable and advances to suppliers.
 (3) - The other payables and accruals exclude deferred income and goods and services tax payable.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

Foreign Currency Risk Sensitivity Analysis

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

	Group	
	2019 RM'000	2018 RM'000
Effects on Profit After Taxation		
USD/RM:		
- strengthened by 5%	(18)	(92)
- weakened by 5%	18	92
EUR/RM:		
- strengthened by 5%	(317)	(101)
- weakened by 5%	317	101
SGD/RM:		
- strengthened by 5%	(3)	#
- weakened by 5%	3	(#)
GBP/RM:		
- strengthened by 5%	(10)	(16)
- weakened by 5%	10	16
CHF/RM:		
- strengthened by 5%	(1)	-
- weakened by 5%	1	-
CNY/RM:		
- strengthened by 5%	15	N/A
- weakened by 5%	(15)	N/A

Note:-

- Amount less than RM1,000.

N/A - Not applicable.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(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. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of fixed and floating rate borrowings.

The Group's fixed rate deposits and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the financial year is disclosed in Notes 22, 23 and 28 to the financial statements.

Interest Rate Risk Sensitivity Analysis

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Effects on Profit After Taxation				
Increase of 100 basis points (bp)	(945)	(940)	(55)	(64)
Decrease of 100 bp	945	940	55	64

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity Price Risk Sensitivity Analysis

If prices for quoted investments at the end of the reporting period strengthen by 1% with all other variables being held constant, the Group and the Company's profit after taxation and equity would have increased by approximately RM28,000. A 1% weakening in the quoted prices would have had an equal but opposite effect on the profit after taxation and equity of the Group and Company.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group 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 cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by two (2) customers which constituted approximately 91% of its trade receivables at the end of the financial year.

(ii) Exposure to Credit Risk

At the end of the financial year, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade Receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group considers any receivables having financial difficulty or with significant balances outstanding past due and more than 180 days are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables (excluding accrued income) is summarised below:-

Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Value RM'000
2019			
Current (not past due)	28,735	–	28,735
Past due:			
- 31 to 60 days	8,864	–	8,864
- 61 to 90 days	13,703	–	13,703
- over 90 days	58,478	–	58,478
	81,045	–	81,045
	109,780	–	109,780
Credit impaired:			
- individually impaired	2,602	(2,602)	–
	112,382	(2,602)	109,780

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables is as follows:

Group	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
2018			
Not past due	31,050	–	31,050
Past due:			
- 31 to 60 days	9,546	–	9,546
- 61 to 90 days	13,022	–	13,022
- over 90 days	77,505	(3,136)	74,369
	100,073	(3,136)	96,937
	131,123	(3,136)	127,987

The movements in the loss allowances in respect of trade receivables are disclosed in Note 11 to the financial statements.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries

The Company applies the general approach to measuring expected credit losses for all intercompany balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries is immaterial and hence, it is not provided for.

In the last financial year, the loss allowance on amount owing by subsidiaries was calculated under MFRS 139.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)**47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(c) Liquidity Risk (Cont'd)***Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the financial year 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 financial year):-

Group	Weighted Average Effective Interest Rates %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2019						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	12,169	12,169	12,169	-	-
Other payables and accruals ⁽¹⁾	-	25,104	25,104	25,104	-	-
Trade financing	5.30 to 5.92	43,888	44,753	44,753	-	-
Hire purchase and finance lease payables	4.33 to 13.40	12,279	13,433	8,319	5,114	-
Term financing	4.70	7,223	8,182	1,535	6,138	509
Term loans	4.55 to 5.80	73,240	81,978	4,367	57,983	19,628
Dividend payable	-	6,750	6,750	6,750	-	-
		180,653	192,369	102,997	69,235	20,137

Note:

⁽¹⁾ - The other payables and accruals exclude deferred income, goods and services tax payable and sales and services tax payable.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the financial year 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 financial year) (Cont'd):-

Group	Weighted Average Effective Interest Rates %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2018						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	6,935	6,935	6,935	-	-
Other payables and accruals ⁽¹⁾	-	27,026	27,026	27,026	-	-
Trade financing	5.20 to 6.01	41,355	42,222	42,222	-	-
Hire purchase and finance lease payables	4.53 to 13.40	18,469	21,092	8,089	13,003	-
Term financing	4.60	8,390	9,617	1,518	6,074	2,025
Term loans	4.55 to 5.80	73,960	79,057	3,703	63,975	11,379
		176,135	185,949	89,493	83,052	13,404

Note:

⁽¹⁾ - The other payables and accruals exclude deferred income and goods and services tax payable.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)**47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(c) Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities at the end of the financial year 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 financial year) (Cont'd):-

Company	Weighted Average Effective Interest Rates %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2019						
<u>Non-derivative Financial Liabilities</u>						
Other payables and accruals ⁽¹⁾	-	666	666	666	-	-
Amounts owing to subsidiaries	-	39,862	39,862	39,862	-	-
Hire purchase payable	4.33 to 4.55	413	457	113	272	72
Term financing	4.70	7,223	8,182	1,535	6,138	509
Dividend payable	-	6,750	6,750	6,750	-	-
		54,914	55,917	48,926	6,410	581

Note:-

⁽¹⁾ - The other payables and accruals exclude deferred income, goods and services tax payable and sales and services tax payable.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the financial year 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 financial year) (Cont'd):-

Company	Weighted Average Effective Interest Rates %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2018						
<u>Non-derivative Financial Liabilities</u>						
Other payables and accruals ⁽¹⁾	-	959	959	959	-	-
Amounts owing to subsidiaries	-	41,289	41,289	41,289	-	-
Hire purchase payable	4.53	49	51	23	28	-
Term financing	4.60	8,390	9,617	1,518	6,074	2,025
		50,687	51,916	43,789	6,102	2,025

Note:-

⁽¹⁾ - The other payables and accruals exclude deferred income and goods and services tax payable.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group 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.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory requirements, if any. The debt-to-equity ratio is calculated as total borrowings divided by total equity. The Group includes within total borrowings, loans and borrowings from financial institutions. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the financial year is as follows:-

	Group	
	2019 RM'000	2018 RM'000
Trade financing (Note 28)	43,888	41,355
Hire purchase and finance lease payables (Note 24)	12,279	18,469
Term financing (Note 23)	7,223	8,390
Term loans (Note 22)	73,240	73,960
Total borrowings	136,630	142,174
Total equity	262,628	266,677
Debt-to-equity ratio	0.52	0.53

There was no change in the Group's approach to capital management during the financial year.

The Group is also required to comply with certain loan covenants as disclosed in Note 22 to the financial statements, failing which, the banks may call an event of default. The Group has complied with this requirement.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)**47.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	2019	
	The Group RM	The Company RM
Financial Assets		
<u>Mandatorily at Fair Value Through Profit or Loss</u>		
Other investment (Note 8)	110	-
Short-term investments (Note 16)	3,716	3,716
	<hr/> 3,826	<hr/> 3,716
<u>Amortised Cost</u>		
Trade receivables ⁽¹⁾ (Note 11)	109,780	-
Other receivables and deposits ⁽²⁾ (Note 14)	1,677	268
Amounts owing by subsidiaries (Note 15)	-	77,924
Deposits with licensed banks (Note 17)	6,462	-
Cash and bank balances (Note 17)	26,935	12,674
	<hr/> 144,854	<hr/> 90,866
Financial Liabilities		
<u>Amortised Cost</u>		
Trade payables (Note 26)	12,169	-
Other payables and accruals ⁽³⁾ (Note 27)	25,104	666
Amounts owing to subsidiaries (Note 15)	-	39,862
Trade financing (Note 28)	43,888	-
Hire purchase and finance lease payables (Note 24)	12,279	413
Term financing (Note 23)	7,223	7,223
Term loans (Note 22)	73,240	-
Dividend payable (Note 29)	6,750	6,750
	<hr/> 180,653	<hr/> 54,914

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	2018	
	The Group RM	The Company RM
Financial Assets		
<u>Available-for-sale Financial Asset</u>		
Other investment (Note 8)	110	-
<u>Fair Value through Profit or Loss</u>		
Short-term investments (Note 16)	1,151	1,151
<u>Loans and Receivables Financial Assets</u>		
Trade receivables ⁽¹⁾ (Note 11)	127,987	-
Other receivables and deposits ⁽²⁾ (Note 14)	1,047	124
Amounts owing by subsidiaries (Note 15)	-	94,582
Deposits with licensed banks (Note 17)	7,651	23
Cash and bank balances (Note 17)	23,941	937
	160,626	95,666
Financial Liabilities		
<u>Other Financial Liabilities</u>		
Trade payables (Note 26)	6,935	-
Other payables and accruals ⁽³⁾ (Note 27)	27,026	959
Amounts owing to subsidiaries (Note 15)	-	41,289
Trade financing (Note 28)	41,355	-
Hire purchase and finance lease payables (Note 24)	18,469	49
Term financing (Note 23)	8,390	8,390
Term loans (Note 22)	73,960	-
	176,135	50,687

Notes:-

⁽¹⁾ - The trade receivables exclude accrued income.

⁽²⁾ - The other receivables and deposits exclude goods and services tax receivable and advances to suppliers.

⁽³⁾ - The other payables and accruals exclude deferred income, goods and services tax payable and sales and services tax payable.

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)**47.4 FAIR VALUE INFORMATION**

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms. The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the financial year:-

Group	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
2019								
Financial Assets								
Trade receivables (non-current)	-	-	-	-	6,162	-	6,162	6,162
Other investment: - club membership	-	110	-	-	-	-	110	110
Short-term investments	3,716	-	-	-	-	-	3,716	3,716
Financial Liabilities								
Hire purchase and finance lease payables	-	-	-	-	12,279	-	12,279	12,279
Term financing	-	-	-	-	7,223	-	7,223	7,223
Term loans	-	-	-	-	73,240	-	73,240	73,240
2018								
Financial Assets								
Trade receivables (non-current)	-	-	-	-	4,351	-	4,351	4,351
Other investment: - club membership	-	110	-	-	-	-	110	110
Short-term investments	1,151	-	-	-	-	-	1,151	1,151
Financial Liabilities								
Hire purchase and finance lease payables	-	-	-	-	18,469	-	18,469	18,469
Term financing	-	-	-	-	8,390	-	8,390	8,390
Term loans	-	-	-	-	73,960	-	73,960	73,960

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.4 FAIR VALUE INFORMATION (CONT'D)

Company	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	RM'000	RM'000
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial Asset</u>								
Short-term investments	3,716	-	-	-	-	-	3,716	3,716
<u>Financial Liabilities</u>								
Hire purchase payable	-	-	-	-	413	-	413	413
Term financing	-	-	-	-	7,223	-	7,223	7,223
2018								
<u>Financial Asset</u>								
Short-term investments	1,151	-	-	-	-	-	1,151	1,151
<u>Financial Liabilities</u>								
Hire purchase payable	-	-	-	-	49	-	49	49
Term financing	-	-	-	-	8,390	-	8,390	8,390

Notes to the Financial Statements (Cont'd)

For the Financial Year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.4 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

- (i) The fair values above have been determined using the following basis:-
 - (aa) The fair value of the club membership is estimated based on its market price.
 - (bb) The fair values of short-term investments are measured at their quoted closing bid prices at the end of the financial year.
- (ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair values of trade receivables (non-current) are determined using discounted cash flows based on risk-free rates ranging from 3.62 to 3.76% (2018 - 3.62 to 3.67%).
- (ii) The fair values of hire purchase and finance lease payables, term financing and term loans are determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the financial year. The interest rates used to discount the estimated cash flows are as follows:-

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Hire purchase and finance lease payables	4.33 to 13.40	4.53 to 13.40	4.33 to 4.55	4.53
Term financing	4.70	4.60	4.70	4.60
Term loans	4.55 to 5.80	4.55 to 5.80	-	-

LIST OF PROPERTIES

AS AT 31 MARCH 2019

No.	Registered/ Beneficial Owner	Title / Address	Description/ Existing use	Tenure	Approximate Age of Building Years	Land Area/ built-up area sq.ft	NBV as at 31 March 2019 (RM'000)	Date of Acquisition
1	Datasonic Corporation Sdn Bhd	HS(D) No.223124, PT No.6 Seksyen 20 Bandar Petaling Jaya, District of Petaling Wisma RPS, No. 2D Jalan Kilang 206 46050 Petaling Jaya Selangor	4-storey commercial building Currently used by Regional Personalisation Services Division	60 years leasehold expiring on 3 August 2065	28	12,810	4,499	4-Apr-2011
2	Datasonic Group Berhad	P.N 6862, Lot 321 Seksyen 14 Bandar Petaling Jaya, District of Petaling Lot 20A, Jalan 223, 46100 Petaling Jaya Selangor	3-storey office building annexed and single story warehouse Currently used by manufacturing division	99 years leasehold expiring on 19 May 2067	27	46,685	13,352	7-Feb-2013
3	Datasonic Technologies Sdn Bhd	Lot 1-1, First Floor Retail Office, Olive Hill Business Park	Retail Office (Completed in February 2017)	Freehold Building	2	14,800	7,277	30-Sep-2013
4	Datasonic Technologies Sdn Bhd	Lot 1-2, First Floor Retail Office, Olive Hill Business Park	Retail Office (Completed in February 2017)	Freehold Building	2	9,673	4,555	30-Sep-2013
5	Datasonic Technologies Sdn Bhd	H.S.(D) 6885 PT 2805 Presint 8 Bandar Putrajaya Daerah Putrajaya Negeri Wilayah Persekutuan Putrajaya Block A1-2-3A Block A1 Promenade@8 Phase 8C1 Precinct 8 Putrajaya	Shop Offices Promenade@8 Currently used by Project Management Team	Freehold Building	6	3,208	1,630	3-Jul-2014

List of Properties (Cont'd)
As at 31 March 2019

No.	Registered/ Beneficial Owner	Title / Address	Description/ Existing use	Tenure	Approximate Age of Building Years	Land Area/ built-up area sq.ft	NBV as at 31 March 2019 (RM'000)	Date of Acquisition
6	Datasonic Technologies Sdn Bhd	H.S.(D) 6885 PT 2805 Presint 8 Bandar Putrajaya Daerah Putrajaya Negeri Wilayah Persekutuan Putrajaya Block A1-3-2 Block A1 Promenade@8 Phase 8C1 Precinct 8 Putrajaya	Shop Offices Promenade@8 Currently used by Project Management Team	Freehold Building	6	3,341	1,657	3-Jul-2014
7	Datasonic Technologies Sdn Bhd	H.S.(D) 6885 PT 2805 Presint 8 Bandar Putrajaya Daerah Putrajaya Negeri Wilayah Persekutuan Putrajaya Block A2-2-3 Block A2 Promenade@8 Phase 8C1 Precinct 8 Putrajaya	Shop Offices Promenade@8 Currently used by Project Management Team	Freehold Building	6	2,909	1,462	3-Jul-2014
8	Datasonic Technologies Sdn Bhd	H.S.(D) 6885 PT 2805 Presint 8 Bandar Putrajaya Daerah Putrajaya Negeri Wilayah Persekutuan Putrajaya Block A2-3-2 Block A2 Promenade@8 Phase 8C1 Precinct 8 Putrajaya	Shop Offices Promenade@8 Currently used by Project Management Team	Freehold Building	6	3,344	1,667	3-Jul-2014
9	Datasonic Technologies Sdn Bhd	A1-1 Block A, Ground Floor, Radius Business Park, Jalan Teknokrat 2, Cyberjaya 63000 Cyberjaya	Shop Offices Cyberjaya Currently used by Project Management Team	Freehold Building	1	3,019	3,291	6-Feb-2018

List of Properties (Cont'd)

As at 31 March 2019

No.	Registered/ Beneficial Owner	Title / Address	Description/ Existing use	Tenure	Approximate Age of Building Years	Land Area/ built-up area sq.ft	NBV as at 31 March 2019 (RM'000)	Date of Acquisition
10	Datasonic Technologies Sdn Bhd	A1-2 Block A, First Floor, Radius Business Park, Jalan Teknokrat 2, Cyberjaya 63000 Cyberjaya	Shop Offices Cyberjaya Currently used by Project Management Team	Freehold Building	1	3,334	2,106	6-Feb-2018
11	Datasonic Technologies Sdn Bhd	A1-3 Block A, Second Floor, Radius Business Park, Jalan Teknokrat 2, Cyberjaya 63000 Cyberjaya	Shop Offices Cyberjaya Currently used by Project Management Team	Freehold Building	1	3,334	1,776	6-Feb-2018
12	Datasonic Technologies Sdn Bhd	A1-4 Block A, Third Floor, Radius Business Park, Jalan Teknokrat 2, Cyberjaya 63000 Cyberjaya	Shop Offices Cyberjaya Currently used by Project Management Team	Freehold Building	1	3,334	1,387	6-Feb-2018
13	Datasonic Manufacturing Sdn Bhd	Unit No. 33, HS (D) 158423, PT No. 76949 Mukim Kapar, Daerah Klang Selangor	Factory	Freehold Land & Building	*	84,033	-	2-Apr-2018
Total							44,662	

* Still under construction

STATISTICS OF SHAREHOLDINGS

AS AT 18 JUNE 2019

Issued Shares	:	1,350,000,000 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per Ordinary Share

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Issued Shares	% of Issued Shares
Less than 100	34	0.38	399	0.00
100 - 1,000	838	9.49	598,941	0.04
1,001 - 10,000	4,677	52.94	26,564,638	1.97
10,001 - 100,000	2,805	31.75	93,984,579	6.97
100,001 - less than 5% of issued shares	476	5.39	639,525,783	47.37
5% and above of issued shares	4	0.05	589,325,660	43.65
Total	8,834	100.00	1,350,000,000	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(As per the Register of Substantial Shareholders)

No.	Name of Shareholders	Direct Interest		Deemed Interest	
		No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
1.	Datuk Haji Abu Hanifah bin Noordin	204,262,260	15.13	2,112,010 * 130,660,000 * 43,050,000 ** 3,000,000 **	0.16 9.68 3.19 0.22
2.	Datin Popi Riandani binti Dody Muchtar	43,050,000	3.19	130,660,000 *	9.68
3.	Gerbang Subur Sdn Bhd	130,660,000	9.68	–	–
4.	Chew Ben Ben	148,458,800	11.00	130,250,000 * 23,000,000 **	9.65 1.70
5.	Enrich Epitome Sdn Bhd	130,250,000	9.65	–	–
6.	Urusharta Jamaah Sdn Bhd	124,153,400	9.20	–	–

Notes:

* Deemed interest pursuant to Section 8 of the Companies Act, 2016.

** Deemed interest pursuant to Section 59(11)(c) of the Companies Act, 2016.

Statistics of Shareholdings (Cont'd)

As at 18 June 2019

DIRECTORS' SHAREHOLDINGS

(As per the Register of Directors' Shareholdings)

No.	Name of Directors	Direct Interest		Deemed Interest	
		No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
1.	Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B)	7,500,000	0.56	–	–
2.	Dato' Wan Mohd Safiain bin Wan Hasan	–	–	–	–
3.	Datuk Haji Abu Hanifah bin Noordin	204,262,260	15.13	2,112,010 * 130,660,000 * 43,050,000 ** 3,000,000 **	0.16 9.68 3.19 0.22
4.	Chew Ben Ben	148,458,800	11.00	130,250,000 * 23,000,000 **	9.65 1.70
5.	Handrianov Putra bin Abu Hanifah	–	–	–	–
6.	Md Diah bin Ramli	135,990	0.01	–	–
7.	Mohamed Zulkhornain bin Ab Raneer	–	–	–	–
8.	Raghibir Singh a/l Hari Singh	670,000	0.05	–	–
9.	Talya Zholeikha binti Abu Hanifah	3,000,000	0.22	–	–
10.	Datuk Dr Aziz Jamaludin bin Hj Mhd Tahir	–	–	–	–
11.	Safia Zuleira binti Abu Hanifah	3,000,000	0.22	–	–
12.	Dato' Wan Ibrahim bin Wan Ahmad	20,000	0.00	–	–
13.	Yee Kim Shing @ Yew Kim Sing	–	–	100,000 **	0.01
14.	Dato' Zaiful Ayu Ibrahim bin Ibrahim	–	–	–	–

Notes:

* Deemed interest pursuant to Section 8 of the Companies Act, 2016.

** Deemed interest pursuant to Section 59(11)(c) of the Companies Act, 2016.

Statistics of Shareholdings (Cont'd)

As at 18 June 2019

THIRTY LARGEST SHAREHOLDERS

(As per the Record of Depositors)

No.	Name of Shareholders	No. of Issued Shares	% of Issued Shares
1.	Abu Hanifah bin Noordin	204,262,260	15.13
2.	Gerbang Subur Sdn Bhd	130,660,000	9.68
3.	Enrich Epitome Sdn Bhd	130,250,000	9.65
4.	Urusharta Jamaah Sdn Bhd	124,153,400	9.20
5.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account – Ambank (M) Berhad for Chew Ben Ben (SMART)</i>	58,843,100	4.36
6.	AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chew Ben Ben (8095340)</i>	50,900,000	3.77
7.	Popi Riandani binti Dody Muchtar	43,050,000	3.19
8.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chew Ben Ben</i>	27,962,100	2.07
9.	CitiGroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (PHEIM)</i>	26,585,400	1.97
10.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt an for Phillip Capital Management Sdn Bhd</i>	26,357,100	1.95
11.	Zhao, Tong	23,000,000	1.70
12.	Liu, Xin	20,200,000	1.50
13.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt an for Phillip Capital Management Sdn Bhd (EPF)</i>	18,251,100	1.35
14.	Yap Kai Jie	12,106,700	0.90
15.	Yap Tian Tion	10,571,800	0.78
16.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chew Ben Ben</i>	9,053,400	0.67
17.	Cartaban Nominees (Asing) Sdn Bhd <i>Exempt an for Standard Chartered Bank Singapore Branch (SG PVB CL AC)</i>	9,011,500	0.67
18.	Tham Choon Sarn	7,799,500	0.58
19.	Mohamed Hashim bin Mohd Ali (Gen Rtd Tan Sri)	7,500,000	0.56
20.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Exempt an for Phillip Capital Management Sdn Bhd</i>	7,197,300	0.53
21.	Cartaban Nominees (Tempatan) Sdn Bhd <i>Exempt an for LGT Bank AG (Local)</i>	6,246,400	0.46
22.	Tan Sin Chai	6,190,000	0.46
23.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Ang Kok Seong (M55015)</i>	6,144,800	0.46
24.	CitiGroup Nominees (Asing) Sdn Bhd <i>CEP for PHEIM Sica V-Sif</i>	6,062,200	0.45
25.	Lim Bee Eng	5,547,500	0.41
26.	CitiGroup Nominees (Asing) Sdn Bhd <i>CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc</i>	5,365,283	0.40
27.	Tham Choon Sarn	5,062,400	0.37
28.	Chu Ben Ting @ Chew Ah Teen	5,000,000	0.37
29.	CIMB Group Nominees (Asing) Sdn Bhd <i>Exempt an for DBS Bank Ltd (SFS)</i>	4,940,400	0.37
30.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Growth Fund</i>	4,500,000	0.33
Total		1,002,773,643	74.29

STATISTICS OF WARRANTHOLDINGS

AS AT 18 JUNE 2019

Issued Warrants	:	675,000,000 Warrants
Exercise price of Warrant	:	RM1.09
Issue Date	:	6 July 2018
Maturity Date	:	5 July 2023

ANALYSIS OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Issued Warrants	% of Issued Warrants
Less than 100	177	2.71	7,693	0.00
100 - 1,000	1,226	18.77	875,368	0.04
1,001 - 10,000	3,475	53.20	15,199,049	1.97
10,001 - 100,000	1,315	20.13	44,243,150	6.97
100,001 - less than 5% of issued warrants	334	5.11	264,395,810	47.37
5% and above of issued warrants	5	0.08	350,278,930	43.65
Total	6,532	100.00	675,000,000	100.00

DIRECTORS' WARRANTHOLDINGS

(As per the Register of Directors' Warrantholdings)

No.	Name of Directors	Direct Interest		Deemed Interest	
		No. of Issued Warrants	% of Issued Warrants	No. of Issued Warrants	% of Issued Warrants
1.	Jeneral Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (B)	3,750,000	0.56	–	–
2.	Dato' Wan Mohd Safiain bin Wan Hasan	12,500	0.00	–	–
3.	Datuk Haji Abu Hanifah bin Noordin	102,131,130	15.13	1,056,010 *	0.16
				65,330,000 *	9.68
				21,500,000 **	3.19
				1,500,000 **	0.22
4.	Chew Ben Ben	94,310,100	13.97	65,125,000 *	9.65
				13,450,000 **	1.99
5.	Handrianov Putra bin Abu Hanifah	–	–	–	–
6.	Md Diah bin Ramli	50,000	0.01	–	–
7.	Mohamed Zulkhornain bin Ab Raneer	–	–	–	–
8.	Raghibir Singh a/l Hari Singh	485,000	0.07	–	–
9.	Talya Zholeikha binti Abu Hanifah	1,500,000	0.22	–	–
10.	Datuk Dr Aziz Jamaludin bin Hj Mhd Tahir	–	–	–	–
11.	Safia Zuleira binti Abu Hanifah	1,500,000	0.22	–	–
12.	Dato' Wan Ibrahim bin Wan Ahmad	10,000	0.00	–	–
13.	Yee Kim Shing @ Yew Kim Sing	–	–	50,000 **	0.01
14.	Dato' Zaiful Ayu Ibrahim bin Ibrahim	200,000	0.03	–	–

Notes:

* Deemed interest pursuant to Section 8 of the Companies Act, 2016.

** Deemed interest pursuant to Section 59(11)(c) of the Companies Act, 2016.

Statistics of Warrantholdings (Cont'd)

As at 18 June 2019

THIRTY LARGEST WARRANTHOLDERS

(As per the Record of Depositors)

No.	Name of Directors	No. of Issued Warrants	% of Issued Warrants
1.	Abu Hanifah bin Noordin	102,131,130	15.13
2.	Gerbang Subur Sdn Bhd	65,330,000	9.68
3.	Enrich Epitome Sdn Bhd	65,125,000	9.65
4.	Urusharta Jamaah Sdn Bhd	62,076,700	9.20
5.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account – Ambank (M) Berhad for Chew Ben Ben (SMART)</i>	55,616,100	8.24
6.	AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chew Ben Ben (8095340)</i>	21,934,700	3.25
7.	Popi Riandani binti Dody Muchtar	21,500,000	3.19
8.	Zhao, Tong	13,450,000	1.99
9.	Chu Ben Ting @ Chew Ah Teen	12,000,000	1.78
10.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chew Ben Ben</i>	10,859,200	1.61
11.	Liu, Xin	7,350,000	1.09
12.	Yap Kai Jie	6,053,350	0.90
13.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chew Ben Ben</i>	5,050,000	0.75
14.	Yap Tian Tion	4,535,900	0.67
15.	HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA for Vanguard Total International Stock Index Fund</i>	4,140,150	0.61
16.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Chai Lee Lee (MY2254)</i>	4,000,000	0.59
17.	Tham Choon Sarn	3,899,750	0.58
18.	Lim Soon Guan	3,750,000	0.56
19.	Mohamed Hashim bin Mohd Ali (Gen Rtd Tan Sri)	3,750,000	0.56
20.	Tan Sin Chai	3,095,000	0.46
21.	HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA for Vanguard Emerging Markets Stock Index Fund</i>	2,475,550	0.37
22.	Maybank Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Teo Hiang Long</i>	2,300,000	0.34
23.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Suraj Singh Gill (CTS-SSG002C)</i>	2,250,000	0.33
24.	Lee Swan Choo	2,100,000	0.31
25.	Ocean Wide Service Station Sdn Bhd	2,099,600	0.31
26.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt an for Bank of Singapore Limited</i>	2,040,000	0.30
27.	Chiu Hooi Yen	2,000,000	0.30
28.	Seng Shun Mun	2,000,000	0.30
29.	Nur'ain binti Jaafar	1,730,800	0.26
30.	Liew Yook Kuiw	1,647,200	0.24
Total		496,290,130	73.55

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of DATASONIC GROUP BERHAD ("the Company") will be held at Cindai 1 & 2, Cyberview Resort & Spa, Persiaran Multimedia, 63000 Cyberjaya, Selangor Darul Ehsan on Thursday, 1 August 2019 at 10:00 a.m. for the purpose of transacting the following businesses:-

AGENDA

As Ordinary Business

- | | |
|--|------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 March 2019 together with the Reports of the Directors and Auditors thereon.
<i>(Please refer to Explanatory Note A)</i> | Ordinary Resolution 1 |
| 2. To approve the Directors' fees payable to the Non-Executive Directors of the Company up to an amount of RM1,100,000 from the day after the Eleventh Annual General Meeting ("AGM") until the next AGM of the Company, to be paid monthly in arrears.
<i>(Please refer to Explanatory Note B)</i> | Ordinary Resolution 2 |
| 3. To approve the Directors' benefits payable to the Non-Executive Directors of the Company up to an amount of RM200,000 from the day after the Eleventh AGM until the next AGM of the Company.
<i>(Please refer to Explanatory Note B)</i> | Ordinary Resolution 3 |
| 4. To re-elect the following Directors who retire in accordance with Article 126 of the Articles of Association of the Company and being eligible, have offered themselves for re-election:- | |
| a) Dato' Wan Mohd Safiain bin Wan Hasan
<i>(Please refer to Explanatory Note C)</i> | Ordinary Resolution 4 |
| b) Mr. Chew Ben Ben | Ordinary Resolution 5 |
| c) Encik Mohamed Zulkhornain bin Ab Rane | Ordinary Resolution 6 |
| d) Puan Talya Zholeikha binti Abu Hanifah | Ordinary Resolution 7 |
| e) Mr. Yee Kim Shing @ Yew Kim Sing
<i>(Please refer to Explanatory Note C)</i> | Ordinary Resolution 8 |
| 5. To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 8 |

Notice of Eleventh Annual General Meeting (Cont'd)

As Special Business

To consider and, if thought fit, to pass the following Resolutions, with or without modifications:-

6. Ordinary Resolution:

Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016

"THAT subject to Sections 75 and 76 of the Companies Act, 2016, the Constitution of the Company and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered to issue and allot shares in the Company, at any time, to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

(Please refer to Explanatory Note D)

Ordinary Resolution 9

7. Ordinary Resolution:

Proposed Authority for the Company to Purchase Its Own Shares ("Proposed Share Buy Back")

"THAT subject to the Companies Act, 2016 ("the Act"), the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the approvals of all relevant governmental and/or regulatory authorities (if any), approval be and is hereby given to the Company to purchase such number of ordinary shares as may be determined by the Directors of the Company from time to time through Bursa Malaysia upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:-

- a) the maximum aggregate number of ordinary shares to be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;
- b) the maximum fund to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase; and
- c) the authority conferred by this resolution shall be effective immediately after the passing of this resolution and shall continue to be in force until:-
 - i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which this resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that next AGM, the authority is renewed, either unconditionally or subject to conditions; or
 - ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
 - iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

whichever, occur first.

Notice of Eleventh Annual General Meeting (Cont'd)

THAT upon completion of the purchase(s) by the Company of its own ordinary shares, the Directors be and are hereby authorised to deal with the ordinary shares so purchased in their absolute discretion in the following manners:-

- a) cancel all the ordinary shares so purchased; or
- b) retain the ordinary shares so purchased as treasury shares; or
- c) retain part of the ordinary shares so purchased as treasury shares and cancel the remainder of the ordinary shares.

THAT where such ordinary shares are held as treasury shares, the Directors be and are hereby authorised to deal with the treasury shares in their absolute discretion, in the following manner:-

- a) distribute the ordinary shares as dividends to shareholders, such dividends to be known as "shares dividends"; or
- b) resell the ordinary shares or any of the ordinary shares in accordance with the relevant rules of Bursa Malaysia; or
- c) transfer the ordinary shares or any of the ordinary shares for the purposes of or under an employees' share scheme; or
- d) transfer the ordinary shares or any of the ordinary shares as purchase consideration; or
- e) cancel the ordinary shares or any of the ordinary shares; or
- f) sell, transfer or otherwise use the ordinary shares for such other purposes as the Minister charged with the responsibilities for companies may by order prescribe.

AND THAT the Directors be and are hereby authorised and empowered to take all such steps as are necessary or expedient (including the opening and maintaining of depository account(s) under the Securities Industry (Central Depositories) Act 1991 and to enter into and execute, on behalf of the Company, any instrument, agreement, arrangement and guarantee with any party or parties to implement, finalise, complete or to give full effect to the Proposed Share Buy-Back with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by Bursa Malaysia or the relevant regulatory authorities and with the fullest power to do such acts and things thereafter in accordance with the Act, the provisions of the Constitution of the Company and the requirements and/or guidelines of Bursa Malaysia and other relevant governmental and/or regulatory authorities."

(Please refer to Explanatory Note E)

Ordinary Resolution 10

Notice of Eleventh Annual General Meeting (Cont'd)

**8. Special Resolution:
Proposed Adoption of New Constitution of the Company ("Proposed New Constitution")**

"THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company in its entirety with immediate effect and in place thereof, a new Constitution of the Company as set out in the Circular/ Statement to Shareholders dated 3 July 2019 be and is hereby adopted as the Constitution of the Company with immediate effect.

AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed New Constitution."
(Please refer to Explanatory Note F)

Special Resolution

9. To transact any other business of which due notice has been given in accordance with the Companies Act, 2016.

By Order of the Board

NIU CHEW WEI (MAICSA 7022900)
Company Secretary

Kuala Lumpur
3 July 2019

NOTES:

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.
- (2) Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (3) Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- (4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or the hand of its attorney or duly authorised officer.
- (5) The instrument appointing a proxy or proxies and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Share Registrar's office, Boardroom Share Registrars Sdn Bhd (Company No. 378993-D) (formerly known as Symphony Share Registrars Sdn Bhd) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.
- (6) In respect of deposited securities, only a depositor whose name appears on the Record of Depositors as at 25 July 2019 shall be entitled to attend the said meeting or appoint proxy(ies) to attend, speak and vote in his/her stead.
- (7) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of the Eleventh Annual General Meeting of the Company shall be put to vote by way of a poll. The Company will appoint at least one (1) scrutineer to validate the votes cast at the Eleventh Annual General Meeting.

Notice of Eleventh Annual General Meeting (Cont'd)

EXPLANATORY NOTES:

A) To receive the Audited Financial Statements

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

B) Ordinary Resolutions 1 and 2 – Directors' Fees and Benefits Payable To Non-Executive Directors

Section 230(1) of the Companies Act, 2016, provides amongst others, that the fees of the Directors and any benefits payable to the Directors of the Company shall be approved at a general meeting.

The proposed Ordinary Resolutions 1 and 2, if passed, will allow payment of Directors' fees and benefits to Non-Executive Directors ("NED") of the Company on a monthly basis and/or as and when incurred within the stipulated period.

The proposed Directors' benefits payable comprises of meeting allowance and other benefits.

The estimated amount of Directors' benefits payable is based on the size of the Board and Board Committees and the number of scheduled Board and Board Committees meetings for the period commencing from the day after the Eleventh Annual General Meeting until the next Annual General Meeting of the Company.

C) Annual Assessment of the Independence of the Independent Directors

The Board through the Nomination and Remuneration Committee has undertaken an annual assessment of the independence of all its Independent Directors, including Dato' Wan Mohd Safiain bin Wan Hasan and Mr. Yee Kim Shing @ Yew Kim Sing who are seeking for re-election as Directors of the Company at the Eleventh Annual General Meeting of the Company.

The Board is satisfied that they meet the criteria prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

D) Special Business

Ordinary Resolution 9 – Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016

The existing general mandate for the authority to issue and allot shares was approved by the shareholders of the Company at the Tenth Annual General Meeting held on 25 July 2018. As at the date of this Notice, the Company did not issue any new shares pursuant to this mandate obtained.

The proposed Ordinary Resolution 9, if passed, will empower the Directors pursuant to Sections 75 and 76 of the Companies Act, 2016, from the conclusion of this Annual General Meeting, to issue and allot shares in the Company provided that the aggregate number of shares issued does not exceed 10% of the total number of issued share capital of the Company at the time of issue for such purposes as they consider would be in the best interest of the Company.

This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The renewal of this general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for purpose of funding investment project(s), working capital and/or acquisition. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

Notice of Eleventh Annual General Meeting (Cont'd)

E) Special Business

Ordinary Resolution 10 – Proposed Authority for the Company to Purchase Its Own Shares

The proposed Ordinary Resolution 10, if passed, will allow the Company to purchase its own shares up to 10% of the total issued shares of the Company at any time within the time period stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Please refer to the Circular/Statement to Shareholders dated 3 July 2019, which is despatched together with the Company's Annual Report 2019, for further information.

F) Special Business

Special Resolution – Proposed Adoption of New Constitution of the Company

The proposed Special Resolution, if passed, will align the Constitution of the Company with the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to enhance administrative efficiency.

Please refer to the Circular/Statement to Shareholders dated 3 July 2019, which is despatched together with the Company's Annual Report 2019, for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Details of individuals who are standing for election as Directors

No individual is standing for election as Director at the Eleventh Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of the general mandate for the Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016 are set out in Explanatory Note D of the Notice of Eleventh Annual General Meeting.

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PROXY FORM

No. of Shares Held	CDS Account No.

*I/We,

*NRIC No./Passport No./Company No.

of

being a *member/members of DATASONIC GROUP BERHAD ("the Company"), hereby appoint

..... *NRIC No./Passport No.

of

or failing *him/her,

..... *NRIC No./Passport No.

of

or failing *him/her, #the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Cindai 1 & 2, Cyberview Resort & Spa, Persiaran Multimedia, 63000 Cyberjaya, Selangor Darul Ehsan on Thursday, 1 August 2019 at 10:00 a.m. or at any adjournment thereof.

Please indicate your voting instructions with an "X" in the appropriate space. Unless voting instructions are specified herein, the proxy/proxies will vote or abstain from voting as he/she thinks fit.

No.	Resolutions	For	Against
1.	To approve the Directors' fees payable to the Non-Executive Directors of the Company up to an amount of RM1,100,000 from the day after the Eleventh Annual General Meeting until the next Annual General Meeting of the Company, to be paid monthly in arrears		
2.	To approve the Directors' benefits payable to the Non-Executive Directors of the Company up to an amount of RM200,000 from the day after the Eleventh Annual General Meeting until the next Annual General Meeting of the Company		
3.	To re-elect Dato' Wan Mohd Safiain bin Wan Hasan as Director of the Company		
4.	To re-elect Mr. Chew Ben Ben as Director of the Company		
5.	To re-elect Encik Mohamed Zulkhornain bin Ab Ranees as Director of the Company		
6.	To re-elect Puan Talya Zholeikha binti Abu Hanifah as Director of the Company		
7.	To re-elect Mr. Yee Kim Shing @ Yew Kim Sing as Director of the Company		
8.	To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
9.	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
10.	Proposed Authority for the Company to Purchase Its Own Shares		
11.	Proposed Adoption of New Constitution of the Company		

The proportion of *my/our shareholdings to be represented by *my/our proxies are as follows:-

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

If you wish to appoint other person(s) to be your proxy/proxies, kindly strike out the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.

* Delete if not applicable

Dated this day of2019

Signature of Shareholder or Common Seal

Contact No.



Fold this flap for sealing

NOTES:

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**AFFIX
STAMP**

DATASONIC GROUP BERHAD

(Company No. 809759-X)

c/o Boardroom Share Registrars Sdn Bhd (378993-D)
(Formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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PERSONAL DATA PROTECTION NOTICE

The Personal Data Protection Act, 2010 which regulates the processing of personal data in commercial transactions, applies to Datasonic Group Berhad ("the Company").

A member of the Company entitled to attend, speak and vote at the Annual General Meeting or at any adjournment thereof, is entitled to appoint a proxy(ies) and/or representative(s) to attend, speak and vote in his/her stead.

In connection with the aforesaid purposes, personal data is or will be collected by the Company or its agents from the information provided or furnished by the member(s) which includes, but is not limited to:-

- Name.
- Shareholding(s).
- Central Depository System account number.
- National Registration Identity Card/Passport number.
- Correspondence address.
- Contact details.
- Any other personal data of the member(s) and/or the member's proxy(ies) and/or representative(s).

In addition to the personal data provided by the member(s) to the Company or its agents directly, the Company or its agents may collect the personal data of the member(s) from a variety of sources, including but not limited to, Bursa Malaysia Depository Sdn Bhd, stockbrokers and remisiers.

The Company or its agents may use and process the personal data of the member(s) and/or the member's proxy(ies) and/or representative(s) for the purposes which include, but not limited to:-

- Processing and administration by the Company or its agents of proxy(ies) and/or representative(s) appointed for the Annual General Meeting or at any adjournment thereof.
- Preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting or at any adjournment thereof.
- Communicate with the member(s).
- Responding to inquiries from the member(s).
- Compliance with any applicable law, listing requirement, guideline and regulation.

(collectively known as "Purposes")

Personal Data Protection Notice (Cont'd)

However, if a member(s) fails to supply the Company or its agents with such personal data, the Company or its agents may not be able to process or disclose the personal data for any of the Purposes.

In addition, the personal data may be disclosed or transferred to companies within the Datasonic Group or its agents or any third party or persons for the Purposes and all such other purposes that are related to the Purposes including but not limited to the share registrar, accountants, auditors, consultants, lawyers and financial or professional advisers appointed by the Company.

If so required for any of the Purposes, the personal data may be transferred to locations outside Malaysia.

The member(s) is responsible for ensuring that the personal data provided or furnished to the Company or its agents is accurate, complete, not misleading and up to date.

The Company or its agents may request the member(s) assistance to procure the consent of proxy(ies) and/or representative(s) whose personal data is provided by the member(s) to the Company or its agents and the member(s) agrees to use his/her best endeavours to do so.

The Company or its agents will not keep the personal data for longer than is necessary and will take reasonable steps to destroy and/or delete from the records and system.

Member(s) of the Company may access and request for correction of his/her personal data. If the member(s) has any enquiry or complaint in respect of his/her personal data, please contact the Company at:-

Datasonic Group Berhad (Company No. 809759-X)
Level 6, Bangunan Setia 1
No. 15, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Attention	:	Company Secretarial Department
Telephone No.	:	(603) 2087 6000
Fax No.	:	(603) 2094 3600

By providing the personal data to the Company or its agents, the member(s) expressly agrees, confirms and consents to the processing of the member(s)' personal data by the Company or its agents for the Purposes.

In the event of any inconsistency between the English version and the Bahasa Malaysia version of this Notice, the English version shall prevail.

NOTIS PERLINDUNGAN DATA PERIBADI

Akta Perlindungan Data Peribadi, 2010 yang mengawal selia pemprosesan data peribadi dalam transaksi komersial, diaplikasikan kepada Datasonic Group Berhad ("Syarikat").

Seorang ahli Syarikat yang layak untuk menghadiri, bercakap dan mengundi di Mesyuarat Agung Tahunan atau pada sebarang penangguhannya, berhak untuk melantik seorang proksi(-proksi) dan/atau wakil(-wakil) untuk hadir, bercakap dan mengundi bagi pihak beliau.

Sehubungan dengan maksud tersebut di atas, data peribadi telah atau akan diambil oleh Syarikat atau ejen-ejennya daripada maklumat yang diberikan atau dikemukakan oleh ahli(-ahli) yang termasuk, tetapi tidak terhad kepada:-

- Nama.
- Pegangan Saham.
- Pusat Sistem Depositori nombor akaun.
- Nombor Kad Pengenalan Pendaftaran Negara/Pasport.
- Alamat surat menyurat.
- Butiran perhubungan.
- Lain-lain data peribadi ahli(-ahli) dan/atau proksi(-proksi) dan/atau wakil(-wakil) ahli.

Selain daripada data peribadi yang diberikan oleh ahli(-ahli) kepada Syarikat atau ejen-ejennya secara langsung, Syarikat atau ejen-ejennya boleh mengumpul data peribadi ahli daripada pelbagai sumber, termasuk tetapi tidak terhad kepada, Bursa Malaysia Depository Sdn Bhd, broker saham dan remisier-remisier.

Syarikat atau ejen-ejennya boleh mengguna dan memproses data peribadi ahli(-ahli) dan/atau proksi(-proksi) dan/atau wakil(-wakil) ahli bagi maksud yang termasuk, tetapi tidak terhad kepada:-

- Pemprosesan dan pentadbiran oleh Syarikat atau ejen-ejennya bagi proksi(-proksi) dan/atau wakil(-wakil) yang dilantik bagi Mesyuarat Agung Tahunan atau pada sebarang penangguhannya.
- Penyediaan dan penyusunan senarai kehadiran, minit dan dokumen lain yang berkaitan dengan Mesyuarat Agung Tahunan atau pada sebarang penangguhannya.
- Berkomunikasi dengan ahli(-ahli).
- Membalas pertanyaan daripada ahli(-ahli).
- Mematuhi mana-mana undang-undang, keperluan penyenaraian, garis panduan dan peraturan.

(Secara kolektif dikenali sebagai "Tujuan-Tujuan")

Notis Perlindungan Data Peribadi (Samb’)

Walau bagaimanapun, jika ahli(-ahli) tidak membekalkan Syarikat atau ejen-ejennya dengan data peribadi tersebut, Syarikat atau ejen-ejennya mungkin tidak dapat memproses atau menzahirkan data peribadi untuk mana-mana Tujuan-Tujuan tersebut.

Di samping itu, data peribadi boleh dizahirkan atau dipindahkan kepada syarikat-syarikat dalam Kumpulan Datasonic atau ejen-ejennya atau mana-mana pihak ketiga atau orang bagi Tujuan-Tujuan tersebut dan semua maksud lain yang berkaitan dengan Tujuan-Tujuan tersebut termasuk tetapi tidak terhad kepada pendaftar saham, akauntan, juruaudit, perunding, peguam dan penasihat kewangan atau profesional yang dilantik oleh Syarikat.

Jika dikehendaki sedemikian untuk mana-mana Tujuan-Tujuan, data peribadi boleh dipindahkan ke lokasi di luar Malaysia.

Ahli(-ahli) adalah bertanggungjawab untuk memastikan bahawa data peribadi yang diberikan atau dikemukakan kepada Syarikat atau ejen-ejennya adalah tepat, lengkap, tidak mengelirukan dan terkini.

Syarikat atau ejen-ejennya boleh meminta bantuan ahli(-ahli) untuk mendapatkan persetujuan proksi(-proksi) dan/atau wakil(-wakil) yang data peribadinya telah disediakan oleh ahli(-ahli) kepada Syarikat atau ejen-ejennya dan ahli(-ahli) bersetuju untuk berusaha terbaik untuk berbuat demikian.

Syarikat atau ejen-ejennya tidak akan menyimpan data peribadi lebih daripada yang diperlukan dan akan mengambil langkah-langkah munasabah untuk memusnahkan dan/atau menghapuskan dari rekod dan sistem.

Ahli(-ahli) Syarikat boleh mengakses dan meminta pembetulan maklumat peribadi beliau. Jika ahli(-ahli) mempunyai sebarang pertanyaan atau aduan berkenaan dengan data peribadi beliau, sila hubungi Syarikat pada:-

Datasonic Group Berhad (No. Syarikat 809759-X)
Tingkat 6, Bangunan Setia 1
No. 15, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Untuk Perhatian	:	Jabatan Kesetiausahaan Syarikat
No. Telefon	:	(603) 2087 6000
No. Fax	:	(603) 2094 3600

Dengan menyediakan data peribadi kepada Syarikat atau ejen-ejennya, ahli(-ahli) secara nyata bersetuju, mengesahkan dan bersetuju dengan pemprosesan peribadi ahli(-ahli) oleh Syarikat atau ejen-ejennya untuk Tujuan-Tujuan tersebut.

Jika berlaku apa-apa percanggahan antara versi Bahasa Inggeris dengan versi Bahasa Malaysia dalam Notis ini, versi Bahasa Inggeris akan diguna pakai.

www.datasonic.com.my

Level 6, Bangunan Setia 1, No. 15, Lorong Dungun,
Damansara Heights,
50490 Kuala Lumpur, MALAYSIA

Tel: 603-2087 6000
Fax: 603-2094 3600