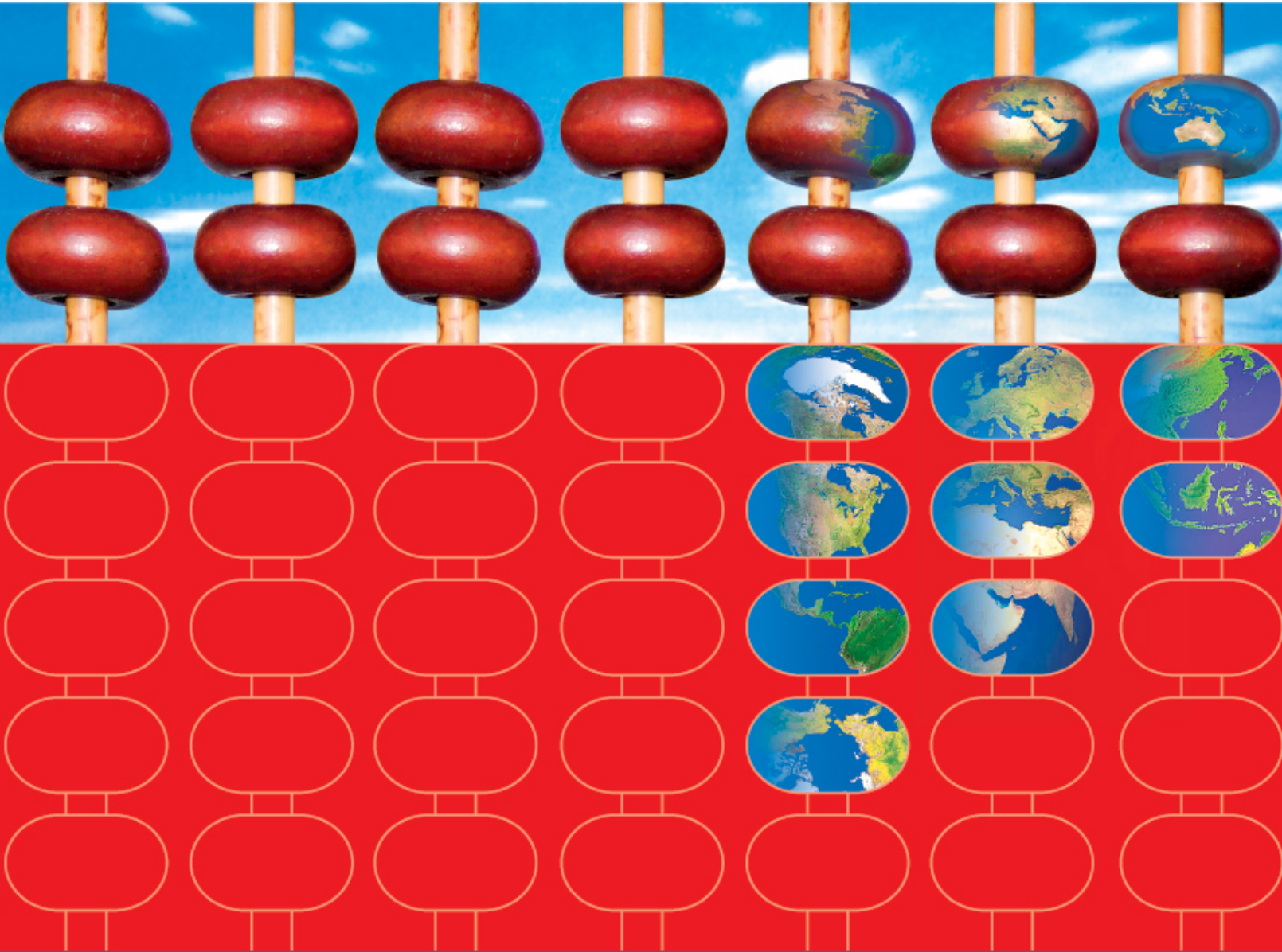


Annual
Report
2006

**D'NONCE
TECHNOLOGY
BHD** (503292-K)
51-14-B&C
Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : 604-228 1198
Fax : 604-228 3016
Web : www.dnoncetechnology.com

天龍



Contents

Notice Of Annual General Meeting	02 - 06
Statement Accompanying Notice Of Annual General Meeting	07
Corporate Structure	08
Corporate Information	09
Chairman's Statement	10 - 11
Board Of Directors	12 -15
Statement Of Internal Control	16 - 17
Statement Of Corporate Governance	18 - 23
Audit Committee Report	24 - 26
Directors' Report	27 - 29
Statement By Directors And Statutory Declaration	30
Auditors' Report	31
Income Statements	32
Balance Sheets	33
Statement Of Changes In Equity	34
Cash Flow Statements	35 - 37
Notes To The Financial Statements	38 - 74
List Of Properties Owned	75
Analysis Of Shareholdings	76
Thirty Largest Shareholders	77 - 78
Form Of Proxy	



The design signifies the visionary changes of D'nonce Technology Bhd moving towards a global outlook amidst a dynamic platform of good corporate governance and world class standards in manufacturing, services and quality.

This is best illustrated by an abacus and a morphing globe against a gloriously illuminated skyline.

The traditional abacus represents strong corporate culture whilst the graphic abacus represents transparent management.

This potent image portrays the inherent strength and value of D'nonce.



Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of **D'nonce Technology Bhd.** (“the Company”) will be held at Function Hall 1 Level 2, The Gurney Resort Hotel and Residences, Pulau Pinang on Monday, 12 February 2007 at 11.30 a.m.:-

BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 August 2006 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of Directors’ fees for the financial year ended 31 August 2006. **Resolution 2**
3. (i) To re-elect the following Directors who retire in accordance with Article 95(1) of the Company’s Articles of Association:-
 - (a) Mr Law Kim Choon **Resolution 3**
 - (b) Encik Roslant bin Abu **Resolution 4**
- (ii) To re-elect the following Director who retires in accordance with Article 102 of the Company’s Articles of Association:-
Mr Wong Thai Sun **Resolution 5**
- (iii) To re-elect the following Director who retires in accordance with Section 129(6) of the Companies Act, 1965:-
Dato’ Oon Choo Eng @ Oon Choo Khye **Resolution 6**
4. To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration. **Resolution 7**
5. **SPECIAL BUSINESS**
To consider and, if thought fit, to pass with or without modifications the following Ordinary Resolutions:-
Authority to allot shares **Resolution 8**
“THAT pursuant to Section 132D of the Companies Act 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting 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 be issued in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being, subject always to the approval of the relevant regulatory bodies being obtained for such allotment and issue.”
Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature
Ordinary Resolution 9 – Item 1 Section 2.4 of the Circular
 - (i) “THAT, subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be given to renew the Shareholders’ Mandate for the D’nonce Group to enter into recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Item 1 Section 2.4 of the Circular and that authority conferred by this resolution shall commence immediately upon the passing of this resolution; **Resolution 9**

- (ii) THAT such Mandate is subject to annual renewal and such approval shall continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting, at which time it will lapse, unless by resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend such extension as may be allowed pursuant to section 143(2) of CA); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting;whichever is the earlier.
- (iii) THAT the Directors of the Company be and are hereby authorised complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the renewal of such Mandate;
- (iv) THAT the estimates given of the Recurrent Related Party Transactions specified in Section 2.4 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Sections 2.6 and 2.7 of the Circular to Shareholders dated 19 January 2007;
- (v) THAT disclosure is made in the annual report a breakdown of the aggregate value of recurrent transactions conducted pursuant to the Shareholders' Mandate during the financial year with particulars of the types of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationships with the Company."

Ordinary Resolution 10 – Item 2 Section 2.4 of the Circular

- (i) "THAT, subject to compliance with all applicable laws, regulations and guidelines, approval be given to renew the Shareholders' Mandate for the Company's subsidiary, Richmond Technology Sdn. Bhd., to enter into recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Item 2 Section 2.4 of the Circular and that authority conferred by this resolution shall commence immediately upon the passing of this resolution;
- (ii) THAT such Mandate is subject to annual renewal and such approval shall continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting, at which time it will lapse, unless by resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend such extension as may be allowed pursuant to section 143(2) of CA); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting;whichever is the earlier.
- (iii) THAT the Directors of the Company be and are hereby authorised complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the renewal of such Mandate;

Resolution 10



Notice Of Annual General Meeting

- (iv) THAT the estimates given of the Recurrent Related Party Transactions specified in Section 2.4 of the Circular being provisional in nature, whereby Richmond Technology Sdn. Bhd. purchase packaging materials for manufacturing from Master-Pack Sdn. Bhd., the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Sections 2.6 and 2.7 of the Circular to Shareholders dated 19 January 2007;
- (v) THAT disclosure is made in the annual report a breakdown of the aggregate value of recurrent transactions conducted pursuant to the Shareholders' Mandate during the financial year with particulars of the types of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationships with the Company."

Proposed Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature

Ordinary Resolution 11 – Item 1 Section 2.5 of the Circular

- (i) "THAT, subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the D'nonce Group to enter into additional recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Item 1 Section 2.5 of the Circular and that authority conferred by this resolution shall commence immediately upon the passing of this resolution;
- (ii) THAT such Mandate is subject to annual renewal and such approval shall continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting, at which time it will lapse, unless by resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to section 143(2) of CA); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting;whichever is the earlier.
- (iii) THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to such Mandate;
- (iv) THAT the estimates given of the Recurrent Related Party Transactions specified in Section 2.5 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Sections 2.6 and 2.7 of the Circular to Shareholders dated 19 January 2007;
- (v) THAT disclosure is made in the annual report a breakdown of the aggregate value of recurrent transactions conducted pursuant to the Shareholders' Mandate during the financial year with particulars of the types of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationships with the Company."

Resolution 11

Ordinary Resolution 12 – Item 2 Section 2.5 of the Circular

- (i) “THAT, subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the D’nonce Group to enter into additional recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Item 2 Section 2.5 of the Circular and that authority conferred by this resolution shall commence immediately upon the passing of this resolution;
- (ii) THAT such Mandate is subject to annual renewal and such approval shall continue to be in force until:-
- (a) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting, at which time it will lapse, unless by resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (“CA”) (but shall not extend to such extension as may be allowed pursuant to section 143(2) of CA); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting;
- whichever is the earlier.
- (iii) THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to such Mandate;
- (iv) THAT the estimates given of the Recurrent Related Party Transactions specified in Section 2.5 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Sections 2.6 and 2.7 of the Circular to Shareholders dated 19 January 2007;
- (v) THAT disclosure is made in the annual report a breakdown of the aggregate value of recurrent transactions conducted pursuant to the Shareholders’ Mandate during the financial year with particulars of the types of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationships with the Company.”

Resolution 12

6. To transact any other business of which due notice shall have been received.

By Order of the Board

MOLLY GUNN CHIT GEOK (MAICSA 0673097)
YEAP KOK LEONG (MAICSA 0862549)
Company Secretaries

Penang
19 January 2007



Notice Of Annual General Meeting

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf.
2. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 21 Persiaran Midlands, 10250 Penang, Malaysia not less than 48 hours before the time set for the meeting.
3. Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act 1965.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution 8 – Authority pursuant to Section 132D of the Companies Act 1965**

The Company is pursuing business opportunities in prospective areas so as to increase the earnings potential of the Company. Such expansion plans may require the issue of new shares not exceeding 10 per cent (10%) of the Company's issued share capital. With the passing of Resolution 8 by the shareholders of the Company at the forthcoming Annual General Meeting, the Directors would avoid delay and cost of convening further general meetings to approve the issue of shares for such purposes.

2. **Resolutions 9 & 10 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

Please refer to the Circular to Shareholders.

3. **Resolutions 11 & 12 – Proposed Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature**

Please refer to the Circular to Shareholders.

Statement Accompanying Notice Of Annual General Meeting

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

1. Names of Directors who are standing for re-election:-

- (i) Roslant bin Abu
- (ii) Law Kim Choon
- (iii) Wong Thai Sun
- (iv) Dato' Oon Choo Eng @ Oon Choo Khye

2. Details of attendance of Directors at Board Meetings

The details are set out on page 19 of the annual report.

3. The place, date and time of the Annual General Meeting:-

Function Hall 1 Level 2
The Gurney Resort Hotel And Residences
Pulau Pinang
on Monday, 12 February 2007 at 11.30 a.m.

4. Further details of Directors who are standing for re-election

The profile and shareholdings of the Directors who are standing for re-election are set out on pages 13 to 15 and 76 respectively of the annual report.

Corporate Structure



Your Dependable Partner



BOARD OF DIRECTORS

- Dato' Ahmad Ibnihajar
- Independent Non-Executive Chairman
- Dato' Oon Choo Eng @ Oon Choo Khye
- Independent Non-Executive Director
- Law Kim Choon
- Chief Executive Officer/Executive Director

- Lim Teik Hoe
- Executive Director
- Roslant bin Abu
- Non-Independent Non-Executive Director
- Looi Kok Leong
- Independent Non-Executive Director
- Wong Thai Sun
(appointed w.e.f. 6 November 2006)
- Independent Non-Executive Director

AUDIT COMMITTEE

- Looi Kok Leong - Chairman
- Dato' Ahmad Ibnihajar - Member
- Dato' Oon Choo Eng @ Oon Choo Khye - Member
- Law Kim Choon (appointed w.e.f. 3 April 2006)
- Member
- Wong Thai Sun (appointed w.e.f. 6 November 2006)
- Member

NOMINATION COMMITTEE

- Dato' Oon Choo Eng @ Oon Choo Khye - Chairman
- Looi Kok Leong - Member
- Roslant bin Abu - Member

REMUNERATION COMMITTEE

- Dato' Ahmad Ibnihajar - Chairman
- Roslant bin Abu - Member
- Dato' Oon Choo Eng @ Oon Choo Khye
(appointed w.e.f. 3 April 2006) - Member

EMPLOYEES' SHARES OPTION SCHEME COMMITTEE

- Dato' Oon Choo Eng @ Oon Choo Khye
- Independent Non-Executive Director
- Chairman
- Nellie Poh Saw Ei
- Manager-Group Human Resource
- Chong Hooi Na
- Senior Manager

COMPANY SECRETARIES

Gunn Chit Geok (MAICSA 0673097)
23 Persiaran Midlands, 10250 Pulau Pinang

Yeap Kok Leong (MAICSA 0862549)
No. 11 Jalan 2/149G, Taman Sri Endah
57000 Kuala Lumpur

REGISTERED OFFICE

21 Persiaran Midlands, 10250 Pulau Pinang
Tel No.: 04-229 6318
Fax No.: 04-226 8318
E-mail: tccsbpg@streamyx.com

HEAD OFFICE

51-14-B&C Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang
Tel No.: 04-228 1198
Fax No.: 04-228 3016

SHARE REGISTRAR

Tenaga Koperat Sdn. Bhd. (Company No.118401-V)
20th Floor Plaza Permata, Jalan Kampar,
Off Jalan Tun Razak, 50400 Kuala Lumpur
Tel No.: 03-4041 6522
Fax No.: 03-4042 6352

AUDITORS

Ernst & Young (AF: 0039)
Chartered Accountants
22nd Floor MWE Plaza
No. 8 Lebuhr Farquhar, 10200 Pulau Pinang

PRINCIPAL BANKER

Public Bank Berhad
No. 6862-6864 Jalan Bagan Jermal
Bagan Ajam, Butterworth, 13000 Penang

SOLICITOR

Zaid Ibrahim & Co
Advocates and Solicitors
51-22-B&C Menara BHL
Jalan Sultan Ahmad Shah
10050 Pulau Pinang

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia Securities Berhad
Stock code : 7114
Stock name : DNONCE



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of D'nonce Technology Bhd, I am pleased to present to you the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 August 2006.

During the year under review, the Malaysia economy continued to chalk up positive results in spite of the concerns over high crude oil prices and uncertainties in the global economic environment. Notwithstanding the tough market environment, the Group continued to implement effective strategies, processes and cost management to enhance efficiency and productivity. New ideas and approaches were also adopted to stay ahead in order to be competitive as well as to penetrate new market. Despite all these uncertainties and the challenging market condition, our Group has been able to turn in a much improved performance for this financial year as compared with the previous year with increase in revenue and profitability.

CORPORATE DEVELOPMENTS

During the financial year, the Group undertook the following exercises:

1. On 16 June 2006, ISCM Industries (Thailand) Co. Ltd ("ISCM Ind") had entered into an Asset Purchase Agreement with Safeskin Industries (Thailand) Limited ("SafeSkin") to acquire a piece of land together with factory buildings erected thereon and printing machinery and equipment for a purchase consideration of USD3,900,000 against the indicative market value of approximately USD5,950,000.

In conjunction with the proposed acquisition, Safeskin Corporation (Thailand) Ltd, and Safeskin Medical & Scientific (Thailand) Ltd (collectively known as "Safeskin Group") have also entered into an agreement to appoint ISCM Ind as the sole supplier for dispensers and corrugated boxes to Safeskin Group for five years.

The proposed acquisition will not only enable our Group to further expand its packaging business but also diversification and penetration into the Thailand market.

2. On 1 August, 2006, AV Industries Sdn Bhd ("AVI") entered into a Sale of Assets Agreement with TES Electronic Solutions Sdn Bhd for the disposal of the Printed Circuit Board Assembly ("PCBA") assets of AVI for a total cash consideration of RM6,000,000.

The selling price of RM6,000,000 was arrived at on a willing buyer-willing buyer seller basis after taking into consideration the net book value of the assets as at 31 July 2006 of RM5,257,059.

The rationale for the disposal is that the PCBA business had been a loss making division. And, with the disposal, the Group will then be able to concentrate on its more profitable division.

To turnaround the PCBA business, the Group needed to make further investment and upgrade its machinery and equipment in order to be competitive in the industry. The Board of Directors has decided not to incur further capital expenditure on a loss making division.

Operational Financial Review

For the financial year ended 31 August 2006, the Group registered a slightly higher revenue of RM169 million from RM152 million for 2005, representing an increase of 11%. Despite having recorded such slight increase in revenue, the Group was able to report a profit before tax of RM5.9 million as compared to RM1.4 million in the previous financial year, registering an increase of 321%. This huge improvement in the profit before tax is attributable to effective cost management throughout the Group as well as substantial contribution from our investment in Thailand.

Integrated Supply Chain Products and Services

Revenue for Integrated Supply Chain Products and Services business segment has decreased from RM74 million in previous financial year to RM64 million in current financial year. Whereas, the segmental results has increased slightly from RM863,000 to RM1,052,000 due to better margin as well as foreign currency exchange translation gain resulting from the strengthening of the Thai Baht against the US Dollar.

Contract Manufacturing

Revenue for Contract Manufacturing business segment has increased from RM26.7 million in previous financial year to RM41.1 million in current financial year. Similarly, the result for this business segment has increased to RM3.5 million in the current financial year, making it one of the largest contributors to our Group performance. The improvement for this business segment is due to the expansion of the business in Thailand.

Supply of Packaging materials

The Supply of Packaging Materials business segment has again recorded growth in its revenue with an increase of RM15.5 million from RM81.7 million in previous financial year to RM97.2 million in current financial year. This is primarily due to successful penetration by the Group in terms of both new customers and products. In addition to growth in terms of revenue, this segment has also shown vast improvement whereby its results almost doubled from RM2.5 million in the previous financial year to RM4.8 million in the current financial year contributed by new products, penetration of new customers as well as effective cost management.

Plastic Injection Mould Products

Revenue for Plastic Injection Mould Products business segment has increased from RM2.1 million to RM3.1 million in current financial year. Despite showing improvement in terms of revenue, this business segment still recorded a loss, albeit much lesser compared to the previous financial year. Losses in the current financial year is inevitable due to the higher cost of raw materials brought about by the hike in global crude oil prices.

PROSPECTS

Moving forward, the financial year 2007 would remain challenging due to the uncertainty of the global environment and economic development especially with the forecasted deceleration in the US economy. In spite of the challenging times as well as the competitive pressure the Group will be encountering, we are confident that the Group will be well prepared to face the challenges ahead.

The Group is continuing to expand into the non-electronics sector and greater penetration into the Thailand market especially with the acquisition of the assets and packaging machinery from SafeSkin, a wholly owned subsidiary of Kimberly Clark, a US based Fortune 500 company. This acquisition will provide the Group with a ready customer/supply for at least 5 years and at the same time will facilitate the Group in its expansion into other industries in Thailand. The additional expansion of the cleanroom assembly located at Bangkok for the assembly of disk drive component is showing exceptional performance and we are confident that this business segment will continue to contribute positively to the Group for the year 2007.

Notwithstanding the above, the Group will continue to focus on higher margin products, aggressive marketing approach and effective cost management with the existing core businesses. We are confident that these measures which have been effective for the previous years will continue to give the Group the added advantage in facing the challenging environment and competition ahead.

Not resting on the laurel of the good achievement for the year 2006, the Group is strategically reengineering for Global Challenges. The Group is upbeat of the potential but nevertheless will remain cautious in expanding and managing its various business segments as it endeavors to diversify and expand outward.

CORPORATE GOVERNANCE

The Board of Directors continues to ensure that the principles of corporate governance and best practices is observed and practiced throughout the Group.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I offer my heartfelt thanks to the management team, employees as well as our shareholders, customers and business partners for their unwavering commitment, support and confidence. I would also like to express my sincere appreciation to Mr Chan Seng Sun and Cik Nuranisah binti Mohd Anis who have resigned from the Board for their invaluable contributions and services rendered to the Group during their tenure on the Board.

I would also like to extend my warm welcome to Mr Wong Thai Sun, who has joined the Board as an Independent Non-Executive Director. I look forward to his contributions and participation in future Board deliberations.

Last but not least, I wish to extend my appreciation to my fellow directors for their dedication and contribution to the Group.

Thank you.

Dato' Ahmad Ibnihajar
Chairman



Board of Directors

Seated from left to right

Lim Teik Hoe

Looi Kok Leong

Dato' Oon Choo Eng @ Oon Choo Khye

Dato' Ahmad Ibnihajar

Law Kim Choon

Roslant Bin Abu

Wong Thai Sun

Dato' Ahmad Ibnihajar**Aged 56, Malaysian****Independent Non-Executive Chairman, Chairman of the Remuneration Committee and Member of the Audit Committee**

Dato' Ahmad Ibnihajar was appointed to the Board of D'nonce Technology Bhd. on 2 November 2000. He is Chairman of the Remuneration Committee and a member of the Audit Committee.

He is currently the Managing Director of Penang Port Sdn. Bhd., a company principally involved in operations of port. He holds a Bachelor degree in Economics from University of Malaya in 1975. He was a Forex Dealer and Portfolio Manager from 1976 to 1979 and Branch Manager from 1980 to 1984 with Malayan Banking Berhad. He was a Director with United Traders Securities Sdn. Bhd. from 1984 to 1991 and Taiping Securities Sdn. Bhd. in 1995, both of which are involved in stock broking business. Between 1991 till now, he is the Chairman of Heirs Corporation Sdn. Bhd., a property development company. Currently, he sits on the Board of several other private limited companies principally involved in property development and investment holding. He is the Chairman of Persatuan Petanque Pulau Pinang and serves as Divisional Head for UMNO Tanjung Division.

Dato' Ahmad Ibnihajar holds directorship in Malaysian Resources Corporation Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past ten (10) years other than traffic offences, if any, and does not have any conflict of interest with the Company.

Dato' Oon Choo Eng @ Oon Choo Khye**Aged 70, Malaysian****Independent Non-Executive Director, Chairman of the Nomination and Employees' Shares Option Scheme Committees, Member of the Audit Committee and Member of the Remuneration Committee**

Dato' Oon Choo Eng @ Oon Choo Khye was appointed to the Board of D'nonce Technology Bhd. on 2 November 2000. He is Chairman of the Nomination and Employees' Shares Option Scheme Committees and is a member of the Audit and Remuneration Committees.

He is currently a Director of Kwong Wah Yit Poh Press Bhd., a company principally involved in publishing of newspapers and is also the Chairman of the Board of Directors of Howe Keat Sdn. Bhd. He is the Honorary Assistant Secretary of Sekolah Menengah Kebangsaan Chung Ling from 1961 and also sits on the boards of several other Chinese High Schools and Primary Schools in Penang. He also acts as Patron or Trustee for various associations and sports clubs in Penang. He also sits on the boards of several other private limited companies principally involved in publication, printing, tourism and trading of chemicals and he is also a director of Lam Wah Ee Hospital and was an Ex-Committee member of Silver Jubilee Home for the Aged.

Dato' Oon Choo Eng @ Oon Choo Khye has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past ten (10) years other than traffic offences, if any, and does not have any conflict of interest with the Company.



Board Of Directors

Law Kim Choon
Aged 49, Malaysian
Chief Executive Officer/Executive Director and Member of the Audit Committee

Law Kim Choon was appointed to the Board of D'nonce Technology Bhd. on 23 October 2000. He is a member of the Audit Committee.

In 1988, he obtained a Diploma in Management from the Malaysian Institute of Management. He started his career working in a bank in 1977 before leaving in 1991 to join the D'nonce Group. He has been the Chief Executive Officer of D'nonce Group since 2002.

Law Kim Choon has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past ten (10) years other than traffic offences, if any, and does not have any conflict of interest with the Company.

Lim Teik Hoe
Aged 47, Malaysian
Executive Director

Lim Teik Hoe was appointed to the Board of D'nonce Technology Bhd. on 23 October 2000.

He obtained a Diploma in Radiography from Ministry of Health, Malaysia in 1982. He started his career in 1982 as a Radiographer with Penang General Hospital where he served for 9 years before leaving to join the D'nonce Group in 1991. Apart from developing new businesses, he is responsible for the Group's sales and marketing functions. He was also a former member of the College of Radiographers, United Kingdom and Malaysian Society of Radiographers respectively. He is also a Director and substantial shareholder of Kalungan Prestij Sdn. Bhd. and Binary Decode Sdn. Bhd. both are investment holding companies. He is also a substantial shareholder of Wintry Enterprise Sdn. Bhd. and Yield Technology (M) Sdn. Bhd. both of which are also investment holding companies.

Lim Teik Hoe has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past ten (10) years other than traffic offences, if any, and does not have any conflict of interest with the Company.

Looi Kok Leong
Aged 38, Malaysian
Independent Non-Executive Director, Chairman of the Audit Committee and Member of Nomination Committee

Looi Kok Leong was appointed to the Board of D'nonce Technology Bhd. on 1 November 2004. He is Chairman of the Audit Committee and is a member of the Nomination Committee.

Looi Kok Leong has more than 15 years of experience in corporate finance, accounting and finance as well as corporate affairs management functions. He is presently the Head of Corporate Finance & Strategy of Kurnia Asia Berhad. His previous professional roles include Senior Manager / Head of Corporate Finance Team of a merchant bank, General Manager / Head of Corporate and Finance Department of a Malaysian public-listed company, Director of boutique corporate consultancy practices and Corporate Adviser to various companies. His academic qualifications and professional affiliations include BEc, MBA, CPA (Aust), CA (M) and CFP. He also holds an Investment Adviser's licence issued by the Securities Commission under the Securities Industry Act 1983 in relation to undertaking corporate finance advisory activities.

Looi Kok Leong has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past ten (10) years other than traffic offences, if any, and does not have any conflict of interest with the Company.

Roslant bin Abu**Aged 49, Malaysian****Non-Independent Non-Executive Director and Member of Nomination and Remuneration Committees**

Roslant bin Abu was appointed to the Board of D'nonce Technology Bhd. on 23 October 2000. He is a member of the Nomination and Remuneration Committees.

He holds a Bachelor of Science degree from the University of Malaya in 1982. In 1983, he started his career as an Assistant Director for the Petroleum Development Division (Implementation Coordination Unit) of the Prime Minister's Department. He was subsequently with the Malaysia-Thailand Authority in 1993 until early 1997 where he left and joined the Energy Section of the Economic Planning Unit in the Prime Minister's Department before he joined Khazanah Nasional Berhad (Khazanah) in mid 1997. He is presently the Vice President, Human Capital Management of Khazanah.

Roslant bin Abu also holds directorship in Opus International Group plc and Tradewinds Hotels & Resorts Sdn. Bhd. He has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past ten (10) years other than traffic offences, if any, and does not have any conflict of interest with the Company. He is a representative of Khazanah on the Board of Directors of D'nonce Technology Bhd.

Wong Thai Sun**Aged 51, Malaysian****Independent Non-Executive Director, Member of the Audit Committee**

Wong Thai Sun was appointed to the Board of D'nonce Technology Bhd. on 6 November 2006. He was also appointed as a member of the Audit Committee on the same day.

He holds a Bachelor of Economics and Accountancy from Australian National University. He is a member of the Malaysian Institute of Accountants and the Certified Public Accountants, Australia. He has public practice experience in accountancy for over 20 years in Malaysia and in overseas and currently has his own public practice firm, which is Wong Thai Sun & Associates.

Wong Thai Sun has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past ten (10) years other than traffic offences, if any, and does not have any conflict of interest with the Company.



Statement On Internal Control

Pursuant to Paragraph 15.27(b) of Bursa Malaysia Securities Berhad Listing Requirements, the Board of Directors of D'nonce Technology Bhd. is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the *Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Internal Control Guidance')* issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia Securities Berhad.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by, or potentially exposed to, the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

RISK MANAGEMENT

The Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly when it concerns any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks. On such occasions, appropriate risk response strategies and controls shall be introduced to manage and maintain the relevant risks at a level acceptable to the Board.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional accounting and consulting firm, Messrs. UHY Diong to undertake all such necessary functions so as to fully address the effectiveness, adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. The internal auditors, based on the audit plan presented to and approved by the Audit Committee, carry out scheduled internal audits. On areas with high risk and inadequate controls, the outcome of the audit shall include remedial actions to be introduced to achieve appropriate standards of required controls. For those areas with high risk and adequate controls, the audit shall ascertain that the risks are effectively mitigated by the implemented controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent that their recommendations have been implemented.

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organisation structure with well-defined scope of responsibilities, accountability and appropriate levels of delegated authority;
- Clearly defined lines of reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement;

- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- A comprehensive business planning and detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the Board;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' report for the financial year ended 31 August 2006, the Group's systems of internal control are adequate and effective. A number of minor internal control weaknesses were identified during the financial period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of Bursa Malaysia Securities Berhad Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 13 December 2006.



Statement Of Corporate Governance

The Malaysian Code on Corporate Governance (“the Code”) sets out principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The Board of Directors of D’nonce Technology Bhd. (“the Board”) has always recognised the importance of adopting good corporate governance. The Board is committed to ensure that the highest standards of corporate governance are practised throughout the Group. The Board views this as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the performance of the Company.

The Board is fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Part 1 and Part 2 of the Malaysian Code of Corporate Governance.

The statement below sets out how the Group has applied the principles and the extent of its compliance with the best practices of good governance throughout the financial year ended 31 August 2006.

THE BOARD OF DIRECTORS

The Board

The Board is responsible for the control and proper management of the Company. The Board has delegated specific responsibilities to four main committees namely the Audit, Remuneration, Nomination and ESOS Committees, which operate within approved terms of reference. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however lies with the entire Board.

Board Composition

As at 13 December 2006 the Board consists of two Executive Directors and five Non-Executive Directors, of whom four are independent. The number of independent directors represents more than half of the total directors on the Board, satisfying the requirement of the Code for Independent Non-Executive Directors. One Non-independent and Non-Executive Director is a representative of Khazanah Nasional Berhad, a substantial shareholder of the Company.

The Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business and industry. There is a clear division of responsibility between the Chairman and the Chief Executive Officer.

The Board considers that the current size of the Board is adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

The presence of the Independent Non-Executive Directors will ensure an independent and unbiased view at Board deliberations and fair judgement to safeguard the interest of the Company and shareholders.

Board Meetings

The Board meets on a scheduled basis at least four times a year, at quarterly intervals, with additional meetings convened as and when necessary. At each regularly scheduled meetings, full financial business review including business performance is carried out. Besides Board meetings, the Board also exercises control on matters that require Board’s approval through Directors’ Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major expenditure, risk management policies and appointment of Directors are discussed and decided by the Board.

Statement Of Corporate Governance

During the financial year ended 31 August 2006, nine (9) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting			Sept 05	Oct 05	Dec 05	Jan 06	Feb 06	Feb 06	Apr 06	Apr 06	July 06		
Directors	Position	Attendance									Total	%	
1	Dato' Ahmad Ibnihajar	Independent Non- Executive Chairman	•	•	•	•	•	•	•	•	•	9/9	100
2	Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non- Executive Director	•	•	•	•	•	•	•	•	•	9/9	100
3	Law Kim Choon	Chief Executive Officer	•	•	•	•	•	•	•	•	•	9/9	100
4	Lim Teik Hoe	Executive Director	•	•	•	•	•	•	•	•	•	9/9	100
5	Roslant bin Abu	Non-Independent Non- Executive Director	•	•	•	•	•	•	•	•	•	9/9	100
6	Looi Kok Leong	Independent Non- Executive Director	•	•	•	•	X	•	•	•	X	7/9	77.7
7	Chan Seng Sun (Resigned w.e.f 23/2/06)	Executive Director	•	•	•	•	•	N/A	N/A	N/A	N/A	5/5	100
8	Goh Hong Lim (Not re-appointed w.e.f. 23/2/06)	Managing Director	•	•	•	•	•	N/A	N/A	N/A	N/A	5/5	100
9	Nuranisah binti Mohd Anis (Resigned w.e.f. 31/10/06)	Non-Independent Non- Executive Director	•	•	•	•	•	•	•	•	•	9/9	100
Total number of meetings held:											9		

Supply of Information

The Board is supplied with full and timely information to discharge their duties and responsibilities effectively. All Directors are supplied with an agenda and a set of Board Papers issued in sufficient time prior to Board meetings to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

The Board reports provide, amongst others, periodical financial and corporate information, significant operational, financial and corporate issues, performance of the various business units and management proposals that require Board's approval. In addition there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of assets that are material to the Group, major investments, risk management policies, changes to management and control structure of the Group, including key policies, procedures and authority limits.

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretary and may also seek independent professional advice from external consultants at the Company's expense if deemed reasonable and necessary.

At Board meetings, the Management updates the Board on the business and market factors relevant to the Group.



Statement Of Corporate Governance

Appointments to the Board

The Nomination Committee was set up on 15 August 2001 comprising three Non-Executive Directors, two of whom are independent. The current members are, Dato' Oon Choo Eng @ Oon Choo Khye (Independent Non-Executive Director) who is the Chairman, Mr Looi Kok Leong (Independent Non-Executive Director) and Encik Roslant bin Abu (Non-Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

1. Recommends to the Board, all directorships to be filled by the shareholders or the Board.
2. Proposes new nominees for the Board and assess directors on an on-going basis.
3. Recommends to the Board of Directors to fill the seats on Board committees.
4. Recommends on the re-election of directors due for retirement under the Articles of Association of the Company taking into account the directors' contribution.
5. Reviews the Board structure, size, mix of skills, experience and other qualities and its composition.
6. Reviews the performance of members of the Board.

As an integral element of the process of appointing new Directors, the Nomination Committee will ensure that there is an orientation and education programme for new Directors with respect to the business and management of the Group.

During the financial year ended 31 August 2006, the Nomination Committee held two meetings on 26 October 2005 and 3 April 2006 respectively and was attended by all members.

On 31 October 2006, the Nomination held a meeting to review the effectiveness and composition of the Board and Board Committees and to propose the re-election of retiring Directors.

Re-election of Directors

In accordance with the Company's Articles of Association, at least one third of the Board are subject to retirement by rotation at each Annual General Meeting ("AGM"). All Directors shall retire once in every three years and are eligible for re-election.

The names of Directors who are standing for re-election at the Seventh AGM of the Company to be held on Monday, 12 February 2007 are contained in the Statement Accompanying Notice of Annual General Meeting.

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia Securities Berhad (BMSB). All the Directors have accumulated at least 72 CEP points as required under the provisions of Practice Note 15/2003 of the BMSB Listing Requirements.

The Board shall determine the training needs of the Directors. All the Directors will also continue to attend such training as determined by the Board.

During the financial year ended 31 August 2006, some of the Directors had attended seminars and other training programmes which included topics on Professional Derivative Course with Forex Trading, How to be a Small Cap Investor, Managing Business Turnaround, 2006 National Conference on Internal Auditing.

Those Directors who had been unable to attend such training programmes during the financial year ended 31 August 2006 had by November 2006 attended training on programmes which included 2006 National Conference on Internal Auditing, Reconciling Shareholder Value with Customer Value and Key Performance Indicators as a Management Tool.

Employees' Share Option Scheme (ESOS) Committee

The ESOS Committee was established on 27 January 2003 to administer the D'nonce Employees' Share Option Scheme in accordance with the objectives and regulations thereof and to determine participation eligibility, option offers and share allocations and to attend to such other matters as may be required. The members of the ESOS Committee are as follows:-

Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non-Executive Director - Chairman
Nellie Poh Saw Ei	Manager - Group Human Resource
Chong Hooi Na	Senior Manager

DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee was formed on 15 August 2001. It comprises only Non-Executive Directors. Dato' Ahmad Ibnihajar (Independent Non-Executive Chairman) is the Chairman and Dato' Oon Choo Eng @ Oon Choo Khye (Independent Non-Executive Director) and Encik Roslant bin Abu (Non-Independent Non-Executive Director) are members of the Remuneration Committee.

During the financial year ended 31 August 2006, the Remuneration Committee held two meetings on 26 October 2005 and 3 April 2006 respectively.

Remuneration Policy

The Remuneration Committee recommends to the Board for approval the remuneration package of Executive Directors. The remuneration system takes into account individual performance, comparison of the Company's actual performance relative to other companies in the same sector and additional responsibilities of the Directors. The fees of the Directors are subject to shareholders' approval at the AGM.

Details of the Directors' remuneration

The aggregate remuneration of the Directors during the financial year ended 31 August 2006 is set out below:-

A. Aggregate Remuneration

	Executive Directors	Non-Executive Directors
	RM	RM
Fees	101,300	186,000
Salaries	2,168,435	-
Bonus	232,708	-
Benefits in kind	-	-
Other benefits	-	-

B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors	Total
Less than 50,000	-	5	5
350,001 – 400,000	1	-	1
550,001 – 600,000	1	-	1
650,001 – 700,000	-	-	-
700,001 – 750,000	1	-	1
750,001 – 800,000	1	-	1

The Board feels that it is inappropriate to disclose the remuneration of individual Directors and has opted not to do so.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of timely and thorough dissemination of information on all material business and corporate developments to shareholders and investors.

The Company keeps shareholders informed by announcements and timely release of quarterly financial results through the Bursa Link, press releases, annual report and circulars to shareholders. The Company also responds to ad-hoc requests from institutional investors and analysts for a better understanding on the Group's strategy and financial performance, all within the legal and regulatory framework in respect of information.

Any queries and concerns regarding the Group may be conveyed to the following person:-

Dato' Ahmad Ibnihajar, Senior Independent Non-Executive Director
 Telephone number : 04-2281198
 Facsimile number : 04-2283016



Statement Of Corporate Governance

Shareholders and investors of the public are invited to access the BMSB website at www.bursamalaysia.com to obtain the latest information on the Group.

The Annual General Meeting (AGM) is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. The notice of the AGM and the Annual Reports are sent to shareholders at least 21 days before the date of the meeting. The notice of the AGM is also published in a national newspaper and released to the BMSB for public dissemination. Members of the Board are present at the AGM to answer questions raised at the meeting. Auditors of the Company will also be present.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors have a responsibility to present a balanced, true and fair assessment of the Groups' financial position and prospects primarily through the annual report to shareholders and quarterly financial statements to BMSB.

The Audit Committee assists the Board in reviewing the information disclosed to ensure accuracy, adequacy and integrity of all annual and quarterly reports, audited or unaudited, and approved by the Board before releasing to the BMSB.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 23 of this Annual Report.

Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. Due to limitations that are inherent in any system of internal control, it should be noted that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Further, such system can only provide reasonable but not absolute assurance against material risks or loss.

The Group has in place an on-going process for identifying, evaluating and managing significant risks that may be faced by the Group. The system of internal control covers operational, financial, compliance with applicable laws and risk management. The internal control system helps to safeguard shareholders' investment and the Group's assets.

The information on the Group's internal control is presented in the Statement on Internal Control set out on pages 16 to 17. The Internal Auditors facilitate the overall internal control system and an internal control working committee comprising the Group Chief Executive Officer and heads of major departments assists the Board to oversee the existing risk management framework that had been in place within the Group. The risk management framework had been reviewed subsequent to updates given by executives and heads of various key departments to the Internal Auditors and internal control working committee.

Relationship with the External Auditors

The Audit Committee's terms of reference formalises the relationship with the External Auditors to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the Auditors to meet their professional requirements and seeking professional advice and ensuring compliance with accounting standards. In the course of audit of the Group's operation, the External Auditors have highlighted to the Audit Committee and the Board on matters that require the Board's attention. The role of the Audit Committee in relation to the External Auditors is described on pages 24 to 26 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

During the financial year:

- a) No proceeds were raised by the Company from any corporate proposal.
- b) There were no share buybacks by the Company during the financial year.
- c) None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.
- d) The Company did not sponsor any American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) programmes.
- e) There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.
- f) No options, warrants or convertible securities were exercised by the Company during the financial year.
- g) The Company did not release any profit estimate, forecast or projection for the financial year. There is no variance between the results for the financial year and the unaudited results previously released by the Company.
- h) There is no profit guarantee given by the Company.
- i) The Company does not have any revaluation policy on landed property for the financial year.
- j) There were no material contracts of the Company and its subsidiaries involving Directors’ and major shareholders’ interests.
- k) The amount of non-audit fees payable to external auditors for the financial year was RM5,000.

Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPT”)

Details of the aggregate value of recurrent transactions entered into by the D’nonce Group with related parties pursuant to the mandate given by the shareholders’ of the Company at the last Annual General Meeting held on 23 February 2006 up to 15 December 2006, being the latest practicable date prior to the printing of the Annual Report, are as follows:

Nature of Transactions	Transacting Party (Company)	23 February 2006 - 15 December 2006 Actual (RM’000)	Interested related party
Arranging for publicity matters such as advertisement in newspapers, press release, event marketing and designing and printing of promotional information leaflets, brochures, greeting cards etc for D’nonce, D’nonce (M) Sdn. Bhd., Attractive Venture Sdn. Bhd., AV Industries Sdn. Bhd. and Integrated SCM Co., Ltd	Segi Reka Integrated Sdn. Bhd.	12	Law Kim Choon
Purchase of packaging materials for manufacturing by Richmond Technology Sdn. Bhd. (Richmond)	Master-Pack Sdn. Bhd. (Master-Pack)	3,631	Master-Pack which holds 20% of the equity of Richmond is a substantial shareholder of Richmond

Directors’ Responsibilities Statement in respect of Annual Audited Accounts

Under the Companies Act, 1965, the Directors are required to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the Group and the Company. In preparing the financial statements, the Directors have:-

- adopted and used accounting policies consistently in dealing with items which are considered material in relation thereto;
- made accounting estimates where applicable that are prudent, just and reasonable; and
- ensured that the Company has taken reasonable steps to deter and minimize fraud and other irregularities.



Audit Committee Report

MEMBERS

Looi Kok Leong	Independent Non-Executive Director	Chairman
* Law Kim Choon	Chief Executive Director/Executive Director	Member
Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non-Executive Director	Member
Dato' Ahmad Ibnihajar	Independent Non-Executive Chairman	Member
# Wong Thai Sun	Independent Non-Executive Director	Member
~ Nuranisah binti Mohd Anis	Non-Independent Non-Executive Director	Member
+ Goh Hong Lim	Managing Director	Member

- * *appointed as Member w.e.f. 3 April 2006.*
appointed as Member w.e.f. 6 November 2006
~ *resigned as Member w.e.f. 31 October 2006*
+ *ceased as Member w.e.f. 23 February 2006*

TERMS OF REFERENCE

Membership

- The Company must appoint an Audit Committee from amongst its Board of Directors which fulfils the following requirements:-
 - the Committee must be composed of no fewer than 3 members;
 - a majority of the Committee must be independent directors; and
 - at least one member of the Committee:
 - must be a member of the Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- No alternate director should be appointed as a member of the Committee.
- In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the Exchange pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.
- The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Chairman

The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.

Secretary

The Company Secretary, or if more than one, any of them, shall be the Secretary of the Committee.

Meetings

- Meetings shall be held not less than four times a year.
- The Financial Director, the Head of Internal Audit (where such a function exists) and a representative of the external auditor shall normally attend meetings.
- Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

Audit Committee Report

4. Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.
5. The Committee shall regulate its own procedure, in particular:-
 - (a) the calling of meetings;
 - (b) the notice to be given of such meetings;
 - (c) the voting and proceedings of such meetings;
 - (d) the keeping of minutes; and
 - (e) the custody, production and inspection of such minutes.
6. At least once a year the Committee shall meet with the external auditors without executive Board members present.

Quorum

A quorum shall consist of a majority of independent directors.

Rights

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

Functions

The Committee shall, amongst others, discharge the following functions:

1. to review:
 - (i) with the external auditor, the audit plan and to ensure co-ordination where more than one audit firm is involved;
 - (ii) with the external auditor, his evaluation of the system of internal controls;
 - (iii) with the external auditor, his audit report, his management letter and the management's response;
 - (iv) the assistance given by the Company's employees to the external auditor;
 - (v) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (vii) to review any appraisal or assessment of the performance of members of the internal audit function;
 - (viii) to approve any appointment or termination of senior staff members of the internal audit function;
 - (ix) to inform itself of any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
 - (x) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:
 - (a) changes in or implementation of major accounting policy changes;
 - (b) significant and unusual events;
 - (c) significant adjustments arising from the audit;
 - (d) the going concern assumption; and
 - (e) compliance with accounting standards and other legal requirements;
 - (xi) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions on management integrity;
 - (xii) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
 - (xiii) to consider the nomination of a person or persons as external auditors and the audit fee; and
 - (xiv) to consider any questions of resignation or dismissal of external auditors.



Audit Committee Report

2. to recommend the nomination of a person or persons as external auditors.
3. to promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements; and
4. to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary) to carry out such other functions as may be agreed to by the Committee and the Board of Directors.

Role of Audit Committee

An independent Audit Committee assists, supports and implements the Board's responsibility to oversee the Company's operations in the following manner:

- provides a means for review of the Company's processes for producing financial data, its internal controls and independence of the Company's External and Internal Auditors;
- reinforces the independence of the Company's External Auditors; and
- reinforces the objectivity of the Company's Internal Auditors.

Audit Committee Meetings

During the financial year ended 31 August 2006, the Audit Committee held five meetings on 26 October 2005, 12 December 2005, 25 January 2006, 3 April 2006 and 27 July 2006.

Name	Status of Directorship	Position	No. of meetings attended
Looi Kok Leong	Independent Non-Executive Director	Chairman	4/5
Dato' Ahmad Ibnihajar	Independent Non-Executive Director	Member	5/5
Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non-Executive Director	Member	5/5
Law Kim Choon (appointed w.e.f. 3 April 2006)	Chief Executive Director/Executive Director	Member	2/2
Nuranisah binti Mohd Anis (resigned w.e.f. 31 October 2006)	Non-Independent Non-Executive Director	Member	5/5
Goh Hong Lim (ceased w.e.f. 23 February 2006)	Managing Director	Member	3/3

Activities of the Audit Committee

During the financial year, the Audit Committee met at scheduled times with due notices of meetings issued and with agendas planned and itemized so that issues raised were deliberated and discussed in a focused and detailed manner.

The reviews of the Group's consolidated quarterly financial statements were held before the Board meetings at which the financial statements were to be approved. During the respective Board meetings, the Chairman of the Audit Committee briefed the Board on issues and recommendations of the Audit Committee thereon.

The Audit Committee had also met with the External Auditors and discussed the nature and scope of the audit before the audit commenced. The Audit Committee reviewed the internal audit plan prepared by the Internal Auditors.

Statement by Audit Committee

There is no change in the criteria for allocation of ESOS shares since the inception of the scheme. There were no new allocation of ESOS shares during the year.

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of management services and investment holding.

The principal activities of the subsidiaries are described in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit/(loss) after taxation	4,160,519	(10,312,161)
Minority interests	(1,496,128)	-
Net profit/(loss) for the financial year	<u>2,664,391</u>	<u>(10,312,161)</u>

There were no material transfers to or from reserves or provisions during the financial year.

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Ahmad Ibnihajar	
Dato' Oon Choo Eng @ Oon Choo Khye	
Law Kim Choon	
Lim Teik Hoe	
Looi Kok Leong	
Roslant Bin Abu	
Wong Thai Sun	(appointed on 6 November 2006)
Chan Seng Sun	(resigned on 23 February 2006)
Nuranisah Binti Haji Mohd Anis	(resigned on 31 October 2006)
Goh Hong Lim	(not re-appointed on 23 February 2006)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options granted to the directors under the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 27 to the financial statements.



Directors' Report

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and share options in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			31 August 2006
	1 September 2005	Bought	Sold	
The Company Direct Interest				
Law Kim Choon	1,660,000	-	-	1,660,000
Lim Teik Hoe	1,780,000	47,700	-	1,827,700

	Number of Options over Ordinary Shares of RM1 Each			31 August 2006
	1 September 2005	Granted	Exercised	
The Company				
Law Kim Choon	100,000	-	-	100,000
Lim Teik Hoe	85,000	-	-	85,000

None of the other directors in office at the end of the financial year had any interest in shares and share options in the Company or its related corporations during the financial year.

EMPLOYEE SHARE OPTIONS SCHEME

The Company's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 26 February 2003. The ESOS was implemented on 20 November 2003 and is to be in force for a period of 5 years from the date of implementation. The Board of Directors and ESOS Committee may as deemed fit, extend the ESOS for another 5 years.

The salient features and other terms of the ESOS are disclosed in Note 24 to the financial statements.

Details of options granted to directors are disclosed in the Section on Directors' Interests in this report.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

DATO' AHMAD IBNIHAJAR

LAW KIM CHOON

Penang, Malaysia
Date: 13 December 2006



Statement By Directors and Statutory Declaration

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, DATO' AHMAD IBNIHAJAR and LAW KIM CHOON, being two of the directors of D'NONCE TECHNOLOGY BHD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 32 to 74 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2006 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed in accordance with a resolution of the directors:

DATO' AHMAD IBNIHAJAR

LAW KIM CHOON

Penang, Malaysia
Date: 13 December 2006

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, LAW KIM CHOON, being the director primarily responsible for the financial management of D'NONCE TECHNOLOGY BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 74 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed LAW KIM CHOON
at Georgetown in the State of Penang
on 13 December 2006:

LAW KIM CHOON

Before me,

CHAI CHOON KIAT, PJM
(P.073)
Commissioner for Oaths

Auditors' Report

REPORT OF THE AUDITORS TO THE MEMBERS OF D'NONCE TECHNOLOGY BHD. (Incorporated in Malaysia)

We have audited the financial statements set out on pages 32 to 74. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 August 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Penang, Malaysia
Date: 13 December 2006

LIM FOO CHEW
No. 1748/01/08(J)
Partner



Income Statements

For The Financial Year Ended 31 August 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	3	168,683,154	152,126,253	1,319,603	597,805
Other operating income	4	2,063,118	2,176,574	20,558	458,678
Changes in inventories of finished goods and work-in- progress		251,086	2,212,827	-	-
Raw materials and consumables used		(30,460,124)	(26,933,747)	-	-
Trading goods purchased		(84,054,531)	(82,551,761)	-	-
Staff costs	5	(27,966,817)	(23,821,412)	(2,265,885)	(1,573,193)
Depreciation		(4,699,970)	(4,700,599)	(208,637)	(135,287)
Provision for impairment loss on plant and equipment no longer required		526,872	365,537	-	-
Other operating expenses	6	(17,258,581)	(16,285,224)	(9,184,330)	(1,909,090)
Profit/(loss) from operations		7,084,207	2,588,448	(10,318,691)	(2,561,087)
Finance income		41,691	23,650	23,493	-
Finance costs		(1,201,051)	(1,184,150)	(16,963)	(3,499)
Finance (costs)/income, net	8	(1,159,360)	(1,160,500)	6,530	(3,499)
Profit/(loss) before taxation		5,924,847	1,427,948	(10,312,161)	(2,564,586)
Taxation	9	(1,764,328)	(721,381)	-	-
Profit/(loss) after taxation		4,160,519	706,567	(10,312,161)	(2,564,586)
Minority interests		(1,496,128)	(435,734)	-	-
Net profit/(loss) for the financial year		2,664,391	270,833	(10,312,161)	(2,564,586)
Earnings per share (sen):					
Basic	10(a)	5.91	0.6		
Diluted	10(b)	5.91	0.6		

The accompanying notes form an integral part of the financial statements.

Balance Sheets

As At 31 August 2006

	Note	2006 RM	GROUP 2005 RM	2006 RM	COMPANY 2005 RM
NON-CURRENT ASSETS					
Property, plant and equipment	11	29,788,364	35,188,144	456,568	588,213
Investments in subsidiaries	12	-	-	35,122,911	43,554,171
Other investments	13	98,720	188,205	-	-
Goodwill on consolidation	14	289,128	289,128	-	-
Deferred tax assets	15	-	713,000	-	-
		<u>30,176,212</u>	<u>36,378,477</u>	<u>35,579,479</u>	<u>44,142,384</u>
CURRENT ASSETS					
Due from subsidiaries	16	-	-	10,342,201	10,717,213
Inventories	17	21,410,339	20,203,753	-	-
Trade receivables	18	29,449,759	23,499,741	-	-
Other receivables	19	6,495,327	3,029,424	20,350	111,100
Cash and bank balances	20	7,295,118	6,096,961	233,328	869,633
		<u>64,650,543</u>	<u>52,829,879</u>	<u>10,595,879</u>	<u>11,697,946</u>
CURRENT LIABILITIES					
Borrowings	21	12,353,333	13,826,079	76,079	70,574
Trade payables	22	18,031,291	17,252,742	-	-
Other payables	23	8,948,848	7,073,604	992,324	1,290,995
Due to subsidiaries	16	-	-	4,066,930	3,543,807
Taxation		100,068	1,490	-	-
		<u>39,433,540</u>	<u>38,153,915</u>	<u>5,135,333</u>	<u>4,905,376</u>
NET CURRENT ASSETS					
		<u>25,217,003</u>	<u>14,675,964</u>	<u>5,460,546</u>	<u>6,792,570</u>
		<u>55,393,215</u>	<u>51,054,441</u>	<u>41,040,025</u>	<u>50,934,954</u>
FINANCED BY:					
Share capital	24	45,101,000	45,101,000	45,101,000	45,101,000
Reserves		2,379,542	(653,044)	(4,713,633)	5,598,528
Shareholders' equity		47,480,542	44,447,956	40,387,367	50,699,528
Minority interests		4,494,742	2,858,343	-	-
		51,975,284	47,306,299	40,387,367	50,699,528
Retirement benefit obligations	25	493,311	-	493,311	-
Borrowings	21	2,771,494	3,518,465	159,347	235,426
Preference shares	26	4,998	4,656	-	-
Deferred tax liabilities	15	148,128	225,021	-	-
		<u>55,393,215</u>	<u>51,054,441</u>	<u>41,040,025</u>	<u>50,934,954</u>

The accompanying notes form an integral part of the financial statements.



Statements Of Changes In Equity

For The Financial Year Ended 31 August 2006

GROUP	Non-Distributable				Accumulated Losses RM	Total RM
	Share Capital RM	Share Premium RM	Foreign Exchange Reserve RM	Other Capital Reserve RM		
At 1 September 2004	45,101,000	12,309,806	(30,488)	1,420,000	(14,598,683)	44,201,635
Currency translation differences, representing net loss not recognised in income statement	-	-	(24,512)	-	-	(24,512)
Net profit for the financial year	-	-	-	-	270,833	270,833
At 31 August 2005	45,101,000	12,309,806	(55,000)	1,420,000	(14,327,850)	44,447,956
At 1 September 2005	45,101,000	12,309,806	(55,000)	1,420,000	(14,327,850)	44,447,956
Currency translation differences, representing net profit not recognised in income statement	-	-	368,195	-	-	368,195
Net profit for the financial year	-	-	-	-	2,664,391	2,664,391
At 31 August 2006	45,101,000	12,309,806	313,195	1,420,000	(11,663,459)	47,480,542

COMPANY	Share Capital RM	Non- Distributable Share Premium RM	Accumulated Losses RM	Total RM
	At 1 September 2004	45,101,000	12,309,806	(4,146,692)
Net loss for the financial year	-	-	(2,564,586)	(2,564,586)
At 31 August 2005	45,101,000	12,309,806	(6,711,278)	50,699,528
At 1 September 2005	45,101,000	12,309,806	(6,711,278)	50,699,528
Net loss for the financial year	-	-	(10,312,161)	(10,312,161)
At 31 August 2006	45,101,000	12,309,806	(17,023,439)	40,387,367

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For The Financial Year Ended 31 August 2006

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	5,924,847	1,427,948	(10,312,161)	(2,564,586)
Adjustments for:				
Bad debts written off	3,743	71,943	-	-
Depreciation	4,699,970	4,700,599	208,637	135,287
Interest expense	1,011,373	866,840	14,013	3,499
Inventories written off	851,400	348,676	-	-
Loss on disposal of long term Investment	-	27,000	-	-
Pension costs – defined benefit plan	766,426	-	708,662	-
Property, plant and equipment written off	217,031	78,235	-	2,110
Provision for doubtful debts	67,026	-	-	-
Provision for impairment loss on plant and equipment no longer required	(526,872)	(365,537)	-	-
Short-term accumulating compensated absences	239,853	(36,223)	82,500	(36,223)
Provision for impairment losses:				
- investment in subsidiary	-	-	8,500,000	-
- golf club membership	89,485	-	-	-
Provision/(reversal of provision) for slow moving inventories	147,915	(13,932)	-	-
Unrealised (gain)/loss on foreign exchange	(332,686)	47,656	-	-
Amortisation of reserve on consolidation	-	(812,036)	-	-
(Gain)/loss on disposal of plant and equipment	(91,434)	405,780	-	-
Interest income	(41,691)	(23,650)	(23,493)	-
Operating profit/(loss) before working capital changes	13,026,386	6,723,299	(821,842)	(2,459,913)
Increase in inventories	(2,205,901)	(4,834,139)	-	-
(Increase)/decrease in receivables	(6,243,556)	(2,592,957)	90,750	(8,718)
Increase/(decrease) in payables	2,562,431	3,787,939	(596,522)	790,653
Cash generated from/(used in) operations	7,139,360	3,084,142	(1,327,614)	(1,677,978)
Tax paid	(672,777)	(700,458)	-	-
Interest paid	(1,011,373)	(866,840)	(14,013)	(3,499)
Net cash generated from/(used in) operating activities	5,455,210	1,516,844	(1,341,627)	(1,681,477)



Cash Flow Statements

For The Financial Year Ended 31 August 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		41,691	23,650	23,493	-
Proceeds from disposal of plant and equipment		2,209,231	704,348	-	-
Proceeds from disposal of long term investment		-	6,000	-	-
Purchase of additional shares in a subsidiary from minority interest		-	(1,435,093)	-	(1,435,093)
Acquisition of subsidiary		-	-	(68,740)	-
Purchase of property, plant and equipment	A	<u>(3,842,422)</u>	<u>(1,651,454)</u>	<u>(76,992)</u>	<u>(65,559)</u>
Net cash used in investing activities		<u>(1,591,500)</u>	<u>(2,352,549)</u>	<u>(122,239)</u>	<u>(1,500,652)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Net repayment of short term borrowings		(951,677)	(345,581)	-	-
Net change in subsidiaries balances		-	-	898,135	1,136,048
Repayment of hire-purchase and lease payables		(417,956)	(938,434)	(70,574)	(136,441)
Repayment of term loans		<u>(637,226)</u>	<u>(1,485,412)</u>	<u>-</u>	<u>-</u>
Net cash (used in)/generated from financing activities		<u>(2,006,859)</u>	<u>(2,769,427)</u>	<u>827,561</u>	<u>999,607</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,856,851	(3,605,132)	(636,305)	(2,182,522)
EFFECTS OF EXCHANGE RATE CHANGES		301,525	(18,836)	-	-
CASH AND CASH EQUIVALENTS AS AT 1 SEPTEMBER 2005/2004		<u>1,262,621</u>	<u>4,886,589</u>	<u>869,633</u>	<u>3,052,155</u>
CASH AND CASH EQUIVALENTS AS AT 31 AUGUST 2006/2005	B	<u>3,420,997</u>	<u>1,262,621</u>	<u>233,328</u>	<u>869,633</u>

Cash Flow Statements

For The Financial Year Ended 31 August 2006

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM4,500,863 (2005: RM2,183,437) and RM76,992 (2005: RM371,559) respectively by way of the following:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash payment	3,842,422	1,651,454	76,992	65,559
Hire-purchase and lease payables	658,441	531,983	-	306,000
	<u>4,500,863</u>	<u>2,183,437</u>	<u>76,992</u>	<u>371,559</u>

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits with licensed banks (Note 20)	2,577,112	1,784,351	-	800,000
Cash and bank balances (Note 20)	4,718,006	4,312,610	233,328	69,633
Bank overdrafts (Note 21)				
- secured	<u>(3,874,121)</u>	<u>(4,834,340)</u>	<u>-</u>	<u>-</u>
	<u>3,420,997</u>	<u>1,262,621</u>	<u>233,328</u>	<u>869,633</u>

The accompanying notes form an integral part of the financial statements.



Notes To The Financial Statements

31 August 2006

1. CORPORATE INFORMATION

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries are described in Note 12. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at 51-14-B & C, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 December 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceed and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair values of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiary at the date of acquisition.

Goodwill is not amortised. Annually it would be reviewed for impairment.

(d) Investments

Investments in subsidiaries and other non-current investments which comprise transferable golf club memberships are stated at cost less impairment losses.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which ranges from 49 years to 60 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2%
Plant and machinery	10% - 20%
Office furniture, fittings and computer equipment	10% - 33.33%
Motor vehicles	20%
Renovation	2% - 10%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

(g) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash in hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Leases and Hire-Purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

i. Finance leases and hire-purchase

Assets acquired by way of finance leases or hire-purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the incremental borrowing rate of the Company or its subsidiaries is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e).

ii. Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.



Notes To The Financial Statements

31 August 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Income Tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative 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 is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(k) Employee Benefits

i. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund. Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

iii. Defined benefit plans

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

iv. Equity compensation benefits

The Company's Employee Share Options Scheme ("ESOS") allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

i. Sales of goods

Revenue relating to sale of goods is recognised net of discounts upon the transfer of risks and rewards.

ii. Management fees

Revenue from provision of management services is recognised as and when the services are performed.

iii. Dividend income

Dividend income is recognised when the right to receive payment is established.

iv. Interest income

Interest is recognised on a time proportion basis that reflects effective yield on the asset.

(m) Foreign Currencies

i. Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

ii. Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates used for each respective unit of foreign currency ruling at balance sheet date are as follows:

	2006 RM	2005 RM
1 US Dollar	3.68	3.76
100 Japanese Yen	3.14	3.40
1 Singapore Dollar	2.34	2.26
100 Thai Baht	9.80	9.13



Notes To The Financial Statements

31 August 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss on a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

i. Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

ii. Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

iii. Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time that the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

iv. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

v. Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements at inception.

Forward foreign exchange contracts

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

Notes To The Financial Statements

31 August 2006



3. REVENUE

Revenue of the Group and of the Company consists of the following:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of goods	168,683,154	152,126,253	-	-
Management fee	-	-	1,319,603	597,805
	<u>168,683,154</u>	<u>152,126,253</u>	<u>1,319,603</u>	<u>597,805</u>

4. OTHER OPERATING INCOME

Included in other operating income are:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Amortisation of reserve on consolidation	-	812,036	-	-
Doubtful debts recovered	-	36,474	-	-
Gain on disposal of plant and equipment	91,434	-	-	-
Realised gain on foreign exchange	106,861	127,415	88	-
Rental income	627,578	472,832	-	202,600
Unrealised gain on foreign exchange	<u>332,686</u>	<u>-</u>	<u>-</u>	<u>-</u>

5. STAFF COSTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Wages and salaries	21,995,605	19,494,913	1,234,436	1,053,230
Social security costs	359,877	270,841	6,399	4,094
Short term accumulating compensated absences	239,853	(36,223)	82,500	(36,223)
Pension costs - defined contribution plan	1,659,734	1,830,100	172,583	116,935
Pension costs - defined benefit plan (Note 25)	766,426	-	708,662	-
Other staff related expenses	<u>2,945,322</u>	<u>2,261,781</u>	<u>61,305</u>	<u>435,157</u>
	<u>27,966,817</u>	<u>23,821,412</u>	<u>2,265,885</u>	<u>1,573,193</u>

Included in staff costs of the Group and of the Company are directors' remuneration (excluding fees) amounting to RM3,327,819 (2005: RM3,794,077) and RM1,558,122 (2005: RM1,088,135) respectively.

The number of employees in the Group and in the Company at the end of the year were 1,182 (2005: 1,052) and 11 (2005: 8) respectively.



Notes To The Financial Statements

31 August 2006

6. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Auditors' remuneration				
- current financial year	184,327	157,985	12,000	10,000
- under provision in prior financial year	6,806	17,640	-	-
- special audit	43,965	-	-	-
Bad debts written off	3,743	71,943	-	-
Directors' fees	307,300	186,000	240,000	186,000
Freight charges	2,310,462	2,123,002	-	-
Inventories written off	851,400	348,676	-	-
Lease rental	-	115,292	-	-
Loss on disposal of plant and equipment	-	405,780	-	-
Loss on disposal of long term investment	-	27,000	-	-
Property, plant and equipment written off	217,031	78,235	-	2,110
Provision for doubtful debts	67,026	-	-	-
Provision/(reversal of provision) for slow moving inventories	147,915	(13,932)	-	-
Provision for impairment losses:				
- investment in subsidiary	-	-	8,500,000	-
- golf club membership	89,485	-	-	-
Realised loss on foreign exchange	618,298	113,576	2,571	-
Restructuring costs	20,000	1,256,878	20,000	1,256,878
Rental expense	706,804	695,865	-	-
Unrealised loss on foreign exchange	-	47,656	-	-
Upkeep of property, plant and equipment	1,065,398	1,111,202	27,218	46,329
Utilities	3,142,027	2,426,750	22,735	15,695

Notes To The Financial Statements

31 August 2006



7. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	2,168,435	2,444,066	1,426,884	882,595
Fees	101,300	60,000	54,000	60,000
Bonus	232,708	621,269	131,238	205,540
	<u>2,502,443</u>	<u>3,125,335</u>	<u>1,612,122</u>	<u>1,148,135</u>
Non-Executive:				
Fees	<u>186,000</u>	<u>126,000</u>	<u>186,000</u>	<u>126,000</u>
Other Directors				
Executive:				
Salaries and other emoluments	814,511	606,743	-	-
Bonus	112,165	121,999	-	-
Fee	20,000	-	-	-
	<u>946,676</u>	<u>728,742</u>	<u>-</u>	<u>-</u>
Total	<u>3,635,119</u>	<u>3,980,077</u>	<u>1,798,122</u>	<u>1,274,135</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2006	2005
Executive directors:		
RM350,001 - RM400,000	1	-
RM500,001 - RM550,000	-	1
RM550,001 - RM600,000	1	2
RM650,001 - RM700,000	-	1
RM700,001 - RM750,000	1	-
RM750,001 - RM800,000	1	1
Non-Executive directors:		
Less than RM50,000	5	5



Notes To The Financial Statements

31 August 2006

8. FINANCE (COSTS)/INCOME, NET

Included in finance (costs)/income, net are:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest expense	1,011,373	866,840	14,013	3,499
Interest income	<u>(41,691)</u>	<u>(23,650)</u>	<u>(23,493)</u>	<u>-</u>

9. TAXATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax expense for the financial year:				
Malaysian income tax	1,117,347	524,740	-	-
Under provided in prior financial years	<u>10,874</u>	<u>66,510</u>	<u>-</u>	<u>-</u>
	<u>1,128,221</u>	<u>591,250</u>	<u>-</u>	<u>-</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(68,150)	115,316	-	-
Reversal of deferred tax assets recognised in prior financial year	713,000	-	-	-
(Over)/Under provided in prior financial years	<u>(8,743)</u>	<u>14,815</u>	<u>-</u>	<u>-</u>
Transfer to deferred tax (Note 15)	<u>636,107</u>	<u>130,131</u>	<u>-</u>	<u>-</u>
	<u>1,764,328</u>	<u>721,381</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) on the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes To The Financial Statements

31 August 2006

9. TAXATION (CONTD.)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit/(loss) before taxation	<u>5,924,847</u>	<u>1,427,948</u>	<u>(10,312,161)</u>	<u>(2,564,586)</u>
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	1,658,957	399,825	(2,887,405)	(718,084)
Effect of different tax rates in other countries	(91,398)	27,456	-	-
Income not subject to tax	(1,019,121)	(712,361)	(1,846)	(54,069)
Effect of expenses not deductible for tax purposes	438,222	615,750	111,070	392,806
Expenses allowable for double deductions	(2,398)	-	-	-
Reversal of deferred tax assets recognised in prior financial year	713,000	-	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(147,586)	(275,024)	(5,562)	(26,761)
Deferred tax assets not recognised during the financial year	373,000	737,915	2,699,743	406,108
Under/(over) provided in prior years				
- income tax	10,874	66,510	-	-
- deferred taxation	(8,743)	14,815	-	-
Effect of reinvestment allowance claw back	-	(16,847)	-	-
Effect of income subject to tax at the rate of 20%	(160,479)	(136,658)	-	-
Group relief surrendered by holding company to a subsidiary	-	-	84,000	-
	<u>1,764,328</u>	<u>721,381</u>	<u>-</u>	<u>-</u>

Tax savings recognised during the financial year arising from:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Utilisation of current year tax losses	<u>65,003</u>	<u>141,867</u>	<u>-</u>	<u>-</u>



Notes To The Financial Statements

31 August 2006

10. EARNINGS PER SHARE

GROUP

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the financial year by the number of ordinary shares in issue during the financial year.

	2006	2005
Net profit for the financial year (RM)	<u>2,664,391</u>	<u>270,833</u>
Number of ordinary shares in issue ('000)	<u>45,101</u>	<u>45,101</u>
Basic earnings per share (sen)	<u>5.91</u>	<u>0.6</u>

(b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the financial year and the number of ordinary shares in issue during the financial year will be adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

However, there were no potential ordinary shares deemed issuable as all the share options have been deemed to be issued at a fair value and as such are not dilutive.

	2006	2005
Net profit for the financial year (RM)	<u>2,664,391</u>	<u>270,833</u>
Number of ordinary shares in issue and issuable ('000)	<u>45,101</u>	<u>45,101</u>
Diluted earnings per share (sen)	<u>5.91</u>	<u>0.6</u>

Notes To The Financial Statements

31 August 2006

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	* Land and buildings RM	Plant and machinery RM	Office furniture, fittings and computer equipment RM	Motor vehicles RM	Renovation RM	Capital work-in-progress RM	Total RM
Cost							
At 1 September 2005	18,793,673	28,024,855	7,090,955	1,879,004	4,377,993	430,705	60,597,185
Additions	-	2,725,288	493,960	174,890	999,897	106,828	4,500,863
Transfer	-	65,697	-	-	365,008	(430,705)	-
Disposals	-	(13,153,337)	(14,790)	(74,114)	-	-	(13,242,241)
Write off	-	(395,640)	(222,688)	-	(98,584)	-	(716,912)
Exchange difference	-	(87,024)	41,885	18,419	74,878	-	48,158
At 31 August 2006	18,793,673	17,179,839	7,389,322	1,998,199	5,719,192	106,828	51,187,053

Accumulated Depreciation and Impairment Losses

At 1 September 2005							
Accumulated depreciation	2,331,592	15,654,113	4,239,059	1,033,675	1,301,804	-	24,560,243
Accumulated impairment losses	-	750,120	55,513	-	43,165	-	848,798
	2,331,592	16,404,233	4,294,572	1,033,675	1,344,969	-	25,409,041
Depreciation charge for the financial year	365,584	2,626,013	991,460	220,268	496,645	-	4,699,970
Reversal of impairment losses	-	(428,194)	(55,513)	-	(43,165)	-	(526,872)
Disposals	-	(7,460,446)	(10,968)	(53,029)	-	-	(7,524,443)
Write off	-	(367,053)	(127,269)	-	(5,559)	-	(499,881)
Exchange difference	-	(205,413)	21,483	7,228	17,576	-	(159,126)
At 31 August 2006	2,697,176	10,569,140	5,113,765	1,208,142	1,810,466	-	21,398,689



Notes To The Financial Statements

31 August 2006

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	* Land and buildings RM	Plant and machinery RM	Office furniture, fittings and computer equipment RM	Motor vehicles RM	Renovation RM	Capital work-in- progress RM	Total RM
Analysed as:							
Accumulated depreciation	2,697,176	10,247,214	5,113,765	1,208,142	1,810,466	-	21,076,763
Accumulated impairment losses	-	321,926	-	-	-	-	321,926
	<u>2,697,176</u>	<u>10,569,140</u>	<u>5,113,765</u>	<u>1,208,142</u>	<u>1,810,466</u>	<u>-</u>	<u>21,398,689</u>
Net Book Value							
At 31 August 2006	<u>16,096,497</u>	<u>6,610,699</u>	<u>2,275,557</u>	<u>790,057</u>	<u>3,908,726</u>	<u>106,828</u>	<u>29,788,364</u>
At 31 August 2005	<u>16,462,081</u>	<u>11,620,622</u>	<u>2,796,383</u>	<u>845,329</u>	<u>3,033,024</u>	<u>430,705</u>	<u>35,188,144</u>
Details at 1 September 2004							
Cost	18,793,673	28,386,475	6,987,478	1,425,839	2,874,616	1,550,990	60,019,071
Accumulated depreciation	1,966,008	13,371,644	3,118,183	906,330	921,901	-	20,284,066
Accumulated impairment losses	-	1,115,657	55,513	-	43,165	-	1,214,335
Depreciation charge for 2005	<u>365,584</u>	<u>2,641,343</u>	<u>1,148,833</u>	<u>160,293</u>	<u>384,546</u>	<u>-</u>	<u>4,700,599</u>

Notes To The Financial Statements

31 August 2006



11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

* LAND AND BUILDINGS

GROUP	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
Cost				
At 1 September 2005 and 31 August 2006	585,414	2,556,573	15,651,686	18,793,673
Accumulated Depreciation				
At 1 September 2005	-	309,459	2,022,133	2,331,592
Depreciation charge for the financial year	-	49,707	315,877	365,584
At 31 August 2006	-	359,166	2,338,010	2,697,176
Net Book Value				
At 31 August 2006	585,414	2,197,407	13,313,676	16,096,497
At 31 August 2005	585,414	2,247,114	13,629,553	16,462,081
Details at 1 September 2004				
Cost	585,414	2,556,573	15,651,686	18,793,673
Accumulated depreciation	-	259,752	1,706,256	1,966,008
Depreciation charge for 2005	-	49,707	315,877	365,584

COMPANY	Motor vehicle RM	Office furniture, fittings and computer equipment RM	Total RM
Cost			
At 1 September 2005	365,000	640,202	1,005,202
Addition	-	76,992	76,992
At 31 August 2006	365,000	717,194	1,082,194
Accumulated Depreciation			
At 1 September 2005	6,083	410,906	416,989
Depreciation charge for the financial year	73,000	135,637	208,637
At 31 August 2006	79,083	546,543	625,626



Notes To The Financial Statements

31 August 2006

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Motor vehicle RM	Office furniture, fittings and computer equipment RM	Total RM
Net Book Value			
At 31 August 2006	285,917	170,651	456,568
At 31 August 2005	358,917	229,296	588,213
Details at 1 September 2004			
Cost	-	646,093	646,093
Accumulated depreciation	-	289,207	289,207
Depreciation charge for 2005	6,083	129,204	135,287

- (a) The net book value of plant and equipment held under hire-purchase and finance lease arrangements are as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Plant and machinery	661,076	535,838	-	-
Office furniture, fittings and computer equipment	-	464,560	-	188,480
Motor vehicles	634,962	689,364	285,917	358,917
	<u>1,296,038</u>	<u>1,689,762</u>	<u>285,917</u>	<u>547,397</u>

- (b) The net book value of property, plant and equipment charged as securities for borrowings as referred to in Note 21 are as follows:

GROUP	2006 RM	2005 RM
Land and buildings	15,969,541	16,031,391
Plant and machinery	1,275,105	4,527,589
Office furniture, fittings and computer equipment	555,525	763,822
Motor vehicles	18,340	8
Renovation	<u>1,168,814</u>	<u>1,250,344</u>
	<u>18,987,325</u>	<u>22,573,154</u>

- (c) Included in plant and equipment of the Group are fully depreciated assets which are still in use costing RM5,378,790 (2005: RM4,173,309).

- (d) The motor vehicle of the Company is held in trust by a director.

Notes To The Financial Statements

31 August 2006

12. INVESTMENTS IN SUBSIDIARIES

COMPANY	2006 RM	2005 RM
Unquoted shares, at cost	43,766,704	43,697,964
Accumulated impairment losses	<u>(8,643,793)</u>	<u>(143,793)</u>
	<u>35,122,911</u>	<u>43,554,171</u>

During the financial year, the Company has made a provision for impairment losses of RM8,500,000 for its investment in one of the subsidiary, AV Industries Sdn Bhd.

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held		Principal Activities
		2006 %	2005 %	
D'nonce (M) Sdn. Bhd.	Malaysia	100	100	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce (K.L.) Sdn. Bhd.	Malaysia	100	100	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce (Kelantan) Sdn. Bhd.	Malaysia	55	55	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce (Johore) Sdn. Bhd.	Malaysia	55	55	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce Electronics Sdn. Bhd.	Malaysia	100	100	Dormant
Attractive Venture Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials.
Attractive Venture (KL) Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials.
Attractive Venture (JB) Sdn. Bhd.	Malaysia	* 82	* 82	Plastic injection moulding and design and conversion of advanced packaging materials.
AV Industries Sdn. Bhd.	Malaysia	100	100	Contract manufacturer of electronic components.



Notes To The Financial Statements

31 August 2006

12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Country of Incorporation	Equity Interest Held		Principal activities
		2006 %	2005 %	
AV Innovation Sdn. Bhd.	Malaysia	100	100	Dormant
AV Plastics Sdn. Bhd.	Malaysia	84	84	Processing of plastic injected moulded products.
D'nonce Labels (M) Sdn. Bhd.	Malaysia	100	100	Dealer in all kinds of adhesive labels and materials for labels.
Richmond Technology Sdn. Bhd.	Malaysia	55	55	Manufacturer of packaging materials.
Integrated SCM Co., Ltd.++	Thailand	** 99	** 99	Sales and distribution of chemicals, packaging materials, spare parts and consumables.
Logistic Solution Holdings Co., Ltd.++	Thailand	99	99	Investment holding.
ISCM Technology (Thailand) Co., Ltd. ++	Thailand	70	70	Contract manufacturer of electronic components.
ISCM Industries (Thailand) Co., Ltd. ++	Thailand	70	-	Dormant

* The Company has a direct interest of 60% and an indirect interest of 22% via another subsidiary, D'nonce (Johore) Sdn. Bhd.

** The Company has a direct interest of 49% and an indirect interest of 50% via another subsidiary, Logistic Solution Holdings Co., Ltd.

++ Audited by firm of auditors other than Ernst & Young

Acquisition of Subsidiary

On 8 June 2006, the Group acquired 7,000 shares of Baht 100 each representing 70% equity interest in ISCM Industries (Thailand) Co., Ltd., a company incorporated in Thailand, for a total consideration of RM68,740.

The acquisition had the following effect on the Group's financial results for the financial year:

	2006 RM
Revenue	-
Loss from operations and net loss for the financial year	<u>(21,058)</u>

Notes To The Financial Statements

31 August 2006



12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

The acquisition had the following effect on the financial position of the Group as at the end of the financial year:

	2006 RM
Property, plant and equipment	2,118
Other receivables	186,017
Cash and bank balances	12,976
Other payables	(6,237)
Minority interests	<u>(58,462)</u>
Group's share of net assets	<u>136,412</u>

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows:

	2006 RM
Cash and bank balances	<u>68,740</u>
Purchase consideration satisfied by cash	<u>68,740</u>
Cash outflow arising on acquisition: Purchase consideration satisfied by cash and total cash outflow of the Company	68,740
Cash and cash equivalents of subsidiary acquired	<u>(68,740)</u>
Net cash outflow of the Group	<u>-</u>

13. OTHER INVESTMENTS

GROUP	2006 RM	2005 RM
Golf club memberships, at cost		
At 1 September 2005/2004	188,205	221,205
Less: Disposal	-	(33,000)
Accumulated impairment losses	<u>(89,485)</u>	<u>-</u>
At 31 August 2006/2005	<u>98,720</u>	<u>188,205</u>

14. GOODWILL AND RESERVE ON CONSOLIDATION

GROUP	Goodwill RM	Reserve on Consolidation RM	Total RM
At 1 September 2005	289,128	-	289,128
Less: Accumulated amortisation	<u>-</u>	<u>-</u>	<u>-</u>
At 31 August 2006	<u>289,128</u>	<u>-</u>	<u>289,128</u>
At 1 September 2004	-	(7,259,652)	(7,259,652)
Purchase of additional shares in subsidiary	289,128	-	289,128
	<u>289,128</u>	<u>(7,259,652)</u>	<u>(6,970,524)</u>
Less: Accumulated amortisation	<u>-</u>	<u>7,259,652</u>	<u>7,259,652</u>
At 31 August 2005	<u>289,128</u>	<u>-</u>	<u>289,128</u>



Notes To The Financial Statements

31 August 2006

15. DEFERRED TAX

GROUP	2006 RM	2005 RM
At 1 September 2005/2004	(487,979)	(618,110)
Recognised in the income statement (Note 9)	636,107	130,131
At 31 August 2006/2005	<u>148,128</u>	<u>(487,979)</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	-	(713,000)
Deferred tax liabilities	148,128	290,150
	<u>148,128</u>	<u>(487,979)</u>

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets of the Group:

	Unused Tax Losses, Unabsorbed Capital Allowances RM	Others RM	Total RM
At 1 September 2005	(719,124)	(59,005)	(778,129)
Recognised in the income statement	719,124	(82,345)	636,779
At 31 August 2006	<u>-</u>	<u>(141,350)</u>	<u>(141,350)</u>
At 1 September 2004	(734,794)	(39,737)	(774,531)
Recognised in the income statement	15,670	(19,268)	(3,598)
At 31 August 2005	<u>(719,124)</u>	<u>(59,005)</u>	<u>(778,129)</u>

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowances RM	Others RM	Total RM
At 1 September 2005	320,029	(29,879)	290,150
Recognised in the income statement	(30,551)	29,879	(672)
At 31 August 2006	<u>289,478</u>	<u>-</u>	<u>289,478</u>
At 1 September 2004	194,522	(38,101)	156,421
Recognised in the income statement	125,507	8,222	133,729
At 31 August 2005	<u>320,029</u>	<u>(29,879)</u>	<u>290,150</u>

Notes To The Financial Statements

31 August 2006

15. DEFERRED TAX (CONTD.)

Deferred tax assets have not been recognised in respect of the following items:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Capital allowances in excess of depreciation	44,746	9,491,395	82,529	56,040
Unused tax losses	(11,491,675)	(11,713,301)	(5,011,630)	(4,630,767)
Unabsorbed capital allowances	(6,155,127)	(14,492,901)	(166,457)	(107,419)
Other deductible temporary differences	<u>(719,169)</u>	<u>(753)</u>	<u>(9,208,662)</u>	<u>-</u>
	<u>(18,321,225)</u>	<u>(16,715,560)</u>	<u>(14,304,220)</u>	<u>(4,682,146)</u>

Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Malaysian subsidiaries in the Group are subject to no substantial changes in shareholdings of the Malaysian subsidiaries under Section 44(5A), (5B) and Schedule 3 Paragraphs 75(A) & 75(B) of the Income Tax Act, 1967.

16. DUE FROM/(TO) SUBSIDIARIES

COMPANY

The amounts due from subsidiaries are non-trade in nature, unsecured, interest free and have no fixed terms of repayment except certain balances amounting to RM736,024 (2005: RM717,151) bear an interest rate of 7% (2005: 7%) per annum.

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

17. INVENTORIES

GROUP	2006 RM	2005 RM
At cost		
Raw materials	7,706,790	5,128,151
Work-in-progress	2,353,912	1,065,607
Finished goods	2,876,475	3,476,116
Trading goods	<u>8,438,647</u>	<u>10,499,766</u>
	21,375,824	20,169,640
At net realisable value		
Work-in-progress	12,526	10,894
Finished goods	<u>21,989</u>	<u>23,219</u>
	<u>21,410,339</u>	<u>20,203,753</u>



Notes To The Financial Statements

31 August 2006

18. TRADE RECEIVABLES

GROUP	2006 RM	2005 RM
Trade receivables	29,526,401	23,509,357
Provision for doubtful debts	<u>(76,642)</u>	<u>(9,616)</u>
	<u>29,449,759</u>	<u>23,499,741</u>

The Group's normal trade credit terms range from 15 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has significant concentration of credit risk primarily arising from the amount due from groups of trade debtors which constitutes approximately 34.8% of the total trade receivables as at 31 August 2006. The sales to these groups of trade debtors constitute approximately 50.2% of the total revenue for the financial year.

19. OTHER RECEIVABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits	486,976	307,983	1,110	1,110
Prepayments - taxation	638,398	995,264	19,240	19,740
- others	397,086	485,916	-	-
Sundry receivables	<u>4,972,867</u>	<u>1,240,261</u>	<u>-</u>	<u>90,250</u>
	<u>6,495,327</u>	<u>3,029,424</u>	<u>20,350</u>	<u>111,100</u>

Included in sundry receivables is an amount of RM3,600,000 representing balance of the disposal proceeds from sale of plant and equipment.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors other than the amount due from the purchaser of plant and equipment as disclosed in the previous paragraph.

20. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits with licensed banks	2,577,112	1,784,351	-	800,000
Cash and bank balances	<u>4,718,006</u>	<u>4,312,610</u>	<u>233,328</u>	<u>69,633</u>
	<u>7,295,118</u>	<u>6,096,961</u>	<u>233,328</u>	<u>869,633</u>

Deposits of the Group amounting to RM500,000 (2005: RM500,000) are pledged to banks for credit facilities granted to certain subsidiaries as referred to in Note 21.

Certain deposits with a licensed bank of the Group amounting to RM56,415 (2005: RM157,708) are registered in the name of a director of the subsidiary who holds them in trust for the Group.

The interest rates of the deposits with licensed banks during the financial year range from 2.80% to 3.70% per annum and the maturities of the deposits as at 31 August 2006 range from 7 days to 365 days.

Notes To The Financial Statements

31 August 2006

21. BORROWINGS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Short Term Borrowings				
Secured				
Bank overdrafts	3,874,121	4,834,340	-	-
Bankers' acceptance	6,742,898	7,783,000	-	-
Trust receipts	270,715	182,290	-	-
Term loans	960,478	696,053	-	-
Hire-purchase and lease payables (Note 21.1)	<u>505,121</u>	<u>330,396</u>	<u>76,079</u>	<u>70,574</u>
	<u>12,353,333</u>	<u>13,826,079</u>	<u>76,079</u>	<u>70,574</u>
Long Term Borrowings				
Secured				
Term loans	2,068,706	2,970,357	-	-
Hire-purchase and lease payables (Note 21.1)	<u>702,788</u>	<u>548,108</u>	<u>159,347</u>	<u>235,426</u>
	<u>2,771,494</u>	<u>3,518,465</u>	<u>159,347</u>	<u>235,426</u>
Total Borrowings				
Bank overdrafts	3,874,121	4,834,340	-	-
Bankers' acceptance	6,742,898	7,783,000	-	-
Trust receipts	270,715	182,290	-	-
Term loans	3,029,184	3,666,410	-	-
Hire-purchase and lease payables (Note 21.1)	<u>1,207,909</u>	<u>878,504</u>	<u>235,426</u>	<u>306,000</u>
	<u>15,124,827</u>	<u>17,344,544</u>	<u>235,426</u>	<u>306,000</u>
Maturity of borrowings (excluding hire purchase and lease payables):				
Within one year	11,526,919	13,495,683	-	-
More than 1 year and less than 2 years	646,372	648,627	-	-
More than 2 years and less than 5 years	1,079,140	1,388,822	-	-
5 years or more	<u>664,487</u>	<u>932,908</u>	-	-
	<u>13,916,918</u>	<u>16,466,040</u>	-	-



Notes To The Financial Statements

31 August 2006

21. BORROWINGS (CONTD.)

The interest rates per annum at the balance sheet date for borrowings, excluding hire-purchase and lease payables, were as follows:

	GROUP	
	2006 %	2005 %
Bank overdrafts	5.00 - 11.00	7.25 - 8.50
Bankers' acceptance	3.00 - 8.75	3.00 - 5.50
Trust receipts	7.25 - 8.00	5.50 - 7.65
Term loans	5.00 - 8.50	5.00 - 7.75

The above banking facilities of the Group are secured by:

- (i) legal charges over the Group's property, plant and equipment as disclosed in Note 11;
- (ii) deposits of the Group as disclosed in Note 20; and
- (iii) corporate guarantee from the Company and a subsidiary, Attractive Venture Sdn. Bhd.

21.1. HIRE-PURCHASE AND LEASE PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Minimum lease payments:				
Not later than 1 year	572,310	379,402	84,578	84,588
Later than 1 year and not later than 2 years	429,294	302,573	84,578	84,588
Later than 2 years and not later than 5 years	342,431	289,493	84,578	169,138
	<u>1,344,035</u>	<u>971,468</u>	<u>253,734</u>	<u>338,314</u>
Future finance charges	(136,126)	(92,964)	(18,308)	(32,314)
Present value of finance lease liabilities	<u>1,207,909</u>	<u>878,504</u>	<u>235,426</u>	<u>306,000</u>
Present value of finance lease liabilities:				
Not later than 1 year	505,121	330,396	76,079	70,574
Later than 1 year and not later than 2 years	385,793	283,325	78,479	74,531
Later than 2 years and not later than 5 years	316,995	264,783	80,868	160,895
	<u>1,207,909</u>	<u>878,504</u>	<u>235,426</u>	<u>306,000</u>
Analysed as:				
Due within 12 months (Note 21)	505,121	330,396	76,079	70,574
Due after 12 months (Note 21)	<u>702,788</u>	<u>548,108</u>	<u>159,347</u>	<u>235,426</u>
	<u>1,207,909</u>	<u>878,504</u>	<u>235,426</u>	<u>306,000</u>

Certain hire-purchase and lease payables of the Group and Company are secured by way of a corporate guarantee from the Company.

The hire-purchase and lease liabilities of the Group and of the Company bore interest at the balance sheet date of between 2.64% to 8.04% (2005: 2.64% to 7.02%) per annum and 2.64% (2005: 2.64% to 3.87%) per annum respectively.

22. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 days to 120 days.

Notes To The Financial Statements

31 August 2006



23. OTHER PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Accruals	3,045,012	2,817,905	248,758	512,928
Accrued directors' remuneration	878,199	1,542,472	263,103	654,689
Due to directors of subsidiaries	97,360	111,793	-	-
Sundry payables	4,291,145	2,204,155	274,988	403
Short term accumulating compensated absences	637,132	397,279	205,475	122,975
	<u>8,948,848</u>	<u>7,073,604</u>	<u>992,324</u>	<u>1,290,995</u>

The amounts due to directors of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

24. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and paid-up	<u>45,101,000</u>	<u>45,101,000</u>	<u>45,101,000</u>	<u>45,101,000</u>

Employee Share Options Scheme ("ESOS")

The Company's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 26 February 2003. The duration of ESOS was from 20 November 2003 and is to be in force for a period of 5 years from the date of implementation. The Board of Directors and ESOS Committee may as deemed fit, extend the ESOS for another 5 years.

The salient features of the ESOS are as follows:

- (i) The ESOS Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1 each in the Company.
- (ii) Subject to the discretion of the ESOS Committee, any employee whose employment has been confirmed and any executive director holding office in a full-time executive capacity of the Group, shall be eligible to participate in the ESOS.
- (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.
- (iv) The option price for each share shall be the weighted average of the market price as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date on which the option is granted less, if the ESOS Committee shall so determine at their discretion from time to time, a discount of not more than 10% or the par value of the shares of the Company of RM1.
- (v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.



Notes To The Financial Statements

31 August 2006

24. SHARE CAPITAL (CONTD.)

The terms of share options outstanding as at the end of the financial year are as follows:

Grant Date	Expiry Date	Exercise Price RM	At 1 September 2005 '000	Granted '000	Exercised '000	Lapsed '000	At 31 August 2006 '000	
20 November 2003	19 December 2008	1.00	2,169	-	-	-	2,169	
Number of share options vested:							2006 '000	2005 '000
At 1 September 2005/2004							2,169	2,169
At 31 August 2006/2005							<u>2,169</u>	<u>2,169</u>

25. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to retirement benefits at the age of 60 years.

The Scheme will completely vest on the eligible employees within 5 years from this financial year.

The amounts recognised in the balance sheet are determined as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Present value of unfunded defined benefit obligations	1,721,437	-	1,721,437	-
Less: Amount still not vested	<u>(1,228,126)</u>	-	<u>(1,228,126)</u>	-
Net liability	<u>493,311</u>	-	<u>493,311</u>	-
Analysed as:				
Non-current	<u>493,311</u>	-	<u>493,311</u>	-

The amounts recognised in the income statement are as follows:

Current service cost	148,828	-	148,828	-
Interest cost	82,043	-	82,043	-
Losses on curtailments and settlements	178,844	-	178,844	-
Transitional liability	<u>356,711</u>	-	<u>356,711</u>	-
	766,426	-	766,426	-
Charged to a subsidiary company	-	-	<u>(57,764)</u>	-
Total, included in staff costs (Note 5)	<u>766,426</u>	-	<u>708,662</u>	-

Movement in the net liability in the current financial year were as follows:

At 1 September 2005/2004	-	-	-	-
Amounts recognised in the income statement	766,426	-	708,662	-
Amount owing by a subsidiary company	-	-	57,764	-
Contributions paid	<u>(273,115)</u>	-	<u>(273,115)</u>	-
At 31 August 2006/2005	<u>493,311</u>	-	<u>493,311</u>	-

Notes To The Financial Statements

31 August 2006

25. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

Principal actuarial assumptions used:

	2006 %	2005 %
Discount rate	4.6	-
Expected rate of salary increases	6.0	-

26. PREFERENCE SHARES

This refers to a preferential cumulative dividend from profit of 10% per annum on the par value of the preference shares, issued by a subsidiary, Logistic Solution Holdings Co., Ltd. to third parties.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Expenses charged by Segi Reka Integrated Sdn. Bhd., in which a director of the Company, Law Kim Choon has an interest	15,708	17,849	-	-
Purchases from Master-Pack Sdn. Bhd., a company which holds 20% equity interest in a subsidiary	3,587,649	1,892,838	-	-
Expenses charged by Nikado Enterprise (M) Sdn. Bhd., in which a director of the Company, Law Kim Choon has an interest	194,757	268,640	-	-
Accounting fees charged to subsidiaries	-	-	(2,000)	(9,900)
Interest expenses charged to subsidiaries	-	-	(19,866)	(95,576)
Management fees charged to subsidiaries	-	-	(1,319,603)	(597,805)
Rental charged to subsidiaries	-	-	-	(202,600)
Other expenses charged to subsidiaries	-	-	(1,470)	-
Professional fees charged to subsidiaries	-	-	(17,000)	(137,000)

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Notes To The Financial Statements

31 August 2006

28. COMMITMENTS

(a) Capital Commitments

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Capital commitments				
(i) Purchase of equipment approved and contracted for	14,355,818	598,800	-	-
(ii) Purchase of equipment approved but not contracted for	215,000	-	-	-
(iii) Further investment in equity of a foreign subsidiary approved and contracted for	-	-	4,044,446	-

(b) Non-Cancellable Operating Lease Commitments - Group as Lessee

GROUP	2006 RM	2005 RM
Future minimum rentals payables:		
Not later than 1 year	896,075	795,352
Later than 1 year and not later than 5 years	720,660	624,325
	<u>1,616,735</u>	<u>1,419,677</u>
Future minimum sublease receipts:		
Not later than 1 year	9,000	12,000
Later than 1 year and not later than 5 years	-	9,000
	<u>9,000</u>	<u>21,000</u>

Operating lease payments represent rentals payable by the Group for the use of factory/office building and warehouse. Tenures of lease and rental agreements ranges from one to five years.

(c) Non-Cancellable Operating Lease Commitments - Group as Lessor

GROUP	2006 RM	2005 RM
Future minimum rentals payables:		
Not later than 1 year	753,600	480,000
Later than 1 year and not later than 5 years	981,600	920,000
	<u>1,735,200</u>	<u>1,400,000</u>

The Group has entered into commercial property leases with third parties for the Group's surplus office and industrial building. These leases have remaining non-cancellable lease terms of three years. All leases include a clause to enable upward revision of the rental charge on an annual basis on prevailing market conditions.

Notes To The Financial Statements

31 August 2006



29. CONTINGENT LIABILITIES (UNSECURED)

	2006 RM	2005 RM
COMPANY		
Corporate guarantees given to banks for banking facilities granted to certain subsidiaries	<u>16,551,272</u>	<u>19,240,011</u>

The directors are of the view that the crystallisation of the above guarantees is remote.

GROUP

On 21 July 2003, a Writ of Summons was served on D'nonce (M) Sdn. Bhd. ("DMSB"), a subsidiary of the Company by DAE-A Lead Wire Co. Ltd. claiming for approximately USD507,000 being goods sold to DMSB. DMSB has claimed that the Plaintiff's goods which have been fully accrued are defective and not according to specifications. Furthermore, DMSB has correspondence with the Plaintiff establishing its complaints regarding the quality of the Plaintiff's goods. The legal advisers have advised the directors of the subsidiary that in view of this there is a likelihood that the Plaintiff's claim may not succeed.

Accordingly, no provisions have been made by the directors of DMSB for any further liabilities that may arise relating to the above claim.

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets as at 31 August 2006. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at banks.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly Japanese Yen, Singapore Dollar, Thai Baht and US Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than the functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

Notes To The Financial Statements

31 August 2006

30. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Exchange Risk (Contd.)

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

At 31 August 2006:

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currency				Total RM
	Japanese Yen RM	Singapore Dollar RM	US Dollar RM	Others RM	
Trade Receivables					
Ringgit Malaysia	-	34,869	4,680,064	-	4,714,933
Thai Baht	-	-	4,532,813	-	4,532,813
	-	34,869	9,212,877	-	9,247,746
Other Receivables					
Ringgit Malaysia	-	145	29,981	-	30,126
Thai Baht	-	-	290,792	-	290,792
	-	145	320,773	-	320,918
Cash and Bank Balances					
Ringgit Malaysia	777	43,127	958,923	3,046	1,005,873
Thai Baht	-	-	12,480	-	12,480
	777	43,127	971,403	3,046	1,018,353

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currency				Total RM
	Japanese Yen RM	Singapore Dollar RM	US Dollar RM	Others RM	
Trade Payables					
Ringgit Malaysia	-	(103,850)	(3,569,910)	-	(3,673,760)
Thai Baht	-	-	(716,925)	-	(716,925)
	-	(103,850)	(4,286,835)	-	(4,390,685)
Other Payables					
Ringgit Malaysia	-	(28,990)	(444)	-	(29,434)

Notes To The Financial Statements

31 August 2006



30. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Exchange Risk (Contd.)

At 31 August 2005:

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currency				Total RM
	Japanese Yen RM	Singapore Dollar RM	US Dollar RM	Others RM	
Trade Receivables					
Ringgit Malaysia	-	68,759	865,192	-	933,951
Thai Baht	-	-	2,102,103	-	2,102,103
	-	68,759	2,967,295	-	3,036,054
Cash and Bank Balances					
Ringgit Malaysia	777	1,802	748,050	13,947	764,576
Trade Payables					
Ringgit Malaysia	-	(105,101)	(3,629,552)	-	(3,734,653)
Thai Baht	-	-	(5,847,468)	-	(5,847,468)
	-	(105,101)	(9,477,020)	-	(9,582,121)

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currency				Total RM
	Japanese Yen RM	Singapore Dollar RM	US Dollar RM	Others RM	
Other Payables					
Ringgit Malaysia	-	(13,668)	(84,909)	-	(98,577)
Thai Baht	-	(4,708)	(102,916)	-	(107,624)
	-	(18,376)	(187,825)	-	(206,201)

Notes To The Financial Statements

31 August 2006

30. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Exchange Risk (Contd.)

As at balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	----- Maturities -----			Total Notional Amount RM
		Within 1 Year RM	1 Year Up to 5 Years RM	5 Years or More RM	
At 31 August 2006:					
Forwards used to hedge					
trade receivables	US Dollar	1,335,498	-	-	1,335,498
At 31 August 2005:					
Forwards used to hedge					
trade receivables	US Dollar	5,168,974	-	-	5,168,974
Forwards used to hedge					
trade payables	US Dollar	(911,861)	-	-	(911,861)
		4,257,113	-	-	4,257,113

There are no unrecognised gains or loss as at 31 August 2006 on forward contracts used to hedge anticipated sales proceeds and purchase payments which are expected to occur.

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirements. In addition, the Group strives to ensure that banking facilities made available are of a reasonable level in line with its overall debt position. Where possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any major concentration of credit risk related to any financial instruments other than as disclosed in Notes 18 and 19.

Notes To The Financial Statements

31 August 2006

30. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

	Note	GROUP		COMPANY	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
At 31 August 2006:					
Other investments	13	98,720	#	-	-
Due from subsidiaries	16	<u>-</u>	-	<u>10,342,201</u>	*
At 31 August 2005:					
Other investments	13	188,205	#	-	-
Due from subsidiaries	16	<u>-</u>	-	<u>10,717,213</u>	*
Financial Liabilities					
At 31 August 2006:					
Due to subsidiaries	16	-	-	4,066,930	*
Term loans	21	3,029,184	3,282,050	-	-
Hire-purchase and lease payables	21	1,207,909	1,024,335	235,426	225,369
Due to directors of subsidiaries	23	97,360	*	-	-
Preference shares	26	<u>4,998</u>	*	<u>-</u>	-
At 31 August 2005:					
Due to subsidiaries	16	-	-	3,543,807	*
Term loans	21	3,666,410	4,070,674	-	-
Hire-purchase and lease payables	21	878,504	762,454	306,000	306,000
Due to directors of subsidiaries	23	111,793	*	-	-
Preference shares	26	<u>4,656</u>	*	<u>-</u>	-

It is not practical to estimate the fair values of the Group's other investments because of the lack of market prices and the inability to estimate fair value without incurring excessive costs.

* It is not practical to estimate the fair values of the amounts due from/to subsidiaries, amount due to directors of subsidiaries and preference shares due principally to a lack of fixed repayment terms entered into by the parties involved without incurring excessive costs.



Notes To The Financial Statements

31 August 2006

30. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

The nominal amounts and fair values of the financial instruments not recognised in the balance sheets of the Group as at the end of the financial year are:

	Note	GROUP	
		Nominal Amount RM	Fair Value RM
At 31 August 2006:			
Contingent liabilities	29	16,551,272	-
Forward exchange contracts	30(c)	<u>1,335,498</u>	1,366,754
At 31 August 2005:			
Contingent liabilities	29	19,240,011	-
Forward exchange contracts	30(c)	<u>4,257,113</u>	4,235,784

The following methods and assumptions are used to estimate the fair value of the following classes of financial instruments:

i. Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

ii. Borrowings

The fair values of borrowings are estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

31. SEGMENTAL INFORMATION

(a) Business Segments:

The Group is organised into four major business segments:

- (i) Integrated supply chain products and services - sales and distribution of advanced packing materials, electronics products, chemicals, spare parts and consumables.
- (ii) Contract manufacturing - contract manufacturer of electronic components.
- (iii) Supply of packing materials - manufacture, sales and distribution of advanced packing material, electronics products and consumables.
- (iv) Plastic injection mould products - processing plastic injected moulded products.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Notes To The Financial Statements

31 August 2006

31. SEGMENTAL INFORMATION (CONTD.)

(a) Business Segments: (Contd.)

	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Plastic Injection Mould Products RM	Eliminations RM	Consolidation RM
31 August 2006						
Revenue						
External sales	54,349,920	38,317,996	75,288,010	727,228	-	168,683,154
Inter-segments sales	9,235,567	2,799,048	21,944,363	2,358,698	(36,337,676)	-
Total revenue	<u>63,585,487</u>	<u>41,117,044</u>	<u>97,232,373</u>	<u>3,085,926</u>	<u>(36,337,676)</u>	<u>168,683,154</u>
Results						
Segment results	1,052,269	3,486,439	4,837,914	(196,089)	-	9,180,533
Unallocated corporate expenses						<u>(2,096,326)</u>
Profit from operations						7,084,207
Finance costs, net						(1,159,360)
Taxation						<u>(1,764,328)</u>
Profit after taxation						4,160,519
Minority interest						<u>(1,496,128)</u>
Net profit for the financial year						<u>2,664,391</u>

Notes To The Financial Statements

31 August 2006

31. SEGMENTAL INFORMATION (CONTD.)

(a) Business Segments: (Contd.)

	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Plastic Injection Mould Products RM	Eliminations RM	Consolidation RM
Assets						
Segment assets	10,787,286	23,662,348	57,936,012	1,658,820	-	94,044,466
Unallocated corporate assets						<u>782,289</u>
Consolidated total assets						<u>94,826,755</u>
Liabilities						
Segment liabilities	6,711,397	6,392,564	27,120,227	924,223	-	41,148,411
Unallocated corporate liabilities						<u>1,703,060</u>
Consolidated total liabilities						<u>42,851,471</u>
Other Information						
Capital expenditure	62,977	2,925,021	1,419,472	93,393	-	4,500,863
Depreciation	172,202	2,197,115	2,182,654	147,999	-	4,699,970
Reversal of impairment losses						(526,872)
Non-cash expenses other than depreciation and impairment losses						<u>1,958,760</u>
31 August 2005						
Revenue						
External sales	60,109,093	23,922,116	67,704,110	390,934	-	152,126,253
Inter-segments sales	<u>13,784,335</u>	<u>2,783,579</u>	<u>13,987,286</u>	<u>1,761,443</u>	<u>(32,316,643)</u>	-
Total revenue	73,893,428	26,705,695	81,691,396	2,152,377	(32,316,643)	<u>152,126,253</u>
Results						
Segment results	863,435	1,919,192	2,507,251	(729,965)	-	4,559,913
Unallocated corporate expenses						(2,783,501)
Unallocated corporate income						<u>812,036</u>
Profit from operations						2,588,448
Finance costs, net						(1,160,500)
Taxation						<u>(721,381)</u>
Profit after taxation						706,567
Minority interest						<u>(435,734)</u>
Net profit for the financial year						<u>270,833</u>

Notes To The Financial Statements

31 August 2006



31. SEGMENTAL INFORMATION (CONTD.)

(a) Business Segments: (Contd.)

	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Plastic Injection Mould Products RM	Eliminations RM	Consolidation RM
Assets						
Segment assets	16,867,888	21,435,621	47,775,990	1,852,420	-	87,931,919
Unallocated corporate assets						1,276,437
Consolidated total assets						<u>89,208,356</u>
Liabilities						
Segment liabilities	5,402,848	5,795,006	27,663,213	1,162,963	-	40,024,030
Unallocated corporate liabilities						1,878,027
Consolidated total liabilities						<u>41,902,057</u>
Other Information						
Capital expenditure	63,838	979,206	1,012,780	127,613	-	2,183,437
Depreciation	159,737	2,276,306	2,131,108	133,448	-	4,700,599
Amortisation of reserve on consolidation						(812,036)
Reversal of impairment losses						(365,537)
Non-cash expenses other than depreciation and impairment losses						<u>929,135</u>

(b) Geographical Segments:

Although the Group's four major business segments are managed on a worldwide basis, they operate in two principal geographical areas of the world. In Malaysia, its home country, the Group's areas of operation is principally supply of packaging materials.

The Group also operates in Thailand and is mainly engaged in integrated supply chain products and services and contract manufacturing.

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Malaysia	107,455,402	100,062,669	73,985,110	71,914,361	1,727,071	1,361,997
Thailand	61,227,752	52,063,584	20,841,645	17,293,995	2,773,792	821,440
Consolidated	<u>168,683,154</u>	<u>152,126,253</u>	<u>94,826,755</u>	<u>89,208,356</u>	<u>4,500,863</u>	<u>2,183,437</u>



Notes To The Financial Statements

31 August 2006

32. SIGNIFICANT EVENTS

The significant events which took place during the financial year were as follows:

- (a) On 16 June 2006, ISCM Industries (Thailand) Co., Ltd. ("ISCM Ind.") had entered into an Asset Purchase Agreement with Safeskin Industries (Thailand) Limited ("the Vendor") to acquire a piece of land together with factory buildings erected thereon and printing machinery and equipment for a purchase consideration of USD3,900,000 ("Proposed Acquisition").

In conjunction with the Proposed Acquisition, Safeskin Corporation (Thailand) Ltd. and Safeskin Medical & Scientific (Thailand) Ltd (collectively known as Safeskin Group) have also entered into an agreement to appoint ISCM Ind as the sole supplier for dispensers and corrugated boxes to Safeskin Group.

The Proposed Acquisition is subject to the fulfillment of the following conditions precedent:-

- (i) approval of the directors and shareholders of the Vendor and ISCM Ind.;
 - (ii) approval of the Board of Investment of Thailand;
 - (iii) approval of all relevant regulatory approvals and permissions currently held by the Vendor to operate the business;
 - (iv) approval of Bank Negara Malaysia for outflow of funds from Malaysia to Thailand for the purpose of the Proposed Acquisition;
 - (v) approval or consent of any other relevant third party or local authority whether in Malaysia and/or Thailand, if required; and
 - (vi) fulfillment of all conditions, variations or revisions imposed by any third party or relevant authority, if any.
- (b) On 5 October 2006, both ISCM Ind. and the Vendor mutually agreed to further extend the Assets Purchase Agreement to 14 February 2007 as certain conditions precedent have not been fulfilled.

33. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts reclassified to conform with current year's presentation.

34. CURRENCY

All amounts are stated in Ringgit Malaysia (RM), unless otherwise stated.

List Of Properties Owned

As At 31 August 2006

Beneficial owner/ Location	Description/ Existing Use	Land/ Built up area	Age of building (years)	Type of land/ tenure (Year of expiry for leasehold)	Net book value as at 31.08.2006	Date of acquisition
		(sq.ft.)	31.08.2006		RM'000	
D'nonce (M) Sdn Bhd						
No. 12 Hujung Perusahaan 2, Kawasan MIEL, Prai Industrial Estate, 13600 Penang	Industrial land and building/Factory	1,875 / 2,500	16	60 years - leasehold (2045)	92	05.11.1990
51-14 B & C, Menara BHL, Jalan Sultan Ahmad Shah, 10500 Penang	Building/Corporate Head Office	* / 3,670	12	Freehold	771	14-B: 21.03.1994 14C: 18.04.1994
BAM Villa, Unit 42C-7-5C, Taman Maluri, Cheras, 56000 Kuala Lumpur	Condominium	* / 975	15	99 years - leasehold (2090)	127	02.01.1992
Attractive Venture Sdn Bhd						
No.1 Puncak Perusahaan 1, Kawasan MIEL, Prai Industrial Estate, 13600 Penang	Industrial land and building/Factory	21,590 / 12,208	15	60 years - leasehold (2045)	681	19.12.1991
Plot 425, Tingkat Perusahaan 6A, Free Trade Zone, 13600 Prai, Penang	Industrial land and building/Factory	46,800 / 29,614	18	60 years - leasehold (2046)	3,420	17.08.1998
Lot 1218 Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johore	Industrial land and building/Factory	5,381 / 2,777	11	Freehold	302	10.05.1995
Lot 1220 Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johore	Industrial land and building/Factory	2,400 / 2,777	9	Freehold	276	04.07.1997
Plot 37, 1652 Mukim 11, Lorong Perusahaan Maju 7, Taman Perindustrian Bukit Tengah, Phase IV, 13600 Prai, Penang	Industrial land and building/Factory	44,800 / 50,000	9	60 years - leasehold (2052)	6,206	27.08.1997
Plot 36, Mukim 11, Lorong Perusahaan Maju 7, Taman Perindustrian Bukit Tengah, Phase IV, 13600 Prai, Penang	Industrial land and building/Factory	96,500 / 66,342	4	60 years - leasehold (2052)	3,111	13.06.2002
Attractive Venture (JB) Sdn Bhd						
1273, Jalan Sri Putri 3/4 Taman Putri Kulai, 81000 Kulai, Johor	Building/Factory	2,400 / 2,777	7	Freehold	240	10.09.1999
D'nonce (Johore) Sdn Bhd						
8 Jalan Mutiara Emas 5/17, Taman Mount Austin, Johore Bahru, 81100 Johore	Industrial land and building/Office	3,120 / 2,568	10	Freehold	320	05.08.1996
D'nonce (KL) Sdn Bhd						
No 39, Jalan 1/119, Taman Bukit Hijau, 6th Mile, Jalan Cheras, 56000 Kuala Lumpur	Building and land/ Office	1,540 / 4,510	9	Freehold	551	15.07.1997
Total					16,097	

* Not applicable



Analysis Of Shareholdings

13 December 2006

Authorised Capital	:	RM100,000,000.00
Issued and Fully Paid	:	RM45,101,000.00
Class of Shares	:	Ordinary shares of RM1.00 each fully paid
Total Number of Shareholders	:	1,942
Voting right	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS

Size of holdings	Number of Shareholders	% of Total Shareholders	Number of Shares	% of Issued Share Capital
1 – 99	5	0.26	176	0.00
100 – 1,000	917	47.22	906,823	2.01
1,001 – 10,000	815	41.97	3,315,300	7.35
10,001 – 100,000	162	8.34	4,632,022	10.27
100,001 – 2,255,049	40	2.06	21,046,836	46.67
2,255,050 & above	3	0.15	15,199,843	33.70

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct Interest	% Number of Share Held	Deemed Interest	%
Khazanah Nasional Berhad	9,000,000	19.96	-	-
Cartaban Nominees (Asing) Sdn. Bhd. (beneficial owner: Pan Asia Special Opportunities Fund)	3,689,700	8.18	-	-
General Produce Agency Sdn. Bhd.	2,510,143	5.57	-	-
Chan Seng Sun	2,326,800	5.16	-	-

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest	% Number of Share Held	Deemed Interest	%
Lim Teik Hoe	1,827,700	4.05	-	-
Law Kim Choon	1,660,000	3.68	-	-

In the Subsidiaries

None of the directors have any direct shareholdings in the subsidiaries

Thirty Largest Shareholders

Name of Shareholder	Number of Shares	% of Issued Share Capital
1. Khazanah Nasional Berhad	9,000,000	19.96
2. Cartaban Nominees (Asing) Sdn. Bhd. RBC Dexia Investor Services Bank for Pan Asia Special Opportunities Fund	3,689,700	8.18
3. General Produce Agency Sdn. Berhad	2,510,143	5.57
4. Lembaga Tabung Angkatan Tentera	1,928,800	4.28
5. Chan Seng Sun	1,897,000	4.21
6. Commerce Technology Ventures Sdn. Bhd.	1,673,900	3.71
7. Lim Teik Hoe	1,527,700	3.39
8. Law Kim Choon	1,260,000	2.79
9. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa (472602)	1,231,000	2.73
10. Ambank (M) Berhad Pledged Securities Account for Ng Keng Keong (Coastal)	1,173,400	2.60
11. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khor Chee Kong (473344)	1,016,000	2.25
12. Koperasi Polis Diraja Malaysia Berhad	1,000,000	2.22
13. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for A. A. Anthony Securities Sdn. Bhd. (3193 HPZA)	640,000	1.42
14. Ng Keng Keong	500,000	1.11
15. Goh Shze Yinn	498,000	1.10
16. Hiyang Kaw @ Tan Hiyang Kiaw	493,200	1.09
17. HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa	462,400	1.03
18. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lam Mei Fong (474021)	449,971	1.00
19. Law Kim Choon	400,000	0.89
20. K&N Kenanga Bhd. IVT (B1)	329,000	0.73
21. ECM Libra Avenue Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ang Poon Aik (AN081Q)	318,000	0.70
22. Chan Seng Sun	300,000	0.67
23. Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Chia Get Cheu (MM0676)	300,000	0.67



Thirty Largest Shareholders

Name of Shareholders	Number of Shares	% of Issued Share Capital
24. Lim Teik Hoe	300,000	0.67
25. Loh Chiew Hor	291,400	0.64
26. A. A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa	248,500	0.55
27. Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Choo Beng Soon	228,350	0.50
28. Amsec Nominees (Tempatan) Sdn. Bhd. Ambank (M) Berhad for Beh Cheng Siong (Smart)	224,200	0.49
29. Quah Guan Lai	218,508	0.48
30. RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tong Kin Yoong	210,000	0.46
	<hr/>	<hr/>
	34,319,172	76.09

PROXY FORM

D'NONCE TECHNOLOGY BHD.

(Company No. 503292-K)
(Incorporated in Malaysia)

CDS account no. of authorised nominee ⁽¹⁾

I/We (name of shareholder as per NRIC, in capital letters)
 NRIC No. (new) (old)/ID No./Company No. of
 (full address)
 being a member(s) of the abovenamed Company, hereby appoint
 (name of proxy as per NRIC, in capital letters) NRIC No. (new) (old) or
 failing him/her (name of proxy as per NRIC, in capital letters)
 NRIC No. (new) (old) or failing him/her the CHAIRMAN OF THE
 MEETING as my/our proxy to vote for me/us on my/our behalf at the SEVENTH ANNUAL GENERAL MEETING of the Company
 to be held at Function Hall 1 Level 2, The Gurney Resort Hotel and Residences, Pulau Pinang on Monday, 12 February 2007
 at 11.30 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:-

RESOLUTIONS			FOR	AGAINST
Resolution 1	-	Adoption of financial statements and reports of Directors and Auditors		
Resolution 2	-	Approval of Directors' fees		
		Re-election of Directors:		
Resolution 3	-	Mr Law Kim Choon		
Resolution 4	-	Encik Roslant bin Abu		
Resolution 5	-	Mr Wong Thai Sun		
Resolution 6	-	Dato' Oon Choo Eng @ Oon Choo Khye		
Resolution 7	-	Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration		
Resolution 8	-	Authority to allot shares		
Resolution 9	-	Proposed Renewal of Shareholders' Mandate – Item 1		
Resolution 10	-	Proposed Renewal of Shareholders' Mandate – Item 2		
Resolution 11	-	Proposed New Shareholders' Mandate – Item 1		
Resolution 12	-	Proposed New Shareholders' Mandate – Item 2		

(Please indicate with "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this day of 2007

Number of shares held	
-----------------------	--

For appointment of more than one proxy, number of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1	_____	_____%
Proxy 2	_____	_____%

.....
Signature/Common Seal of Appointer

NOTES:

- Applicable to shares held through a nominee account.
- In accordance with Paragraph 7.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf.
- If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointer is acceptable.
- The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 21 Persiaran Midlands 10250 Penang not less than 48 hours before the time set for the meeting.
- Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
- The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
- A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act 1965.
- Those proxy forms which are indicated with "v" in the spaces provided to show how the votes are to be cast will also be accepted.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
D'NONCE TECHNOLOGY BHD. (503292-K)
21, Persiaran Midlands
10250 Penang
Malaysia

1st fold here
