



**DATASONIC GROUP BERHAD**  
(Registration No. 200801008472 (809759-X))  
(Incorporated in Malaysia)

Datasonic Group Berhad ("Datasonic or "the Company")'s response to issues raised by Minority Shareholders Watch Group at the Twelfth Annual General Meeting of the Company held on Thursday, 17 September 2020 are as follows:-

**Strategy & Financial Matters**

- 1) As a leading security-based ICT solutions provider in the market, does the company have any plans to enter the burgeoning e-payment space which is growing rapidly amid the government's drive to embrace greater adoption of cashless payments?

**Answer: Yes, in line with the Government's directive in the e-Government services, we are pursuing our business plans into providing more e-Government and e-Payment services to expand our revenue contributions via recurring and transaction-based of business revenue.**

- 2) The Company recorded Profit After Tax (PAT) of RM60.4 million for FYE 2020 compared to RM36.4 million in FYE 2019 which translates to an increase of 66%. (Page 23, AR 2020). Despite the sharp increase, the Company's dividend payout ratio in FYE declined to 67% in FYE 2020 compared to 93% in FYE 2019. What were the reasons for the decrease in the dividend payout for the Company in- light of the stronger set of results in FYE 2020?

**Answer: There is no policy for dividend declaration. We have consistently payout a ranged from 60% to 90% over the past 5 years or in average of 77% every year (Refer to Page 23, AR 2020).**

**The dividend payout shall be subjected to the Board's approval based on the performance, business prospects and financial position of the Company.**

- 3) The Company obtained a Letter of Extension from Kementerian Dalam Negeri dated 14 January 2020 for the extension of supply for the balance of 6.1 million raw MyKads and related consumables to the National Registration Department for the period of one year from 1 January 2020 to 31 December 2020. (Page 26, AR 2020)

- (a) What is the RM value of this contract?

**Answer: The contract value is RM260,400,000.**

(b) What is the expected margin from this contract?

**Answer:** We are unable to disclose the profit margin for specific project/contract in order to maintain the Group's competitive edge and business strategies. However, based on our financial statements we had secured RM247.54 million revenue and RM60.37 million net profit which is equivalent to 24% margin.

4) The Company has established a JV Company in the Philippines to bid for projects under the Philippines National Identity System and Philippines Security Surveillance and Monitoring Solutions. (Page 28, AR 2020).

**Answer:** Datasonic Business Technologies Philippines Inc. (DBTP) was established to bid for national projects, namely, the Philippines National Identification System and the Philippines Smart City initiative.

Datasonic Group was invited to participate for the Philippines National ID program, based on our experience and expertise in supplying the Malaysia NID since 1999 together with our capabilities in manufacturing and distribution of ID Cards coupled with our strong R&D technical know-how and in-depth experience in manufacturing, system architecture & design, hardware, software & infrastructure, technical support and maintenance services.

With our proven track record in entire MyKad with chips and operating system, printing system and personalisation solutions as well as the technical support and maintenance contracts for 56 Jabatan Pendaftaran Negara (JPN) branches nationwide. We have continued to demonstrate our performance and win the trust and support from the Malaysian Government to continue to award all the NID contracts (consist of 2-3 year of each extension contracts) till to date.

Understanding the outlook of these projects which are deemed national security projects, therefore it was required for Datasonic to establish a local company to participate in the tender and getting involve in meetings, submission of unsolicited proposal and finally to participate in those tenders.

Being an international based solutions provider, we established this office to offer our integrated total NID and value for money solutions to the Philippines Government.

(a) What is the size of this prospective bid?

**Answer:** The Philippines Government intend to tender out a total of 100 million units of National ID card for its citizens, permanent resident and to have a single ID across all government and private engagement in establishing citizen identity.

**The Philippine Government intends to have the NID issued to all citizens within the 5 years duration.**

(b) What are the Company's chances in securing these contracts?

**Answer:** We have submitted our unsolicited proposal to respective agencies that demonstrates our manufacturing capabilities and integrated solutions that we have accumulated over 20 years of track record and experience in National ID (NID) program since 1999 where we started supplying our Malaysian NID to the Malaysian Government through the Government Multi-Purpose Card (GMPC) consortium.

**We are highly committed to pursue these projects and are awaiting for our borders to be opened for safe travel in order to continue our business development effort in the Philippines.**

(c) What is the success rate percentage when bidding for contracts in the past two years?

**Answer:** With the strong foothold, accumulated track records, manufacturing capabilities, strong R&D and technical know-how and experience, our Company has decided to start our overseas venture for our NID, passport and border control solutions, including our venture of NID program in the Philippines with huge population and NID requirement of 100 million NID card in need by the Philippines Government.

**For the past 2 years, Datasonic has conducted and attended numerous meetings with multiple government agencies. Our business plan is centered around Design, Manufacture and Supply of the Philippines National ID Cards.**

5) What is the current orderbook of the Company? How long is the current order book expected to last?

**Answer:** The orderbook as at 30 June 2020 was RM551 million and expected to last for another 2 - 3 years.

- 6) Does the company have a policy of allocating a certain percentage of its PAT to Research and Development expenses and if yes, what is the percentage?

**Answer: Yes, with our achievement of annual revenue of RM259 million in FY2018, RM220 million in FY2019 and RM248 million in FY2020, we have consistently allocated approximately RM3-5 million every year to support the continuous development of our Research and Development activities to support our existing and new projects and other new business expansion and development.**

- 7) The Company had made an impairment on trade receivables of RM1.05 million for FYE 2020. (FYE 2019: Nil), (Page 111, AR 2020)

- (a) What were the reasons for the impairment?

**Answer: The impairment was due to some debts which were uncollectable.**

- (b) What are the chances of collecting the impaired amounts?

**Answer: The chances of collecting the impaired amounts are generally low.**

- (c) How much of the impaired amounts have been collected to-date?

**Answer: No impaired amounts have been collected to-date.**

- (d) With the weakening economy, does the company see Impairments rising sharply in FYE 2021?

**Answer: We expected minimum impairment which is less than 1% of total revenue in FYE 2021.**

### **Corporate Governance**

- 1) Among the resolutions which are going to be tabled at the forthcoming AGM are the award of Employees Share Option Scheme (ESOS) to 3 Independent Non-Executive Directors (INED's) of the Company (Page 213, AR 2020) namely:

- a) Dato Sri Shariffudin bin Abdul Ghani;
- b) Dato Ibrahim bin Abdullah; and
- c) Noor Suhaila binti Saad.

MSWG does not encourage the award of ESOS to independent directors as they play a monitoring role in the navigation of the Company. The granting of such options could prejudice the objectivity of independent directors and affect their impartiality. We are of the view that the recognition of the independent directors' contribution to the Company could be rewarded by a competitive remuneration package, conducive work environment, good governance and board culture.

**Answer: The proposed allocation of ESOS options is extended to the three (3) Independent Non-Executive Directors as Datasonic intends to give recognition to their contributions as the Group has gained invaluable guidance from the Independent Non-Executive Directors in terms of corporate governance and best management practices which form the foundation for minority shareholders' protection.**

**The proposed allocation of ESOS Options to these Independent Non-Executive Directors is also intended to retain them in Datasonic so that they continue not only to serve the Company but also to attract new Independent Non-Executive Directors to join the Company and bring it to greater heights.**