

Scaling to greater heights

Annual Report 2013

CONTENTS	PAGES
Notice Of Annual General Meeting	2 - 5
Statement Accompanying Notice Of Annual General Meeting	5
Corporate Structure	6
Corporate Information	7
Corporate Social Responsibility	8
Chairman's Statement/Kenyataan Pengerusi	9 - 12
Board Of Directors	13 - 14
Statement On Risk Management and Internal Control	15 - 16
Statement Of Corporate Governance	17 - 24
Audit Committee Report	25 - 28
Directors' Report And Audited Financial Statements	29
Directors' Report	30 - 32
Statement By Directors	33
Statutory Declaration	33
Independent Auditors' Report	34 - 35
Income Statements	36
Statements Of Comprehensive Income	37
Statements Of Financial Position	38 - 39
Statement Of Changes In Equity	40 - 41
Statements Of Cash Flows	42 - 44
Notes To The Financial Statements	45 - 102
Supplementary Information – Breakdown Of Accumulated Losses Into Realised And Unrealised	103
List Of Properties Owned	104
Analysis Of Shareholdings	105
Thirty Largest Shareholders	106
Proxy Form	107

Concept: Scaling to greater heights

Rock climbing is a demanding sport that requires intense physical and mental strength and stamina. On this cover, it alludes to the Group's passion and determination to keep on striving for greater goals. Just like the rock climber, the Group is steadfast and tireless in surmounting challenges to reach for even higher standards of accomplishments.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of **D'nonce Technology Bhd.** ("the Company") will be held at Hall 3, Level 3, Northam All Suite Penang, 55 Jalan Sultan Ahmad Shah, 10050 Penang on Tuesday, 25 February 2014 at 11.30 a.m.

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|--|-------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 August 2013 together with the Reports of the Directors and Auditors thereon. | Please refer to Note A |
| 2. | (i) To re-elect Dato' Lee Kah Choon who retires in accordance with Article 102 of the Company's Articles of Association. | Resolution 1 |
| | (ii) To re-appoint Dato' Oon Choo Eng @ Oon Choo Khye who retires in accordance with Section 129(6) of the Companies Act, 1965. | Resolution 2 |
| 3. | To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration. | Resolution 3 |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications the following Resolutions:-

Ordinary Resolutions

- | | | |
|----|---|---------------------|
| 4. | To approve the payment of Directors' fees of RM179,720.00 for the financial year ended 31 August 2013. | Resolution 4 |
| 5. | Continuing in office as Independent Non-Executive Directors | |
| | (i) "THAT authority be and is hereby given to Dato' Ahmad Ibnihajar who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company." | Resolution 5 |
| | (ii) "THAT subject to the passing of Ordinary Resolution 2, authority be and is hereby given to Dato' Oon Choo Eng @ Oon Choo Khye who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company." | Resolution 6 |
| 6. | Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965 | Resolution 7 |
| | "THAT, subject to the Companies Act 1965, the Articles of Association of the Company and the approvals from the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 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 to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad." | |
| 7. | Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | Resolution 8 |
| | "THAT subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company, Bursa Malaysia Securities Berhad Main Market Listing Requirements or other regulatory authorities, approval be and is hereby given to the Company and/ or its subsidiaries to enter into recurrent related party transactions with the related parties as set out in Section 2.4 of the Circular to Shareholders dated 29 January 2014 ("the Circular"), which are necessary for the day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders as set out in the Circular ("Mandate"). | |

THAT the Directors be empowered to do all such acts and things considered necessary or expedient to give full effect to the Mandate with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments as may be imposed by the relevant authorities.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** (cont'd)

THAT such Mandate shall commence upon passing this ordinary resolution and to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority shall lapse unless the authority is renewed by a resolution passed at the meeting;
- (b) the expiration of the period within which the next AGM after that date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution of the shareholders of the Company in a general meeting;

whichever is earlier.

And THAT the Directors of the Company be and are hereby authorised to complete and to 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 transactions contemplated and/or authorised by this ordinary resolution."

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

By Order of the Board

GUNN CHIT GEOK (MAICSA 0673097)
CHEW SIEW CHENG (MAICSA 7019191)
Company Secretaries

Penang

29 January 2014

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Note A

This Agenda Item is meant for discussion only as the provision of Section 169 (1) of the Companies Act 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.

NOTES:

1. Mr Lim Teik Hoe who retires in accordance with Article 95(1) of the Company's Articles of Association, has notified the Company that he does not wish to seek for re-election and accordingly will retire at the conclusion of the Fourteenth Annual General Meeting ("AGM"). The Board of Directors of the Company has on 3 December 2013 announced Mr Lim Teik Hoe's decision to retire in accordance with Article 95(1) of the Company's Articles of Association at the forthcoming AGM.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint at least one proxy but not more than two (who need not be members of the Company) to attend and vote on his behalf.
3. Where a member appoints two proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. The instrument appointing a proxy or proxies must be under the hand of the appointer 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 an officer or attorney duly authorised.
7. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Suite 12-02, 12th Floor Menara Zurich, 170 Jalan Argyll, 10050 Penang, Malaysia not less than 48 hours before the time set for the meeting.
8. 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.
9. Only members registered in the Record of Depositors as at 17 February 2014 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his behalf.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 4 – To approve the payment of Directors' fees of RM179,720.00 for the financial year ended 31 August 2013

The Ordinary Resolution proposed under item 4 of the agenda, if passed, will authorise the payment of the Directors' fees for the financial year ended 31 August 2013 amounting to RM179,720.00.

2. Resolutions 5 and 6 – Continuing in office as Independent Non-Executive Director

The Nomination Committee had assessed the independence of Dato' Ahmad Ibnihajar and Dato' Oon Choo Eng @ Oon Choo Khye, who each has served on the Board as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Dato' Ahmad and Dato' Oon as Independent Non-Executive Directors as both of them possess the following aptitudes necessary in discharging their roles and functions as independent Non-Executive Directors of the Company:-

- i) Have vast experience in the various industries the Group is involved in and as such could provide the Board with a diverse set of experience, expertise and independent judgment;
- ii) Consistently challenge management in an effective and constructive manner;
- iii) Have good and thorough understanding of the main drivers of the business in a detailed manner;
- iv) Actively participate in board deliberations and decision making in an objective manner; and
- v) Exercise due care in all undertakings of the Group and carry out their fiduciary duties in the interest of the Company and minority shareholders.

3. Resolution 7 – Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965

This general mandate for issuance of shares ("the Mandate") was sought for in the preceding year and the Board did not carry out the Mandate since the last Annual General Meeting ("AGM") of the Company until the latest practicable date before the printing of this Annual Report. As the Mandate will expire on 25 February 2014, the Board is desirous of seeking a fresh general mandate at the forthcoming AGM.

The Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares, for the purpose of funding further investment project(s), working capital and/or acquisition.

The Ordinary Resolution proposed under item 6 of the agenda, if passed, will from the date of the above meeting give the Directors of the Company authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

4. Resolution 8 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution proposed under item 7 of the agenda, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 29 January 2014 for more information.

Statement Accompanying Notice of Annual General Meeting

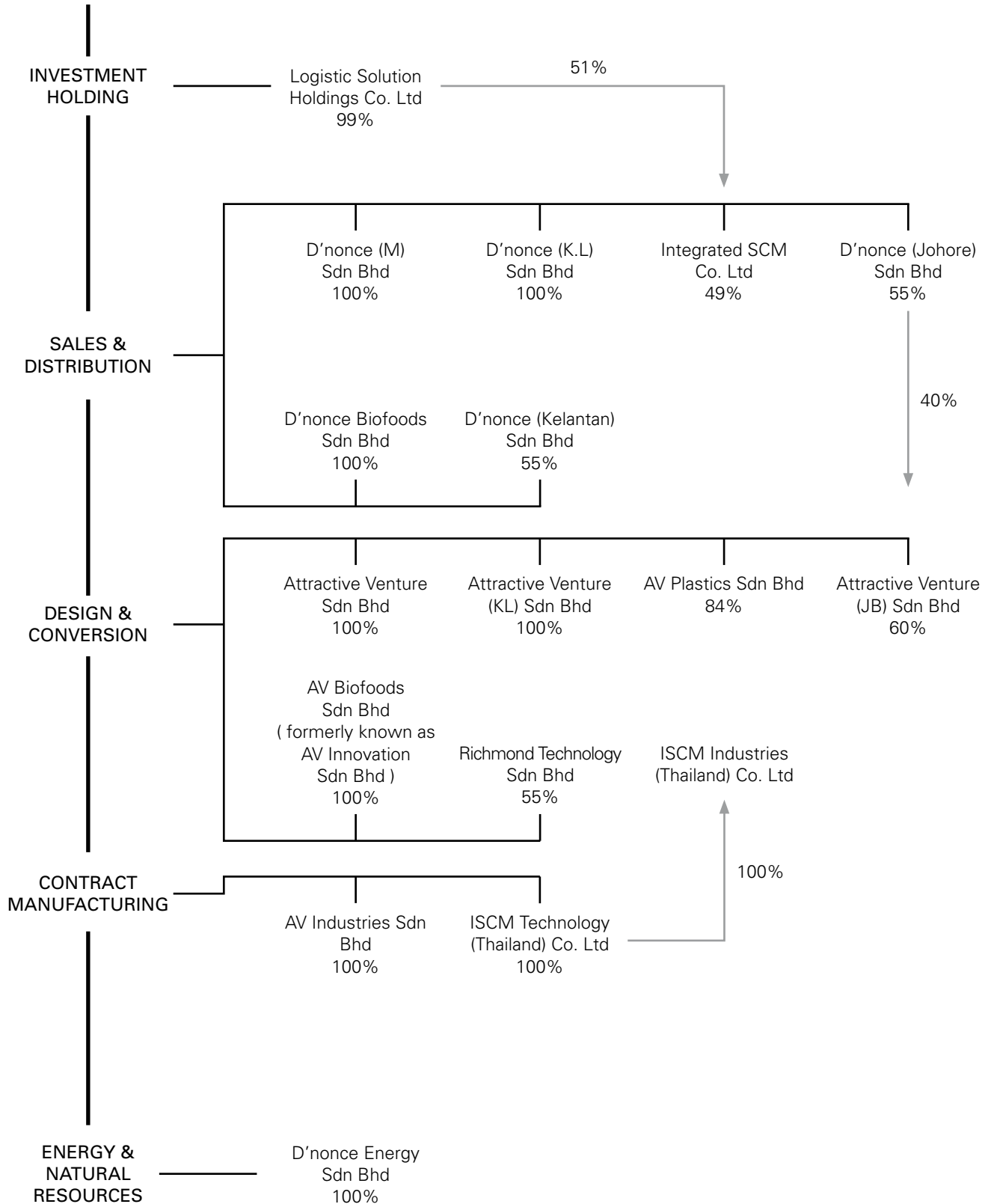
(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

There are no individuals who are standing for election as Directors (excluding Directors standing for re-election) at the forthcoming Annual General Meeting.

CORPORATE STRUCTURE



Your Dependable Partner



CORPORATE INFORMATION

BOARD OF DIRECTORS

- Dato' Ahmad Ibnihajar
Independent Non-Executive Chairman
- Dato' Oon Choo Eng @ Oon Choo Khye
Independent Non-Executive Director
- Wong Thai Sun
Independent Non-Executive Director
- Dato' Lee Kah Choon
(Appointed on 20 December 2013)
Independent Non-Executive Director
- Law Kim Choon
Chief Executive Officer/Group Managing Director
- Lim Teik Hoe
Executive Director

AUDIT COMMITTEE

- Wong Thai Sun
Chairman
- Dato' Ahmad Ibnihajar
Member
- Dato' Oon Choo Eng @ Oon Choo Khye
Member
- Dato' Lee Kah Choon
(Appointed on 20 December 2013)
Member

NOMINATION COMMITTEE

- Dato' Oon Choo Eng @ Oon Choo Khye
Chairman
- Dato' Ahmad Ibnihajar
Member
- Wong Thai Sun
Member

REMUNERATION COMMITTEE

- Wong Thai Sun
Chairman
- Dato' Ahmad Ibnihajar
Member
- Dato' Oon Choo Eng @ Oon Choo Khye
Member
- Dato' Lee Kah Choon
(Appointed on 20 December 2013)
Member
- Law Kim Choon
Member

COMPANY SECRETARIES

Gunn Chit Geok (MAICSA 0673097)
Chew Siew Cheng (MAICSA 7019191)

REGISTERED OFFICE

Suite 12-02, 12th Floor Menara Zurich
170 Jalan Argyll, 10050 Penang
Tel No.: 04- 229 6318
Fax No.: 04- 226 8318
E-mail: Molly.Gunn@my.tricorglobal.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

Tricor Investor Services Sdn. Bhd. (Company No. 118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No.: 03-2264 3883
Fax No.: 03-2282 1886

AUDITORS

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

PRINCIPAL BANKERS

Public Bank Berhad
87 Lebuhr Bishop
10200 Penang
CIMB Thai PLC
124, 126 Mu 7 Kanchanawit Road
Samnak Kham, Sadao, Songkhla
90320 Thailand

SOLICITORS

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

STOCK EXCHANGE LISTING

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

CORPORATE SOCIAL RESPONSIBILITY

CONTINUOUS COMMITMENT

Our philosophy of Corporate Social Responsibility (CSR) is primarily to be committed in social and humanitarian programmes and activities that would reach all levels of society with lasting and meaningful impact. At the moment the activities are centered within Penang with a few activities in other states but we hope to escalate our CSR programmes geographically in the near future to reach the communities in other states as well as in the regions of our operations in Thailand.

ACTIVITIES

We have continued supporting various healthy sporting and outdoor activities in Penang, notably in the sports of basketball where we have supported the Penang Basketball Association and its affiliates in some of its programmes. Among the programmes are the D'nonce Cup Penang Open Basketball Championship and several outdoor programmes which have been listed in the Penang State's calendar of events. We hope to bring in more talents in the popular game of basketball and thus improving the standards of the game in Penang.

Apart from the direct initiatives, we have also supported various activities around Penang covering various interest groups and NGOs promoting sports, health, social and charity drives and we hope that our sincere contributions will bring some benefits to their respective stakeholders and target groups. Within these activities, we have reached a few select groups of society which are amongst others, children (via children's camp), association of chronic diseases and groups of senior citizens. We have also reached outside Penang to be engaged in improving some facilities for a school in Johor where we operate.

ENHANCED CSR PROGRAMMES

We hope that our contributions, big or small, would pave the way for many more activities for the benefit of the local communities as well as others as we progress further.

CHAIRMAN'S STATEMENT

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 2013 ("current year").

The Group has recovered in terms of business operation from the impact of the big floods in October and November 2011 in Bangkok, Thailand and is continuously embarking on diversification programmes throughout the Group's subsidiaries. Despite this business operation recovery, the affected subsidiary in Bangkok has not contributed positively to the profitability of the Group.

Within the electronic and electrical (E&E) sector, where the Group's main businesses are derived from, despite indicators of improving demand, the environment remained competitive and very challenging.

As we moved into 2014, an unfortunate event, which is the fire incident in our subsidiaries' facilities in Southern Thailand will impact the Group's performance. The fire had caused extensive damages to one of the subsidiary's facilities and as a result, that subsidiary had to temporarily cease one of its operations.

The Group will continue to improve its businesses, processes and cost management to gain its market share. It is expected that the market environment will continue to be tough and the Group will continue to adapt its business strategies to current market environment.

OPERATIONAL FINANCIAL REVIEW

The Group's current year's revenue of RM177.8 million is higher by RM10.0 million compared to the revenue recorded for the financial year ended 31 August 2012 ("previous year"). The increase was mainly from the new contract manufacturing in Southern Thailand and also partly attributable to the business recovery from our subsidiary in Bangkok where its operation in the previous year was temporarily shut down as a result of the flood.

The Group has recorded a significant loss before tax of RM9.7 million as compared to a profit before tax of RM4.7 million in the previous year.

The losses mainly came from the subsidiaries in Thailand. The subsidiary in Bangkok did not recover from the loss of the business arising from the flood coupled with the tough business environment at the Southern Thailand facilities.

Out of the Group's 3 business segments, the Contract Manufacturing business, which has received the biggest impact from the flood in Thailand in the previous year, has recovered its revenue in the current year with an increase of 144% from the previous year's revenue mainly contributed by the recovery of business by the flood-affected subsidiary in Thailand. The revenue for the Supply of Packaging business has slightly increased to RM96.7 million in the current year while the revenue for the Integrated Supply Chain Products and Services over the same period dropped from RM61.7 million to RM54.4 million.

The revenue from the overall Thailand operation in the current year contributed about 41% of the Group's revenue.

INTEGRATED SUPPLY CHAIN PRODUCTS AND SERVICES

The revenue for Integrated Supply Chain Products and Services business segment has dropped by RM7.2 million compared to the previous year but however this business segment has posted a positive result of RM1.56 million, which is higher than the previous year's result of about RM1.0 million. The revenue for this business segment is mainly from the E&E and the health care sector.

CONTRACT MANUFACTURING

The revenue for Contract Manufacturing business segment for the current year is mainly contributed by our operations servicing the Hard Disk Drive market and consumer market. The revenue from this business segment has significantly increased from RM10.9 million in the previous year to RM26.6 million in the current year. Despite the increase in revenue, the segmental result for the current year was a loss of RM2.6 million as compared to a profit of RM12.0 million in the previous year which was mainly contributed by the recovery of the insurance claim from the flood in Thailand.

SUPPLY OF PACKAGING MATERIALS

The Supply of Packaging Materials business segment has recorded a slightly higher revenue of RM96.7 million for the current year compared to RM95.2 million for the previous year. This segment however has recorded a higher loss of RM2.0 million in the current year compared to a loss of RM0.75 million for the previous year.

CHAIRMAN'S STATEMENT (cont'd)

PROSPECTS

The Group has taken drastic measures towards the recovery of the business for its subsidiaries in Bangkok which has shown good progress with several diversification programmes that would bring in more business for the subsidiaries. The Group has implemented its own disaster management measures not only for the subsidiary but throughout the Group.

The Group's expansion of its contract manufacturing business in Southern Thailand has shown good prospect to further improve the Group's internal capabilities to become a vertically integrated contract manufacturer.

Moving forward, the Group shall continue to be in the E&E sector in line with the positive but cautious outlook for the sector and our overall business is expected to move in tandem with the outlook. The fire incident in Southern Thailand in October 2013 may have a negative impact on the Group with a loss of revenue. This may also have a negative impact on the Group's performance for FY2014 but nevertheless we are fully insured by insurance.

The Group's strength in specialised packaging and design for the E&E sector is also expected to contribute towards higher demand and the Group will continue to actively support the total packaging for this sector. The Group's venture into businesses outside the E&E sector has shown good progress in terms of contribution and expansion opportunities and the Group will actively pursue to explore other non-E&E businesses while continuing its efforts in business penetration and cost management so as to be well prepared to face the challenges ahead.

The Group expects a challenging outlook for FY2014 and will engage itself in a coordinated approach in its strategies and action plans to achieve speedy recovery of our businesses and to achieve higher targets of revenue and profitability.

CORPORATE GOVERNANCE

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

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

Thank you.

Dato' Ahmad Ibnihajar
Chairman

KENYATAAN PENERUS

Bagi pihak Lembaga Pengarah D'nonce Technology Bhd, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan bagi Kumpulan dan Syarikat bagi tahun kewangan berakhir 31 Ogos 2013 ("tahun semasa").

Operasi perniagaan Kumpulan telah pulih daripada kesan impak banjir besar di Bangkok, Thailand pada bulan Oktober dan November 2011 dan secara berterusan menceburi dalam program-program kepelbagaian aktiviti-aktiviti perniagaannya diseluruh anak-anak syarikat. Meskipun dengan pemulihan operasi perniagaan berkenaan, anak syarikat yang terjejas di Bangkok itu tidak menyumbang secara positif kepada keuntungan Kumpulan.

Di dalam sektor elektronik dan elektrik (E&E) dimana sebahagian besar perniagaan Kumpulan diperolehi, sungguhpun terdapat tanda-tanda pemulihan permintaan, persaingan masih berterusan dan sangat mencabar.

Dalam memasuki tahun 2014, satu kejadian malang, iaitu kebakaran di kemudahan anak syarikat di Selatan Thailand, akan menjejaskan prestasi Kumpulan. Kebakaran tersebut telah menyebabkan kemusnahan besar kepada satu daripada kemudahan anak syarikat tersebut dan mengakibatkan anak syarikat tersebut terpaksa memberhentikan sementara operasinya.

Kumpulan akan meneruskan usaha-usaha untuk memperbaiki perniagaannya, proses dan pengurusan kos untuk meningkatkan penguasaan pasaran. Adalah dijangka bahawa keadaan pasaran akan terus sukar dan mencabar dan Kumpulan akan terus menyesuaikan strategi-strategi perniagaannya dengan persekitaran pasaran semasa.

SEMAKAN KEWANGAN OPERASI

Perolehan bagi tahun semasa sebanyak RM177.8 juta adalah RM10.0 juta lebih tinggi daripada perolehan yang dicapai bagi tahun kewangan berakhir 31 Ogos 2012 ("tahun sebelumnya"). Peningkatan ini terutamanya adalah hasil daripada perniagaan baru pembuatan secara kontrak di Selatan Thailand dan juga sebahagiannya disumbang oleh pemulihan perniagaan daripada subsidiari di Bangkok yang pada tahun sebelumnya operasi anak syarikat berkenaan telah ditutup sementara akibat daripada banjir.

Kumpulan telah mencatatkan kerugian ketara sebanyak RM9.7 juta berbanding dengan keuntungan sebelum cukai sebanyak RM4.7 juta pada tahun sebelumnya.

Kerugian ini terutamanya dicatat oleh anak-anak syarikat di Thailand. Anak syarikat di Bangkok tidak pulih daripada kehilangan perniagaan akibat daripada banjir dan ini ditambah lagi dengan persekitaran perniagaan yang sukar di Selatan Thailand.

Daripada ketiga-tiga segmen perniagaan, perniagaan Pembuatan Secara Kontrak, yang menerima impak paling besar daripada banjir di Thailand pada tahun sebelumnya, telah pulih dari segi perolehan dengan peningkatan sebanyak 144% daripada perolehan tahun sebelumnya dan kebanyakannya disumbang oleh pemulihan perniagaan oleh anak syarikat yang terjejas oleh banjir di Thailand. Perolehan daripada perniagaan Pembekalan Bahan Pembungkusan telah meningkat sedikit kepada RM96.7 juta pada tahun semasa manakala perniagaan Perkhidmatan dan Barangan Rangkaian Bekalan Berintegrasi, pada tempoh yang sama telah menurun daripada RM61.7 juta kepada RM54.4 juta.

Perolehan daripada keseluruhan operasi Thailand menyumbang sebanyak 41%, daripada perolehan Kumpulan.

PERKHIDMATAN DAN BARANGAN RANGKAIAN BEKALAN BERINTEGRASI

Perolehan bagi segmen Perkhidmatan dan Barangan Rangkaian Bekalan Berintegrasi telah menurun sebanyak RM7.2 juta berbanding tahun sebelumnya, namun segmen perniagaan ini mencatatkan keuntungan sebanyak RM1.56 juta, yang mana ini adalah lebih tinggi tahun sebelumnya yang mencatatkan keuntungan sebanyak RM1.0 juta. Perolehan daripada segmen ini adalah kebanyakannya daripada sektor E&E dan penjagaan kesihatan.

PEMBUATAN SECARA KONTRAK

Perolehan bagi segmen Pembuatan Secara Kontrak bagi tahun semasa kebanyakannya disumbang oleh operasi yang menyokong pasaran Pemacu Cakera Keras dan pasaran konsumen. Perolehannya telah meningkat dengan ketara daripada RM10.9 juta dalam tahun sebelumnya kepada RM26.6 juta bagi tahun semasa. Meskipun dengan peningkatan perolehan ini, segmen perniagaan ini telah mengalami kerugian sebanyak RM2.6 juta berbanding dengan keuntungan sebanyak RM12.0 juta pada tahun sebelumnya, yang mana kebanyakannya disumbang oleh perolehan daripada tuntutan insuran daripada banjir di Thailand.

PEMBEKALAN BAHAN PEMBUNGKUSAN

Segmen Pembekalan Bahan Pembungkusan telah mencatatkan perolehan lebih tinggi sebanyak RM96.7 juta bagi tahun semasa berbanding dengan RM95.2 juta bagi tahun sebelumnya. Walau bagaimanapun segmen ini mencatatkan kerugian yang lebih besar sebanyak RM2.0 juta berbanding dengan kerugian RM0.75 juta bagi tahun sebelumnya.

KENYATAAN PENERUS (cont'd)

PROSPEK

Kumpulan telah mengambil langkah-langkah segera kearah pemulihan perniagaan anak-anak syarikatnya di Bangkok yang telah menunjukkan kemajuan yang baik melalui beberapa program kepelbagaian perniagaan yang berupaya meningkatkan perniagaan mereka. Kumpulan telah melaksanakan langkah-langkah pengurusan bencananya sendiri bukan sahaja bagi anak-syarikat berkenaan, malah bagi seluruh Kumpulan.

Pengembangan perniagaan pembuatan secara kontrak oleh Kumpulan di Selatan Thailand telah menunjukkan prospek yang baik untuk terus memperbaiki keupayaan dalamannya untuk menjadi pengilang secara kontrak yang berintegrasi tegak.

Dalam melangkah ke hadapan, Kumpulan akan terus terlibat didalam sektor E&E selaras dengan pandangan hadapan yang positif namun berhati-hati bagi sektor tersebut dan keseluruhan perniagaan kami dijangka bergerak selaras dengan arah ini. Kejadian kebakaran di Selatan Thailand dalam bulan Oktober 2013 mungkin memberi impak yang negatif kepada prestasi Kumpulan bagi tahun 2014, namun kami dilindungi sepenuhnya oleh insuran.

Kekuatan Kumpulan dalam pembungkusan khas dan rekabentuk bagi sektor E&E juga dijangka dapat menyumbang kepada permintaan yang meningkat dan Kumpulan akan terus memberi perkhidmatan pembungkusan yang menyeluruh bagi sektor ini. Penglibatan Kumpulan dalam bidang-bidang di luar sektor E&E telah menunjukkan perkembangan yang baik dari segi sumbangan dan peluang-peluang untuk berkembang dan Kumpulan akan terus meneroka secara aktif perniagaan-perniagaan bukan-E&E sambil meneruskan usaha-usahanya kearah penembusan perniagaan dan pengurusan kos untuk lebih bersedia menghadapi cabaran-cabaran dimasa hadapan.

Kumpulan menjangkakan masa hadapan yang mencabar bagi tahun kewangan 2014 dan akan melibatkan diri secara teratur dengan strategi dan pelan tindakan untuk mencapai pemulihan segera serta unjuran yang lebih tinggi dari segi perolehan dan keuntungan.

URUSTADBIR KORPORAT

Lembaga Pengarah akan terus memastikan agar prinsip urustadbir korporat dan tatacara terbaik diberi perhatian dan diamalkan disemua peringkat dalam Kumpulan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, secara ikhlasnya saya ingin merakamkan ucapan terima kasih kepada kumpulan pengurusan, kakitangan dan juga kepada pemegang-pemegang saham, pelanggan-pelanggan dan rakan-rakan niaga di atas semua komitmen, sokongan dan keyakinan yang diberi.

Akhir sekali, saya ingin merakamkan penghargaan kepada semua ahli Lembaga Pengarah dan kakitangan di atas sumbangan dan dedikasi kepada Kumpulan.

Terima kasih.

Dato' Ahmad Ibnihajar

Pengerusi

BOARD OF DIRECTORS

Dato' Ahmad Ibnihajar

Aged 64, Malaysian

Independent Non-Executive Chairman, Member of the Audit, Nomination and Remuneration Committees

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

He graduated with a Bachelor degree in Economics from University of Malaya in 1975 and is a fellow of the Chartered Institute of Logistics & Transport, Malaysia. He was a Forex Dealer and Portfolio Manager from 1976 to 1979 and Branch Manager with Malayan Banking Berhad from 1980 to 1984. 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 stockbroking business. Since 1991, he has been the Chairman of Heirs Corporation Sdn. Bhd., a property development company. Currently, he also sits on the boards of several other private limited companies principally involved in property development and investment holding.

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 78, Malaysian

Independent Non-Executive Director, Chairman of the Nomination Committee, Member of the Audit and Remuneration Committees

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 Committee and is a member of the Audit and Remuneration Committees.

He is currently a Director of Kwong Wah Yit Poh Group., a company principally involved in publishing newspapers and is also the Chairman of the Board of Directors of Howe Keat Sdn. Bhd. He is the Exco-Advisor of Sekolah Menengah Kebangsaan Chung Ling, Vice-Chairman of Penang Chinese Girls' High School and sits on the boards of several other Chinese High Schools and Primary Schools in Penang. He also acts as Patron or Trustee or Chairman for various associations and sports clubs in Penang. He sits on the boards of several other private limited companies principally involved in publication, printing, tourism and trading of chemicals and is also a director of Lam Wah Ee Hospital. He is a committee member of the Penang Home for Infirm & Aged.

Dato' Oon was conferred with the Tokoh Merdeka 2011 Penang award by the Federal Government on 11 September 2011. The award was presented by Prime Minister Y.A.B. Dato' Sri Mohd. Najib Bin Tun Haji Abdul Razak during the Merdeka celebration.

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.

Dato' Lee Kah Choon

Aged 54, Malaysian

Independent Non-Executive Director, Member of the Audit and Remuneration Committees

Dato' Lee Kah Choon was appointed to the Board of D'nonce Technology Bhd on 20 December 2013. He is a member of Audit and Remuneration Committees.

Dato' Lee Kah Choon is a board member of various state government linked companies and corporations as well as private companies.

Before embarking on his current profession, Dato' Lee has served as the Parliamentary Secretary of the Ministry of Health from 2004 to 2008, and the Member of Parliament for the Jelutong Constituency from 1999 to 2008. Prior to his political career, Dato' Lee was the Seberang Perai Municipal Councillor from 1997 to 1999.

He was a practicing lawyer with his own private legal practice from 1987 to 2004, after being called to the Bar of Malaysia in 1987 and Bar of England & Wales in 1986.

Dato' Lee Kah 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.

BOARD OF DIRECTORS (cont'd)

Law Kim Choon

Aged 57, Malaysian

Chief Executive Officer/Group Managing Director and Member of the Remuneration Committee

Law Kim Choon was appointed to the Board of D'nonce Technology Bhd. on 23 October 2000. He has been the Chief Executive Officer of D'nonce Group since 2002 and was appointed the Group Managing Director on 1 February 2008. He was appointed as a member of the Remuneration Committee on 30 January 2007 and he resigned as a member of the Audit Committee on 30 October 2007.

He has 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.

Law Kim Choon is a Director and substantial shareholder of Binary Decode Sdn. Bhd. and Viva Knowledge Sdn. Bhd., both of which are investment holding companies. He is also a substantial shareholder of Yield Technology (M) Sdn. Bhd., which is also an investment holding company.

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 55, 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 the 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. He was also a former member of the College of Radiographers, United Kingdom and Malaysian Society of Radiographers.

He is a Director and substantial shareholder of Kalungan Prestij Sdn. Bhd., Binary Decode Sdn. Bhd., Viva Knowledge Sdn. Bhd. and Global Outreach Energy Sdn. Bhd. all of which are investment holding companies. He is also a substantial shareholder of Yield Technology (M) Sdn. Bhd., which is also an investment holding company.

Apart from developing new businesses, he is responsible for the Group's sales and marketing functions.

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.

Wong Thai Sun

Aged 59, Malaysian

Independent Non-Executive Director, Chairman of the Audit and Remuneration Committees, Member of the Nomination Committee

Wong Thai Sun was appointed to the Board of D'nonce Technology Bhd. and as a member of the Audit Committee on 6 November 2006. He was appointed as a member of the Nomination and Remuneration Committees on 30 January 2007 and subsequently was redesignated as Chairman of the Audit and Remuneration Committees on 16 April 2007.

He holds a Bachelor Degree in 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 overseas and currently has his own public practice firm, Wong Thai Sun & Associates. He is also a Director of Suiwah Corporation Bhd. and Emico Holdings Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad.

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 RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code of Corporate Governance 2012 requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets.

Guided by the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies, the Board of Directors of D'nonce Technology Berhad is pleased to present the Statement on Risk Management and Internal Control which is prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. In view of the limitations that are inherent in any systems of internal control, the systems of internal control are designed to manage risk within tolerable levels rather than eliminate the risk of failure to achieve business objectives. Hence, such system by its nature can only provide reasonable and not absolute assurance against material misstatement, error or losses.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by 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 the management practice proactive significant risks identification in the processes and activities of the Group, particularly in major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a tolerance level acceptable by the Board.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has outsourced its internal audit function to an independent professional accounting and consulting firm, BDO Governance Advisory Sdn Bhd as part of its efforts to provide adequate and effective internal control systems. The performance of internal audit function is carried out as per the annual audit plan approved by the Audit Committee.

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 audit focuses on high risk area to ensure that an adequate action plan has in place to improve the controls in place. The audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement. The highlighted areas will be followed up closely to determine the extent of their recommendations that have been implemented by the management.

INTERNAL CONTROL

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

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides a documented and auditable trail of accountability;
- A set of documented internal policies and procedures 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;
- 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice guide ("RPG") 5 issued by the Malaysian Institute of Accountants. RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to date of this statement. Taking this assurance into consideration, the Board is of the view that there were no significant weaknesses in the current system of internal control of the Group that may have material impact on the operations of the Group for the financial year ended 31 August 2013. The Board and the management will continue to take necessary measures and ongoing commitment to strengthen and improve its internal control environment and risk management.

This statement is issued in accordance with a resolution of the Directors dated 27 December 2013.

STATEMENT OF CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance 2012 ("the Code") sets out the broad principles and specific recommendations on structures and processes that companies should adopt in making good corporate governance an integral part of their business dealings and culture.

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, in so far as it is practicable, 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 recommendations set out in the Code.

The statement below sets out how the Group has applied the principles and the extent of its compliance with the recommendations of good governance throughout the financial year ended 31 August 2013.

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 three main committees namely the Audit, Remuneration and Nomination, which operate within the 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

The Board currently consists of two Executive Directors and four Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("BMSB").

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.

In this regard, the Board had undertaken an assessment of its independent directors. In making a determination regarding a director's independence, the Board has considered all relevant facts and circumstances, including the director's commercial and charitable relationships (financial dependency) and such other criteria. The Board is of the view that the current Independent Directors are able to exercise independent judgments and act in the best interests of the Company.

Mr Lim Teik Hoe has expressed his desire not to seek re-election as a director in accordance with Article 95(1) of the Company's Articles of Association at the forthcoming Annual General Meeting ("AGM"). The Board has on 3 December 2013 announced Mr Lim Teik Hoe's decision to retire in accordance with Article 95(1) of the Company's Articles of Association at the forthcoming AGM. Therefore, the composition and balance henceforth from the forthcoming AGM is:-

- i) An Independent and Non-Executive Chairman
- ii) A Managing Director
- iii) Three Independent and Non-Executive Directors

Board Independence

The number of Independent Directors on the Board complies with Paragraph 15.02 of the MMLR, which states that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher shall comprise of Independent Directors. The Independent Directors also fulfill the criteria of independence as defined in the MMLR. Their presence provides a check and balance in the discharge of the Board function and the Independent Directors' views carry significant weight in all Board deliberations and decision-making. All Independent Directors act independently of Management and do not participate in any business dealings and are not involved in any other relationship with the Group that may impair their independent judgement and decision making.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (cont'd)

Board Independence (cont'd)

Recommendation 3.2 of the Code states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and Board have duly assessed, determined and resolved that the Independent Non-Executive Directors of the Company namely, Dato' Ahmad Ibnihajar and Dato' Oon Choo Eng @ Oon Choo Khye, who have served on the Board for more than nine (9) years, remain as Independent Directors based on the following justifications as well as contributions from them, as members of the Board and also members of the Board Committees:

- i) they have fulfilled the criteria of independence as per the definition set out under Chapter 1 of the MMLR;
- ii) they have performed their duties diligently and provided independent judgements and balanced assessments hence ensured effective check and balance in the proceedings of the Board and the Board Committees; and
- iii) they have devoted sufficient time and attention to the duties and responsibilities as Independent Non-Executive Directors of the Company.

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.

During the financial year ended 31 August 2013, five (5) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting			Oct 12	Dec 12	Jan 13	Apr 13	Jul 13		
Directors	Position	Attendance					Total	%	
1	Dato' Ahmad Ibnihajar	Independent Non- Executive Chairman	•	•	•	•	•	5/5	100
2	Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non- Executive Director	•	•	•	•	•	5/5	100
3	Law Kim Choon	Chief Executive Officer / Group Managing Director	•	•	•	•	•	5/5	100
4	Lim Teik Hoe	Executive Director	•	•	•	•	•	5/5	100
5	Wong Thai Sun	Independent Non- Executive Director	•	•	•	•	•	5/5	100
6.	Dato' Lee Kah Choon (Appointed on 20 December 2013)	Independent Non- Executive Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total number of meetings held:								5	

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 Secretaries 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 (cont'd)

THE BOARD OF DIRECTORS (cont'd)

Appointments to the Board

Nomination Committee

The Nomination Committee currently comprises the following Independent Non-Executive Directors.

Dato' Oon Choo Eng @ Oon Choo Khye – Chairman	Independent Non-Executive Director
Dato' Ahmad Ibnihajar – Member	Independent Non-Executive Director
Wong Thai Sun – Member	Independent Non-Executive Director

The Nomination Committee is governed by the following terms of references :-

1. The composition of the Nomination Committee shall comprise exclusively non-executive directors, the majority of whom are independent.
2. The Nomination Committee shall have the following responsibilities:
 - i) Determine the procedures for convening and holding of meetings of the Committee, e.g. appointment of chairman of the Committee, quorum, notice period, etc.
 - ii) Recommend to the Board, all directorships to be filled by the shareholders or the Board.
 - iii) Propose new nominees for the Board and assess directors on an on-going basis.
 - iv) Recommend on the re-election of directors due for retirement under the Articles of Association of the Company taking into account the directors' contribution.
 - v) Review annually the independence of and suitability of the existing directors, identifying the mix of skills experience and other qualities, including core competencies which non-executive directors should bring to the Board.
 - vi) Obtain the services of external parties to seek suitable candidates for appointments to the Board.
 - vii) Determine the expertise and experience of the prospective candidates for directorship.
 - viii) Determine the mechanism to select and appraise/approach the candidate.
 - ix) Recommend to the Board of directors to fill the seats on Board Committees.
 - x) Based on a process implemented by the Board to evaluate on the effectiveness of each Director, the Committee of the Board and the Board as a whole.
 - xi) To carry out such other functions as may be agreed to by the Committee and the Board.
3. The Nomination Committee shall report all findings to the Board of Directors, who shall then collectively decide on the candidate(s) to be appointed.

During the financial year ended 31 August 2013, the Nomination Committee assisted the Board on the following functions:-

1. Recommended to the Board, all directorships to be filled by the shareholders or the Board.
2. Proposed new nominees for the Board and assess directors on an on-going basis.
3. Recommended to the Board of Directors to fill the seats on Board committees.
4. Recommended on the re-election of directors due for retirement under the Articles of Association of the Company taking into account the directors' contribution.
5. Reviewed the Board structure, size, mix of skills, experience and other qualities and its composition.
6. Reviewed 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 2013, the Nomination Committee had one meeting on 12 December 2012 and was attended by all members. During the meeting, the Nomination Committee had reviewed the assessment of the Directors and Board Committees and the effectiveness and composition of the Board and Board Committees.

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 AGM. All Directors shall retire once in every three years and are eligible for re-election.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (cont'd)

Directors' Training

As required under the Main Market Listing Requirements of BMSB, all the Directors had attended the Directors' Mandatory Accreditation Programme ("MAP"). The Directors will continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties.

During the financial year ended 31 August 2013, the Directors had evaluated their own training needs on a continuous basis and attended the following:-

Dato' Ahmad Ibnihajar

- Crisis Management 18 June 2013

Dato' Oon Choo Eng @ Oon Choo Khye

- Crisis Management 18 June 2013

Law Kim Choon

- Crisis Management 18 June 2013

Lim Teik Hoe

- Crisis Management 18 June 2013

Wong Thai Sun

- Seminar Percukaian Kebangsaan 2012 11 October 2012
- Latest Development & Tax Planning for Employment Income 20 February 2013
- Post Budget 2013 – Tax Planning 13 March 2013
- Crisis Management 18 June 2013

DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee currently comprises the following members, the majority of whom are Independent Non-Executive Directors :-

Wong Thai Sun	Independent Non-Executive Director – Chairman
Dato' Ahmad Ibnihajar	Independent Non-Executive Director – Member
Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non-Executive Director – Member
Dato' Lee Kah Choon (Appointed on 20 December 2013)	Independent Non-Executive Director – Member
Law Kim Choon	Chief Executive Officer/Group Managing Director – Member

The Remuneration Committee is governed by the following terms of reference :-

1. The Remuneration Committee shall comprise wholly or mainly non-executive directors.
2. The Remuneration Committee shall have the following responsibilities:
 - i) Determine the procedure for convening and holding of the meetings of the Committee, e.g. appointment of chairman of the Committee, quorum, notice period, etc.
 - ii) Establish a formal procedure for developing policy for determining the remuneration of executive directors and senior management, drawing from outside advice as necessary.
 - iii) Responsible for recommending the remuneration levels of directors to the full Board. Recommendations should be made in reference to market practice.
 - iv) Supervising the grant of stock options and other benefits-in-kind.
 - v) Carrying out such other functions as may be agreed to by the Committee and the Board of Directors.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

DIRECTORS' REMUNERATION (cont'd)

Terms of reference:- (cont'd)

3. The Remuneration Committee shall report to the Board all findings and decisions in respect of the remuneration of the executive directors and senior management.
4. The Remuneration Committee shall not decide on the remuneration of non-executive directors. Such decision shall be vested in the Board of Directors collectively.
5. Executive directors shall play no part in decisions on their own remuneration.
6. Membership of the Remuneration Committee should appear in the Directors' Report.

In making its recommendations, the Remuneration Committee will take into consideration the performance of the individual and his experience, as well as relevant information, e.g. level of salary for similar positions in comparable listed companies.

During the financial year ended 31 August 2013, the Remuneration Committee had one meeting on 12 December 2012 and was attended by all members.

Remuneration Policy

The Remuneration Committee recommends to the Board for approval the remuneration package of the 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 2013 is set out below:-

A. Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Fees	68,360	111,360
Salaries	1,345,632	–
Bonus	–	–
Benefits-in-kind	–	–
Other benefits	604,055	25,054

B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors	Total
Less than 50,000	–	3	–
50,001 - 850,000	–	–	–
850,001 - 900,000	1	–	1
900,001 - 1,100,000	–	–	–
1,100,001 - 1,150,000	1	–	1

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

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

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

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 24 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 Risk Management and Internal Control set out on pages 15 and 16 of this Annual Report. The Internal Auditors facilitate the overall internal control system in consultation with the Management and heads of major departments to assist the Board to oversee the existing risk management framework that have 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 the Management.

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 audited 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 25 to 28 of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

ADDITIONAL COMPLIANCE INFORMATION

During the financial year:

a) Utilisation of proceeds from corporate proposals

No proceeds were raised by the Company from any corporate proposal.

b) Share buybacks

There were no share buybacks by the Company.

c) Conviction for offences

None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.

d) Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 August 2013.

e) Sanctions and/or penalties imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies during the financial year ended 31 August 2013, which had material impact on the operations or financial position of the Group other than the following:

On 25 September 2013, Bursa Malaysia Securities Berhad had publicly reprimanded the Company for breach under Paragraph 9.16(1)(a) of the Main Market Listing Requirements for failing to ensure that the announcement dated 31 October 2012 on the unaudited fourth quarterly report for the financial year ended 31 August 2012 took into account the adjustments as stated in the Company's announcement dated 9 January 2013.

f) Options, warrants or convertible securities exercised

No options, warrants or convertible securities were issued by the Company that were exercised during the financial year.

g) Variations in Results, Profit Estimate, Forecast or Projection

The Company did not release any profit estimate, forecast or projection. There is no variance between the results for the financial year and the unaudited results previously released by the Company.

h) Comparison of profit achieved with the profit guarantee

There was no profit guarantee given by the Company.

i) Material contracts

There were no material contracts of the Company and its subsidiaries involving Directors' and major shareholders' interests.

j) Non-audit fees

The amount of non-audit fees payable to external auditors for the financial year was RM51,450.

Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

Significant transactions between the Group and its related party during the financial year were as follows:-

Related Party	Relationship	Nature of RRPTs	Value* (RM'000)
Master-Pack Sdn Bhd ("Master-Pack")	Master-Pack which holds 20% of the equity of Richmond Technology Sdn Bhd ("Richmond"), is a major shareholder of Richmond	Purchase of raw materials by Richmond from Master-Pack	2,792,341

* actual value from 1 September 2012 to 31 August 2013

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Directors' Responsibility Statement in respect of Audited Financial Statements

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 minimise fraud and other irregularities.

AUDIT COMMITTEE REPORT

MEMBERS

The present members of the Audit Committee are as follows:-

Wong Thai Sun, Chairman	Independent Non-Executive Director
Dato' Ahmad Ibnihajar, Member	Independent Non-Executive Director
Dato' Oon Choo Eng @ Oon Choo Khye, Member	Independent Non-Executive Director
Dato' Lee Kah Choon (Appointed on 20 December 2013)	Independent Non-Executive Director

TERMS OF REFERENCE

1. Membership

1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:-

- (a) the Committee must be composed of no fewer than 3 members, a majority of whom must be independent directors;
- (b) all members of the Audit Committee shall be non-executive directors and should be financially literate; and
- (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) 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.
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.

1.2 No alternate director should be appointed as a member of the Committee.

1.3 In the event of any vacancy in the Committee resulting in the non-compliance of the listing requirement of the Exchange pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.

1.4 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.

2. Chairman

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

3. Secretary

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

4. Meetings

4.1 Meetings shall be held not less than four times a year.

4.2 The Finance Director/Finance Manager, the Head of Internal Audit (where such a function exists) and a representative of the external auditors shall normally attend the meetings.

AUDIT COMMITTEE REPORT (cont'd)

TERMS OF REFERENCE (cont'd)

4. Meetings (cont'd)

- 4.3 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
- 4.4 Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.
- 4.5 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.
- 4.6 The Committee should meet with the external auditors without executive Board members present at least twice a year.

5. Quorum

- 5.1 To form a quorum the majority of members present must be independent directors.

6. Rights

- 6.1 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 auditors and person(s) carrying out the internal audit function or activity;
 - (e) be able to obtain independent professional or other advice; and
 - (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of Company, whenever deemed necessary.

7. Functions

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

- 7.1 To review:
- (a) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) significant adjustments arising from the audit;
 - (iv) the going concern assumption; and
 - (v) compliance with accounting standards and other legal requirements.
 - (b) 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 or management integrity;
 - (c) with the external auditors:
 - (i) the audit plan and to ensure co-ordination where more than one audit firm is involved;
 - (ii) his evaluation of the system of internal controls;
 - (iii) his audit report;
 - (iv) his management letter and the management's response; and
 - (v) the assistance given by the Company's employees to the external auditors.
- 7.2 To monitor the management's risk management practices and procedures.

AUDIT COMMITTEE REPORT (cont'd)

TERMS OF REFERENCE (cont'd)

7. Functions (cont'd)

- 7.3 In respect of the appointment of external auditors:
- to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
 - to consider the nomination of a person or persons as external auditors and the audit fee; and
 - to consider any questions of resignation or dismissal of external auditors.
- 7.4 In respect of the internal audit function:
- to review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work and that it reports directly to the Audit Committee;
 - to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - to review any appraisal or assessment of the performance of members of the internal audit function;
 - to approve any appointment or termination of senior staff members of the internal audit function; and
 - 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.
- 7.5 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.
- 7.6 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.
- 7.7 To review the allocation of options during the year if any, under the Company's Employee Share Option Scheme ("ESOS") to ensure that this was in compliance with the allocation criteria determined by the ESOS committee and in accordance with the By-Laws of the ESOS.

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 2013, the Audit Committee held a total of five meetings. The details of the attendance of the Audit Committee members were as follows:

<u>Name</u>	<u>Status of Directorship</u>	<u>Position</u>	<u>No. of meetings attended</u>
Wong Thai Sun	Independent Non-Executive Director	Chairman	5/5
Dato' Ahmad Ibnihajar	Independent Non-Executive Director	Member	5/5
Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non-Executive Director	Member	5/5
Dato' Lee Kah Choon (Appointed on 20 December 2013)	Independent Non-Executive Director	Member	N/A

The External Auditors attended five meetings during the financial year.

AUDIT COMMITTEE REPORT (cont'd)

Activities of the Audit Committee

The Group's internal audit function has been outsourced since year 2001. The expenses incurred for internal audit amounted to RM34,000 for the year ended 31 August 2013.

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 Audit Committee met with the External Auditors twice during the financial year without executive Board members present.

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.

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.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

31 August 2013

Contents

	Pages
Directors' report	30 - 32
Statement by directors	33
Statutory declaration	33
Independent auditors' report	34 - 35
Income statements	36
Statements of comprehensive income	37
Statements of financial position	38 - 39
Statements of changes in equity	40 - 41
Statements of cash flows	42 - 44
Notes to the financial statements	45 - 102
Supplementary information – breakdown of accumulated losses into realised and unrealised	103

DIRECTORS' REPORT

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 2013.

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 13 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
Loss net of tax	<u>(9,785,105)</u>	<u>(6,148,441)</u>
Attributable to:		
Owners of the parent	(9,742,915)	(6,148,441)
Non-controlling interests	<u>(42,190)</u>	–
	<u>(9,785,105)</u>	<u>(6,148,441)</u>

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

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 other than as disclosed in the financial statements.

Dividend

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
Wong Thai Sun
Dato' Lee Kah Choon (appointed on 20 December 2013)

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 those arising from the share options granted to certain of the Company's directors under the Employee Share Options Scheme ("ESOS").

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 or the fixed salary of a full-time employee of the Company and its related corporations as shown in Note 8 to the financial statements) 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, other than as disclosed in Note 27 to the financial statements.

DIRECTORS' REPORT (cont'd)

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 options over shares in the Company during the financial year were as follows:

	← Number of ordinary shares of RM1 each →			
	1 September 2012	Bought	Sold	31 August 2013
The Company				
Direct interest				
Law Kim Choon	5,870,900	340,095	–	6,210,995
Lim Teik Hoe	2,156,700	3,552,900	–	5,709,600
	← Number of options over ordinary shares of RM1 each →			
	1 September 2012	Exercised	Expired	31 August 2013
The Company				
Law Kim Choon	100,000	–	(100,000)	–
Lim Teik Hoe	85,000	–	(85,000)	–

The other directors in office at the end of the financial year did not have any interest in shares or options over shares in the Company or shares in 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. On 25 April 2008, the Company has extended its existing ESOS which expired on 27 May 2008 for a further period of five years from 27 May 2008 until 26 May 2013.

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

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

There were no options granted during the financial year and the ESOS has expired on 26 May 2013.

Other statutory information

- (a) Before the income statements, statements of comprehensive income and statements of financial position 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 there were no known bad debts and that adequate provision had been made for doubtful debts in respect of the financial statements of the Group and of the Company; 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company 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.

DIRECTORS' REPORT (cont'd)

Other statutory information (cont'd)

- (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, other than as disclosed in the financial statements.

Subsequent events

Details of the subsequent events are as disclosed in Note 34 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 December 2013.

Wong Thai Sun

Law Kim Choon

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, Wong Thai Sun 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 36 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 36 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 December 2013.

Wong Thai Sun

Law Kim Choon

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 36 to 103 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 27 December 2013

:

Law Kim Choon

Before me,

Mok Cheng Yoon *PJK*
No: P140
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of D'nonce Technology Bhd., which comprise statements of financial position as at 31 August 2013 of the Group and of the Company, income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 102.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) 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.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (cont'd)

Other reporting responsibilities

The supplementary information set out in Note 36 on page 103 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

1. As stated in Note 2.2 to the financial statements, D'nonce Technology Bhd. adopted Malaysian Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 August 2012 and 1 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 August 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Lim Foo Chew
No. 1748/01/14(J)
Chartered Accountant

Penang, Malaysia
27 December 2013

INCOME STATEMENTS

For the financial year ended 31 August 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	4	177,807,377	167,778,650	4,454,149	5,032,650
Other income	5	1,419,127	24,953,817	–	7
Changes in inventories of work-in-progress and finished goods		(648,980)	3,849,658	–	–
Raw materials and consumables used		(50,756,689)	(42,217,162)	–	–
Trading goods		(73,883,846)	(84,704,402)	–	–
Employee benefits expense	6	(34,100,576)	(29,794,226)	(2,996,673)	(4,530,408)
Depreciation		(5,426,253)	(4,298,703)	(14,737)	(37,731)
Operating leases - minimum lease payments for premises and equipment		(1,816,438)	(1,752,034)	(13,800)	(29,050)
Utilities		(4,190,387)	(3,282,633)	(46,454)	(41,212)
Other expenses	7	(15,804,589)	(23,805,433)	(6,757,248)	(1,403,885)
Operating (loss)/profit		(7,401,254)	6,727,532	(5,374,763)	(1,009,629)
Finance costs	9	(2,296,042)	(2,039,922)	(673,678)	(405,732)
(Loss)/profit before tax		(9,697,296)	4,687,610	(6,048,441)	(1,415,361)
Income tax expense	10	(87,809)	(715,856)	(100,000)	(550,038)
(Loss)/profit net of tax		(9,785,105)	3,971,754	(6,148,441)	(1,965,399)
Attributable to:					
Owners of the parent		(9,742,915)	2,766,058	(6,148,441)	(1,965,399)
Non-controlling interests		(42,190)	1,205,696	–	–
		(9,785,105)	3,971,754	(6,148,441)	(1,965,399)
(Loss)/earnings per share attributable to owners of the parent (sen):					
Basic/Diluted	11	(21.60)	6.13		

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 August 2013

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
(Loss)/profit net of tax	(9,785,105)	3,971,754	(6,148,441)	(1,965,399)
Other comprehensive income for the year, net of tax:				
Foreign currency translation	875,915	139,194	-	-
Total comprehensive income for the year	(8,909,190)	4,110,948	(6,148,441)	(1,965,399)
Total comprehensive income attributable to:				
Owners of the parent	(8,867,158)	2,850,378	(6,148,441)	(1,965,399)
Non-controlling interests	(42,032)	1,260,570	-	-
	(8,909,190)	4,110,948	(6,148,441)	(1,965,399)

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2013

	Note	31.8.2013 RM	Group 31.8.2012 RM	1.9.2011 RM
Non-current assets				
Property, plant and equipment	12	42,101,045	42,554,941	36,497,405
Investment properties	14	12,428,718	12,750,571	7,175,863
Other investments	15	14,000	14,000	34,000
Intangible asset	16	289,128	289,128	289,128
Trade receivables	17	548,227	1,135,334	2,360,463
Deferred tax assets	18	704,497	515,114	737,450
Cash and bank balances	21	431,642	100,000	–
		56,517,257	57,359,088	47,094,309
Current assets				
Inventories	19	18,798,308	20,624,199	14,601,996
Trade and other receivables	17	35,031,720	38,297,827	40,256,892
Tax recoverable		609,086	818,384	397,034
Derivatives	20	–	16,307	79,824
Cash and bank balances	21	10,082,464	11,775,907	10,067,696
		64,521,578	71,532,624	65,403,442
Total assets		121,038,835	128,891,712	112,497,751
Equity and liabilities				
Current liabilities				
Retirement benefit obligations	24	540,528	1,005,187	–
Loans and borrowings	22	29,599,968	27,346,825	18,136,620
Trade and other payables	23	28,044,087	29,464,658	23,701,555
Derivatives	20	34,007	11,500	–
Tax payable		37,353	58,416	625,045
		58,255,943	57,886,586	42,463,220
Net current assets		6,265,635	13,646,038	22,940,222
Non-current liabilities				
Retirement benefit obligations	24	1,811,457	1,497,377	3,243,377
Loans and borrowings	22	13,069,420	12,775,314	6,665,281
Deferred tax liabilities	18	171,274	92,504	96,890
		15,052,151	14,365,195	10,005,548
Total liabilities		73,308,094	72,251,781	52,468,768
Net assets		47,730,741	56,639,931	60,028,983
Equity attributable to owners of the parent				
Share capital	25	45,101,000	45,101,000	45,101,000
Share premium	25	12,309,806	12,309,806	12,309,806
Other reserves	26	6,353,596	5,592,094	5,521,406
Accumulated losses		(19,657,021)	(10,028,361)	(13,139,858)
		44,107,381	52,974,539	49,792,354
Non-controlling interests		3,623,360	3,665,392	10,236,629
Total equity		47,730,741	56,639,931	60,028,983
Total equity and liabilities		121,038,835	128,891,712	112,497,751

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2013 (cont'd)

	Note	31.8.2013 RM	Company 31.8.2012 RM	1.9.2011 RM
Non-current assets				
Property, plant and equipment	12	32,897	43,969	64,403
Investments in subsidiaries	13	42,133,688	44,443,688	36,943,688
Deferred tax assets	18	–	100,000	650,000
		42,166,585	44,587,657	37,658,091
Current assets				
Trade and other receivables	17	6,729,829	9,602,686	10,031,446
Cash and bank balances	21	72,394	409,045	223,868
		6,802,223	10,011,731	10,255,314
Total assets		48,968,808	54,599,388	47,913,405
Equity and liabilities				
Current liabilities				
Retirement benefit obligations	24	540,528	1,005,187	–
Loans and borrowings	22	–	–	23,979
Trade and other payables	23	14,604,933	13,872,309	4,373,291
		15,145,461	14,877,496	4,397,270
Net current (liabilities)/assets		(8,343,238)	(4,865,765)	5,858,044
Non-current liabilities				
Retirement benefit obligations	24	1,389,638	1,139,742	2,968,586
Total liabilities		16,535,099	16,017,238	7,365,856
Net assets		32,433,709	38,582,150	40,547,549
Equity attributable to owners of the parent				
Share capital	25	45,101,000	45,101,000	45,101,000
Share premium	25	12,309,806	12,309,806	12,309,806
Other reserves	26	–	114,255	127,887
Accumulated losses		(24,977,097)	(18,942,911)	(16,991,144)
Total equity		32,433,709	38,582,150	40,547,549
Total equity and liabilities		48,968,808	54,599,388	47,913,405

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 August 2013

Group	← Attributable to owners of the parent →				Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated losses		
	RM	RM	RM	RM	RM	RM
	(Note 25)	(Note 25)	(Note 26)			
At 1 September 2012	45,101,000	12,309,806	5,592,094	(10,028,361)	3,665,392	56,639,931
Total comprehensive income	–	–	875,757	(9,742,915)	(42,032)	(8,909,190)
Transactions with owners:						
Expiration of ESOS	–	–	(114,255)	114,255	–	–
At 31 August 2013	45,101,000	12,309,806	6,353,596	(19,657,021)	3,623,360	47,730,741
At 1 September 2011	45,101,000	12,309,806	5,521,406	(13,139,858)	10,236,629	60,028,983
Total comprehensive income	–	–	84,320	2,766,058	1,260,570	4,110,948
Transactions with owners:						
Acquisition of non-controlling interests (Note 13(b))	–	–	–	331,807	(7,831,807)	(7,500,000)
Realisation of ESOS reserve	–	–	(13,632)	13,632	–	–
At 31 August 2012	45,101,000	12,309,806	5,592,094	(10,028,361)	3,665,392	56,639,931

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 August 2013 (cont'd)

Company	← Non-distributable →			Accumulated losses	Total equity
	Share capital	Share premium	Other reserves		
	RM	RM	RM	RM	RM
	(Note 25)	(Note 25)	(Note 26)		
At 1 September 2012	45,101,000	12,309,806	114,255	(18,942,911)	38,582,150
Total comprehensive income	–	–	–	(6,148,441)	(6,148,441)
Transactions with owners:					
Expiration of ESOS	–	–	(114,255)	114,255	–
At 31 August 2013	45,101,000	12,309,806	–	(24,977,097)	32,433,709
At 1 September 2011	45,101,000	12,309,806	127,887	(16,991,144)	40,547,549
Total comprehensive income	–	–	–	(1,965,399)	(1,965,399)
Transactions with owners:					
Realisation of ESOS reserve	–	–	(13,632)	13,632	–
At 31 August 2012	45,101,000	12,309,806	114,255	(18,942,911)	38,582,150

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 August 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Operating activities					
(Loss)/profit before tax		(9,697,296)	4,687,610	(6,048,441)	(1,415,361)
<u>Adjustments for:</u>					
Allowance of impairment on trade and other receivables	7	1,668,923	268,242	3,939,199	404,608
Depreciation on:					
- property, plant and equipment	12	5,097,900	4,007,975	14,737	37,731
- investment properties	14	328,353	290,728	-	-
Fair value changes in derivatives	7	38,814	75,017	-	-
Gain on disposal of property, plant and equipment	7	(61,549)	(255,965)	-	(65,000)
Interest expense	9	2,296,042	2,039,922	673,678	405,732
Interest income	5	(316,554)	(317,863)	-	(7)
Inventories written down	7	87,463	266,764	-	-
Inventories written off	7	106,826	1,548,699	-	-
Pension costs – defined benefit plan	6	336,470	380,995	214,140	231,824
Provision for director's leave passage	8	96,958	483,008	54,571	257,710
Short term accumulating compensated absences	8	91,008	218,462	53,763	120,575
Property, plant and equipment written off	7	11,078	6,303,067	-	170
Impairment losses on:					
- property, plant and equipment	7	526,000	942,163	-	-
- investments in subsidiaries	7	-	-	2,310,000	-
Loss on disposal of other investment	7	-	8,000	-	-
Reversal of allowance of impairment on trade and other receivables	7	(208,677)	(46,953)	(632,744)	-
Unrealised loss/(gain) on foreign exchange	7	9,234	(69,317)	436,323	86,952
Total adjustments		10,108,289	16,142,944	7,063,667	1,480,295
Operating profit before working capital changes		410,993	20,830,554	1,015,226	64,934

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 August 2013 (cont'd)

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Changes in working capital					
Decrease/(increase) in inventories		1,631,602	(7,837,666)	-	-
Decrease/(increase) in trade and other receivables		2,392,968	2,962,905	(30)	2,605,695
(Decrease)/increase in trade and other payables		(1,617,903)	5,130,941	499,844	1,843,219
Total changes in working capital		2,406,667	256,180	499,814	4,448,914
Cash generated from operations		2,817,660	21,086,734	1,515,040	4,513,848
Contribution paid	24(a)	(487,062)	(1,122,068)	(428,903)	(1,122,068)
Taxes paid		(10,187)	(1,485,885)	-	(38)
Interest paid	9	(2,296,042)	(2,039,922)	(673,678)	(405,732)
Net cash generated from operating activities		24,369	16,438,859	412,459	2,986,010
Investing activities					
Interest received	5	316,554	317,863	-	7
Placement of fixed deposits		(361,977)	(129,714)	-	-
Proceeds from disposal of other investment		-	12,000	-	-
Proceeds from disposal of property, plant and equipment		177,000	342,333	-	65,000
Acquisition of non-controlling interests	13(b)	-	(7,500,000)	-	(7,500,000)
Purchase of property, plant and equipment	A	(2,911,345)	(11,831,281)	(3,665)	(18,226)
Subsequent expenditure incurred on investment properties	B	(6,500)	(2,521,024)	-	-
Net cash used in investing activities		(2,786,268)	(21,309,823)	(3,665)	(7,453,219)
Financing activities					
Drawdown of short term borrowings		937,784	6,847,353	-	-
Net change in subsidiaries' balances		-	-	(745,445)	4,676,365
Repayment of obligations under finance leases		(1,141,964)	(1,627,327)	-	(23,979)
Drawdown of term loans		6,794,241	1,771,071	-	-
Repayment of term loans		(5,355,974)	(2,935,029)	-	-
Net cash generated from/(used in) financing activities		1,234,087	4,056,068	(745,445)	4,652,386
Net (decrease)/increase in cash and cash equivalents		(1,527,812)	(814,896)	(336,651)	185,177
Effects of foreign exchange rate changes		197,561	19,429	-	-
Cash and cash equivalents at beginning of financial year		2,791,888	3,587,355	409,045	223,868
Cash and cash equivalents at end of financial year	C	1,461,637	2,791,888	72,394	409,045

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 August 2013 (cont'd)

A. Purchase of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM4,618,034 (2012: RM14,566,281) and RM3,665 (2012: RM18,226) by way of the following:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash payment	2,911,345	11,831,281	3,665	18,226
Obligations under finance leases	1,706,689	1,254,000	–	–
Term loans	–	1,481,000	–	–
	4,618,034	14,566,281	3,665	18,226

B. Subsequent expenditure on investment properties

During the financial year, the Group incurred subsequent expenditure on investment properties at aggregate costs of RM6,500 (2012: RM8,576,230) by way of the following:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash payment	6,500	2,521,024	–	–
Obligations under finance leases	–	60,000	–	–
Term loans	–	5,995,206	–	–
	6,500	8,576,230	–	–

C. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash and bank balances (Note 21)	10,082,464	11,775,907	72,394	409,045
Bank overdrafts (Note 22)	(8,230,262)	(8,623,789)	–	–
	1,852,202	3,152,118	72,394	409,045
Less: Deposits with licensed banks for more than 3 months	(390,565)	(360,230)	–	–
	1,461,637	2,791,888	72,394	409,045

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market 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 principal activities of the Company are the provision of management services and investment holding.

The principal activities of the subsidiaries are described in Note 13.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the previous financial year, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRS"). The effects of adopting MFRS Framework are disclosed in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia ("RM").

2.2 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS")

These audited financial statements are the Group's and the Company's first annual financial statements prepared under the MFRS framework. Accordingly, the Group and the Company have applied MFRS 1 - First time Adoption of Malaysian Financial Reporting Standards upon their adoption of the MFRS framework on 1 September 2012. The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statements for the financial year ended 31 August 2012. Hence, the transition from FRS to MFRS has not had a material impact on the Group's and the Company's income statements, statements of comprehensive income, statements of financial position and statements of cash flows. As there are no adjustments arising from the transition to MFRS, notes to the statement of financial position as at the date of transition (1 September 2011) are not presented.

The estimates at 1 September 2011 and 31 August 2012 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group and the Company to present these amounts in accordance with MFRS reflect conditions at 1 September 2011, the date of transition to MFRS and as at 31 August 2012.

2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 3 Business Combination (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.3 Standards and interpretations issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
IC Interpretation 21: Levies	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces the portion of MFRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. MFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by MFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in MFRS 127.

MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

The Group is currently assessing the impact of adoption of MFRS 13.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.3 Standards and interpretations issued but not yet effective (cont'd)

Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

The amendments to MFRS 132 clarified that a legally enforceable right to set off is a right to set off that must not be contingent on a future event; and must be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments further clarified that an entity will meet the net settlement criterion as provided in MFRS 132 if the entity can settle amounts in a manner that the outcome is, in effect, equivalent to net settlement.

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets

The amendments removed the unintended consequences of MFRS 136 on the disclosures required under MFRS 136. In addition, the amendments require disclosure of recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period.

Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to MFRS 139 provide relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amendments further clarified that a novation indicates that parties to a contract agree or replace their original counterparty with a new one.

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

MFRS 119 Employee Benefits

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" as permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to MFRS 119 require retrospective application with certain exceptions. The Group is currently assessing the impact that this standard will have on the financial position and performance of the Group.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to similar transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interests' proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.6 Foreign currency

a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.7 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited life and therefore is not depreciated. Capital work-in-progress are also not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment and depreciation (cont'd)

Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings	2% - 2.5%
- Leasehold land	60 - 99 years
- Plant and machinery	10% - 20%
- Office furniture, fittings and computer equipment	10% - 33.33%
- Motor vehicles	20%
- Renovation	2% - 10%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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

2.8 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited life and therefore is not depreciated.

Depreciation of investment properties is provided on a straight-line basis to write-off the cost of each property to its residual value over the estimated useful life, at the following annual rate:

- Leasehold land	50 - 60 years
- Buildings	2%
- Renovation	10%

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 Intangible asset

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.9 Intangible asset (cont'd)

Goodwill (cont'd)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable to transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current, except for those having maturity within 12 months after the reporting date which are classified as current.

The Group and the Company have not designated any financial assets as held-to-maturity investments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets (cont'd)

d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

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

Available-for-sale financial assets are classified as non-current unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

2.13 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets (cont'd)

b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in, first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.
- Trading goods: cost is determined on the first-in, first-out basis and includes cost of purchase and other incidental expenses in bringing the items into its present location and condition.

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

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.19 Borrowings costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.20 Employee benefits

a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the 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.

b) Defined contribution plans

The Group participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

c) Defined benefit plans

The costs of providing benefits under defined benefit plans are determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised, reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan:

- Net actuarial losses of the current period and past service cost of the current period are recognised immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognised immediately.
- Net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognised immediately. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognised immediately.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

d) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted, which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or a non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, this is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued.

e) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after reporting date are discounted to present value.

2.21 Leases

a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(e).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b) Revenue from services

Revenue from services rendered is recognised net of discounts as and when the services are performed.

c) Interest income

Interest income is recognised using the effective interest method.

d) Management fees

Management fees are recognised when services are rendered.

e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.23 Income taxes

a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.23 Income taxes (cont'd)

b) Deferred tax (cont'd)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on business segments which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.27 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions.
- Reference to the current fair value of another instrument that is substantially the same.
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

2.28 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.29 Related parties

A related party is defined as follows:

- a) a person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- b) an entity is related to the Group and the Company if any of the following conditions applies:
 - (i) if the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

3. Significant accounting estimates and judgements (cont'd)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis, based on management's intention, to determine if a property qualifies as investment property.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's loans and receivables at the reporting date is disclosed in Note 17.

b) Impairment of investments in subsidiaries

In the current and previous years, the Company has recognised impairment losses in respect of investments in subsidiaries. The Company carried out the impairment test based on the estimation of the higher of the value-in-use or the fair value less cost of disposal of the cash-generating units ("CGU") to which the investments in subsidiaries belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Further details of the impairment losses recognised are disclosed in Note 13.

c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised reinvestment allowances and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumption about generation of future taxable profits depends on management's estimates of future cash flows. These depend on estimates of future productions and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. These judgements and assumptions are subject to risks and uncertainty; hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of defined tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences. Further details are disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

3. Significant accounting estimates and judgements (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

d) Depreciation of plant and equipment

The cost of plant and machinery for the contract manufacturing and supply of packaging materials business segments is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 10 years. These are common life expectancies applied in the contract manufacturing and supply of packaging materials industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 12.

e) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its value in use and its fair value less cost of disposal.

During the current financial year, the Group has recognised impairment losses in respect of a subsidiary's property, plant and equipment. The Group has carried out impairment tests based on a variety of estimations including the value in use of the cash-generating units ("CGU") to which the property, plant and equipment are allocated or the fair value less cost of disposal.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Fair value less cost of disposal is based on the available data from observable market price less incremental cost for disposing the asset or the cost approach. The cost approach reflects the amount that would be required currently to replace the service capacity of an assets (i.e. current replacement cost), and is based on what a market participant buyer would pay to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

The carrying amounts of property, plant and equipment of the Group as at 31 August 2013 were disclosed in Note 12. Further details of the impairment losses recognised for the property, plant and equipment are disclosed in Note 12(d).

4. Revenue

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Sales of goods	172,914,718	163,049,730	–	–
Revenue from services	3,584,659	3,867,371	–	–
Management fees	–	–	4,454,149	5,032,650
Rental income from investment properties	1,308,000	861,549	–	–
	177,807,377	167,778,650	4,454,149	5,032,650

5. Other income

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest income from loan and receivables	316,554	317,863	–	7
Rental income	126,200	27,881	–	–
Scrap sales	646,362	525,906	–	–
Insurance claim	–	23,921,995	–	–
Miscellaneous	330,011	160,172	–	–
	1,419,127	24,953,817	–	7

In the previous financial year, the Group has recognised insurance claims in relation to the compensation received from an insurance company following the severe flood incident in Bangkok, Thailand which had temporarily disrupted the operations of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

6. Employee benefits expense

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Wages and salaries	29,720,557	24,394,510	2,340,532	3,418,798
Social security contributions	398,052	315,184	11,455	10,780
Contributions to defined contribution plan	1,521,811	1,632,820	262,716	381,884
Defined benefit plan (Note 24(a))	336,470	380,995	214,140	231,824
Other benefits	2,123,686	1,546,217	167,830	487,122
Termination benefits	-	1,524,500	-	-
	34,100,576	29,794,226	2,996,673	4,530,408

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,004,138 (2012: RM4,745,470) and RM1,098,028 (2012: RM1,822,042) respectively as further disclosed in Note 8.

In the previous financial year, the Group has recognised termination benefits arising from a retrenchment exercise carried out by a subsidiary affected by the flood incident as disclosed in Note 5.

7. Other expenses

Included in the other expenses are:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Auditors' remuneration				
- statutory audits				
- current year	224,789	225,610	10,000	10,000
- underprovision in prior year	13,652	4,195	-	-
- other services	51,450	49,900	-	-
Allowance of impairment on trade and other receivables (Note 17)	1,668,923	268,242	3,939,199	404,608
Fair value changes in derivatives (Note 20)	38,814	75,017	-	-
Freight costs	3,148,462	2,494,067	-	-
Gain on disposal of property, plant and equipment	(61,549)	(255,965)	-	(65,000)
Inventories written down	87,463	266,764	-	-
Inventories written off	106,826	1,548,699	-	-
Loss on disposal of other investment	-	8,000	-	-
Non-executive directors' remuneration (Note 8)	136,414	147,060	136,414	147,060
Realised (gain)/loss on foreign exchange	(375,118)	84,244	(18,664)	39,689
Impairment losses on:				
- property, plant and equipment (Note 12)	526,000	942,163	-	-
- investments in subsidiaries	-	-	2,310,000	-
Professional fees	400,738	564,780	92,044	128,271
Property, plant and equipment written off	11,078	6,303,067	-	170
Reversal of allowance of impairment on trade and other receivables (Note 17)	(208,677)	(46,953)	(632,744)	-
Sub-contractor charges	211,593	346,706	-	-
Upkeep expenses	1,000,029	931,945	36,716	58,284
Unrealised loss/(gain) on foreign exchange	9,234	(69,317)	436,323	86,952

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

8. Directors' remuneration

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,253,623	1,721,246	679,444	1,052,176
Fees	68,360	69,000	68,360	69,000
Defined contribution plan	188,024	266,893	96,110	159,757
Defined benefit plan	214,140	231,824	214,140	231,824
Provision for leave passage	96,958	483,008	54,571	257,710
Short term accumulating compensated absences	91,008	218,462	53,763	120,575
	1,912,113	2,990,433	1,166,388	1,891,042
Non-executive:				
Salaries and other emoluments	25,054	34,660	25,054	34,660
Fees	111,360	112,400	111,360	112,400
	136,414	147,060	136,414	147,060
	2,048,527	3,137,493	1,302,802	2,038,102
Directors of subsidiaries				
Executive:				
Salaries and other emoluments	1,160,385	1,824,037	-	-
Fee	115,000	115,000	-	-
	1,275,385	1,939,037	-	-
Total	3,323,912	5,076,530	1,302,802	2,038,102

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

	Number of Directors	
	2013	2012
Executive directors:		
RM800,001 – RM1,050,000	2	-
RM1,050,001 – RM1,300,000	-	1
RM1,550,001 – RM1,800,000	-	1
Non-executive directors:		
RM60,000 and below	3	3

9. Finance costs

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest expense on:				
Bank borrowings	1,101,485	760,544	-	-
Due to a subsidiary	-	-	673,678	405,247
Term loans	997,688	1,043,583	-	-
Obligations under finance leases	196,869	235,795	-	485
	2,296,042	2,039,922	673,678	405,732

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

10. Income tax expense

Major components of income tax expense

The major components of income tax expense are:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current income tax:				
Malaysian income tax	182,189	332,560	-	-
Underprovision in prior year	5,450	164,960	-	38
	187,639	497,520	-	38
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	(455,826)	(209,463)	-	-
Deferred tax asset not recognised in prior year, now recognised	-	(132,847)	-	-
Reversal of deferred tax assets recognised in prior year	342,299	550,000	100,000	550,000
Underprovision in prior year	13,697	10,646	-	-
	(99,830)	218,336	100,000	550,000
Income tax expense recognised in profit or loss	87,809	715,856	100,000	550,038

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

Two overseas subsidiaries in Thailand have been granted certain promotional privileges, subject to certain terms and conditions being complied with, inter alia, the following:

- (i) full tax exemption from corporate income tax on the net profit from the promoted business for a period of between 7 to 8 years; and
- (ii) 50% deduction on normal corporate income tax for a period of 5 years following the end of the promotional period of 1 year in respect of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

10. Income tax expense (cont'd)

Reconciliation between tax expense and accounting (loss)/profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 August 2013 and 2012 are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
(Loss)/profit before tax	(9,697,296)	4,687,610	(6,048,441)	(1,415,361)
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	(2,424,324)	1,171,903	(1,512,110)	(353,840)
Effect of different tax rates in another country	(224,480)	455,530	-	-
Effect of changes in foreign tax rate	-	72,622	-	-
Income not subject to tax	(26,552)	(4,269,322)	-	-
Expenses not deductible for tax purposes	1,296,314	663,100	1,648,980	228,483
Utilisation of current year reinvestment allowances	(222,854)	(209,361)	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,538,419)	(652,319)	(136,870)	-
Utilisation of previously unrecognised temporary differences	(11,357)	(10,035)	-	-
Utilisation of previously unutilised reinvestment allowances	(322,214)	(6,769)	-	-
Deferred tax assets not recognised during the financial year	3,574,219	2,775,239	-	125,357
Deferred tax assets not recognised in prior years, now recognised	(373,970)	(338)	-	-
Deferred tax assets recognised in prior years, now reversed	342,299	550,000	100,000	550,000
Underprovision in prior year				
- tax expense	5,450	164,960	-	38
- deferred tax	13,697	10,646	-	-
Income tax expense recognised in profit or loss	87,809	715,856	100,000	550,038

Tax savings recognised during the financial year arising from:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Utilisation of previously unrecognised tax losses	560,008	642,834	136,870	-
Utilisation of previously unabsorbed capital allowances	978,411	9,485	-	-
Utilisation of previously unutilised reinvestment allowances	322,214	6,769	-	-
Utilisation of previously unrecognised temporary differences	11,357	10,035	-	-

11. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit net of tax for the year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year.

	Group	
	2013	2012
(Loss)/profit attributable to ordinary equity holders of the Company (RM)	(9,742,915)	2,766,058
Number of ordinary shares in issue	45,101,000	45,101,000
Basic (loss)/earnings per share (sen)	(21.60)	6.13

In the previous financial year, the effect on the basic earnings per share arising from the assumed conversion of the options over shares (ESOS) is anti-dilutive. Accordingly, the diluted earnings per share is presented as equal to basic earnings per share.

The Company does not have any outstanding convertible instruments as at the reporting date as the ESOS has expired on 26 May 2013. Accordingly, the diluted loss per share is presented as equal to the basic loss per share.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

12. 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
At 31 August 2013							
Cost							
At 1 September 2012							
2012	24,192,355	29,686,985	9,031,621	3,764,435	8,774,421	1,147,799	76,597,616
Additions	275,944	746,491	716,682	682,963	22,477	2,173,477	4,618,034
Reclassification	-	1,255,906	-	-	1,176,497	(2,432,403)	-
Disposals	-	(845,321)	(32,266)	(107,231)	-	-	(984,818)
Write off	-	-	(14,645)	(125,286)	-	-	(139,931)
Exchange differences	260,856	349,003	33,292	29,996	126,857	10,924	810,928
At 31 August 2013	24,729,155	31,193,064	9,734,684	4,244,877	10,100,252	899,797	80,901,829
Accumulated depreciation and impairment losses							
At 1 September 2012							
2012	3,442,949	17,630,113	7,098,299	2,852,742	3,018,572	-	34,042,675
Depreciation charge for the year	270,137	2,865,526	645,012	398,905	918,320	-	5,097,900
Disposals	-	(784,507)	(18,126)	(66,734)	-	-	(869,367)
Write off	-	-	(3,567)	(125,286)	-	-	(128,853)
Impairment loss (Note 7)	-	526,000	-	-	-	-	526,000
Exchange differences	33,295	43,532	24,411	27,507	3,684	-	132,429
At 31 August 2013	3,746,381	20,280,664	7,746,029	3,087,134	3,940,576	-	38,800,784
Analysed as:							
Accumulated depreciation	3,746,381	19,002,373	7,495,669	3,087,134	3,334,690	-	36,666,247
Accumulated impairment losses	-	1,278,291	250,360	-	605,886	-	2,134,537
At 31 August 2013	3,746,381	20,280,664	7,746,029	3,087,134	3,940,576	-	38,800,784
Net carrying amount							
At 31 August 2013	20,982,774	10,912,400	1,988,655	1,157,743	6,159,676	899,797	42,101,045

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

12. Property, plant and equipment (cont'd)

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
At 31 August 2012							
Cost							
At 1 September 2011	18,652,804	27,634,902	8,440,826	3,977,218	9,547,837	4,618,568	72,872,155
Additions	1,958,329	2,800,424	1,371,996	172,390	962,865	7,300,277	14,566,281
Reclassification	–	6,478,367	–	–	4,050,626	(10,528,993)	–
Transferred from investment properties (Note 14)	3,564,997	–	–	–	458,406	–	4,023,403
Disposals	–	(292,780)	(7,300)	(365,000)	–	–	(665,080)
Write off	–	(6,928,154)	(784,590)	(24,827)	(6,386,883)	(305,161)	(14,429,615)
Exchange differences	16,225	(5,774)	10,689	4,654	141,570	63,108	230,472
At 31 August 2012	<u>24,192,355</u>	<u>29,686,985</u>	<u>9,031,621</u>	<u>3,764,435</u>	<u>8,774,421</u>	<u>1,147,799</u>	<u>76,597,616</u>
Accumulated depreciation and impairment losses							
At 1 September 2011	2,243,385	20,709,657	6,638,666	2,790,576	3,992,466	–	36,374,750
Depreciation charge for the year	308,866	2,101,446	617,830	444,965	534,868	–	4,007,975
Transferred from investment properties (Note 14)	889,208	–	–	–	423,401	–	1,312,609
Disposals	–	(211,014)	(2,698)	(365,000)	–	–	(578,712)
Write off	–	(5,129,648)	(405,865)	(20,117)	(2,570,918)	–	(8,126,548)
Impairment loss (Note 7)	–	91,718	244,559	–	605,886	–	942,163
Exchange differences	1,490	67,954	5,807	2,318	32,869	–	110,438
At 31 August 2012	<u>3,442,949</u>	<u>17,630,113</u>	<u>7,098,299</u>	<u>2,852,742</u>	<u>3,018,572</u>	<u>–</u>	<u>34,042,675</u>
Analysed as:							
Accumulated depreciation	3,442,949	16,877,822	6,847,939	2,852,742	2,412,686	–	32,434,138
Accumulated impairment losses	–	752,291	250,360	–	605,886	–	1,608,537
At 31 August 2012	<u>3,442,949</u>	<u>17,630,113</u>	<u>7,098,299</u>	<u>2,852,742</u>	<u>3,018,572</u>	<u>–</u>	<u>34,042,675</u>
Net carrying amount							
At 31 August 2012	<u>20,749,406</u>	<u>12,056,872</u>	<u>1,933,322</u>	<u>911,693</u>	<u>5,755,849</u>	<u>1,147,799</u>	<u>42,554,941</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

12. Property, plant and equipment (cont'd)

* Land and buildings of the Group:

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
At 31 August 2013				
Cost				
At 1 September 2012	6,269,682	3,436,972	14,485,701	24,192,355
Additions	212,701	63,243	–	275,944
Exchange differences	127,433	–	133,423	260,856
At 31 August 2013	6,609,816	3,500,215	14,619,124	24,729,155
Accumulated depreciation				
At 1 September 2012	–	458,860	2,984,089	3,442,949
Depreciation charge for the year	–	64,829	205,308	270,137
Exchange differences	–	–	33,295	33,295
At 31 August 2013	–	523,689	3,222,692	3,746,381
Net carrying amount				
At 31 August 2013	6,609,816	2,976,526	11,396,432	20,982,774
At 31 August 2012				
Cost				
At 1 September 2011	6,261,864	1,209,839	11,181,101	18,652,804
Additions	–	1,958,329	–	1,958,329
Transferred from investment properties	–	268,804	3,296,193	3,564,997
Exchange differences	7,818	–	8,407	16,225
At 31 August 2012	6,269,682	3,436,972	14,485,701	24,192,355
Accumulated depreciation				
At 1 September 2011	–	346,246	1,897,139	2,243,385
Depreciation charge for the year	–	49,367	259,499	308,866
Transferred from investment properties	–	63,247	825,961	889,208
Exchange differences	–	–	1,490	1,490
At 31 August 2012	–	458,860	2,984,089	3,442,949
Net carrying amount				
At 31 August 2012	6,269,682	2,978,112	11,501,612	20,749,406

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

12. Property, plant and equipment (cont'd)

Company	Motor vehicle RM	Office furniture, fittings and computer equipment RM	Total RM
At 31 August 2013			
Cost			
At 1 September 2012	139,306	796,627	935,933
Additions	–	3,665	3,665
Transfer out	–	(5,484)	(5,484)
At 31 August 2013	139,306	794,808	934,114
Accumulated depreciation			
At 1 September 2012	139,306	752,658	891,964
Depreciation charge for the year	–	14,737	14,737
Transfer out	–	(5,484)	(5,484)
At 31 August 2013	139,306	761,911	901,217
Net carrying amount			
At 31 August 2013	–	32,897	32,897
At 31 August 2012			
Cost			
At 1 September 2011	504,306	783,054	1,287,360
Additions	–	18,226	18,226
Disposal	(365,000)	–	(365,000)
Transfer out	–	(4,398)	(4,398)
Write off	–	(255)	(255)
At 31 August 2012	139,306	796,627	935,933
Accumulated depreciation			
At 1 September 2011	481,087	741,870	1,222,957
Depreciation charge for the year	23,219	14,512	37,731
Disposal	(365,000)	–	(365,000)
Transfer out	–	(3,639)	(3,639)
Write off	–	(85)	(85)
At 31 August 2012	139,306	752,658	891,964
Net carrying amount			
At 31 August 2012	–	43,969	43,969

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

12. Property, plant and equipment (cont'd)

a) Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM1,706,689 (2012: RM1,254,000) and Nil (2012: RM1,481,000) by means of obligations under finance leases arrangements and term loans respectively. The cash outflows on acquisition of property, plant and equipment of the Group and Company amounted to RM2,911,345 (2012: RM11,831,281) and RM3,665 (2012: RM18,226) respectively.

The net carrying amounts of property, plant and equipment held under finance leases arrangements at the reporting date are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Plant and machinery	2,492,897	1,434,327	-	-
Motor vehicles	958,355	480,999	-	-
	3,451,252	1,915,326	-	-

b) Assets pledged as security

In addition to assets held under finance leases agreements, the Group's property, plant and equipment as below are pledged to secure the Group's bank borrowings as disclosed in Note 22.

	Group	
	2013 RM	2012 RM
Land and buildings	19,356,613	19,529,642
Plant and machinery	4,183,024	3,666,239
Renovation	1,750,845	1,190,740
	25,290,482	24,386,621

c) Assets fully depreciated

Included in plant and equipment of the Group and of the Company are fully depreciated assets which are still in use costing RM19,677,986 (2012: RM17,194,480) and RM846,056 (2012: RM1,211,308) respectively.

d) Impairment of property, plant and equipment

During the financial year, certain subsidiaries in Malaysia have carried out impairment reviews of their property, plant and equipment due to their continuing losses. An impairment loss of approximately RM526,000 (2012: RM942,163) has been recognised in the Income Statement. The recoverable amount as at 31 August 2013 was based on value in use and was determined at the level of the CGU. In determining the value in use for the CGU, the cash flows were discounted at a rate of 10.5% on a pre-tax basis of the subsidiary.

In the previous financial year, the Group has written off RM6,285,631 of property, plant and equipment, arising from the flood incident in Thailand which had affected the operations of a subsidiary as disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

13. Investments in subsidiaries

	Company	
	2013 RM	2012 RM
Unquoted shares, at cost	56,069,963	56,069,963
Accumulated impairment losses	(13,936,275)	(11,626,275)
	42,133,688	44,443,688

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest		Principal activities
		2013 %	2012 %	
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 and security products.
D'nonce Biofoods Sdn. Bhd.	Malaysia	100	100	Trading and manufacturing of food related products.
Attractive Venture Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials and contract manufacturing of electronic components.
Attractive Venture (KL) Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials.
Attractive Venture (JB) Sdn. Bhd.	Malaysia	* 82	* 82	Design and conversion of advanced packaging materials.
AV Industries Sdn. Bhd.	Malaysia	100	100	Contract manufacturing of electronic components and renting of plant and machinery.
AV Innovation Sdn. Bhd.	Malaysia	100	100	Dormant.
AV Plastics Sdn. Bhd.	Malaysia	84	84	Processing of plastic injected moulded products.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

13. Investments in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest		Principal activities
		2013	2012	
		%	%	
D'nonce Labels (M) Sdn. Bhd.	Malaysia	100	100	Dormant.
Richmond Technology Sdn. Bhd.	Malaysia	55	55	Manufacturing of packaging materials.
Integrated SCM Co., Ltd. ^	Thailand	** 99	** 99	Sales and distribution of chemicals, packaging materials, spare parts and consumables.
D'nonce Energy Sdn. Bhd.	Malaysia	100	100	Dormant.
Logistic Solution Holdings Co., Ltd.^	Thailand	99	99	Investment holding.
ISCM Technology (Thailand) Co., Ltd. ^	Thailand	100	100	Contract manufacturing of electronic components.
ISCM Industries (Thailand) Co., Ltd. ^ ***	Thailand	100	100	Printing of packaging materials and contract manufacturing of consumable electronic products.

* 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.

*** The subsidiary is held through ISCM Technology (Thailand) Co., Ltd.

^ Audited by member firm of Ernst & Young Global in Thailand.

a) Impairment loss recognised

The management of the Company had carried out a review of the recoverable amounts of its investments in subsidiaries when there is an indication of impairment. The review has led to recognition of impairment loss of RM2,310,000 in the current financial year. The recoverable amount was based on the value in use and was determined at the cash generating unit ("CGU") which consists of the assets of the investments in subsidiaries. In determining the value in use for the CGU the discount rate applied to cash flow projections is the weighted average cost of capital of the Company.

b) Acquisition of non-controlling interests

In the previous financial year, the Company acquired the remaining 30% equity interest of ISCM Technology (Thailand) Co., Ltd. from its non-controlling interests for a cash consideration of RM7.5 million. As a result of this acquisition, ISCM Technology (Thailand) Co., Ltd. and ISCM Industries (Thailand) Co., Ltd. became wholly-owned subsidiaries of the Company. On the date of acquisition, the carrying value of the additional interests acquired was RM7,831,807. The difference between the consideration and the book value of the interests acquired of RM331,807 is reflected in equity as discount on acquisition of non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

14. Investment properties

	Group	
	2013 RM	2012 RM
Land, buildings and renovation, at cost		
At 1 September	14,554,975	10,002,148
Additions from subsequent expenditure	6,500	8,576,230
Transfer to property, plant and equipment (Note 12)	–	(4,023,403)
At 31 August	14,561,475	14,554,975
Accumulated depreciation		
At 1 September	1,804,404	2,826,285
Depreciation charge for the year	328,353	290,728
Transfer to property, plant and equipment (Note 12)	–	(1,312,609)
At 31 August	2,132,757	1,804,404
Net carrying amount		
At 31 August	12,428,718	12,750,571

a) Valuation of investment properties

The investment properties have an open market value of approximately RM18,848,000 (2012: RM18,770,000). The valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the income method that makes reference to estimated market rental values and equivalent yields. Investment properties comprise a number of commercial and residential properties leased to third parties as disclosed in Note 28(c).

b) Properties pledged as security

Investment properties with an aggregate carrying value of RM11,828,261 (2012: RM12,642,652) are pledged to secure the Group's bank borrowings as disclosed in Note 22.

c) Investment properties held under finance leases

During the financial year, the Group incurred expenditure on investment properties with aggregate cost of Nil (2012: RM60,000) and Nil (2012: RM5,995,206) by means of obligations under finance leases arrangements and term loans respectively. The cash outflows on subsequent expenditure on investment properties of the Group amounted to RM6,500 (2012: RM2,521,024).

The net carrying amounts of investment properties held under finance leases arrangements at the reporting date are as follows:

	Group	
	2013 RM	2012 RM
Renovation	63,696	71,250

The leasehold properties have unexpired lease periods between 40 to 78 (2012: 41 to 79) years.

The Group's direct operating expenses of revenue generating investment properties are RM486,895 (2012: RM334,831).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

15. Other investments

	Group	
	2013 RM	2012 RM
Golf club memberships, at cost		
At 1 September	168,205	168,205
Accumulated impairment losses	(154,205)	(154,205)
At 31 August	14,000	14,000

The management has carried out a review of the recoverable amount of its investments in golf club memberships. The review had led to the retention of the impairment loss recognised in prior financial years' profit or loss.

16. Intangible asset

	Group	
Goodwill	2013 RM	2012 RM
At 1 September	413,371	413,371
Accumulated impairment losses	(124,243)	(124,243)
At 31 August	289,128	289,128

Impairments test for goodwill

Allocation of goodwill

Goodwill has been allocated to the Group's cash generating units ("CGU") identified according to business segment as follows:

	2013 RM	2012 RM
Contract manufacturing - Thailand	289,128	289,128

During the year, the Group has carried out a review of the recoverable amount of its goodwill. The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management covering a five year period.

Key assumptions used in value-in-use calculations

Key assumptions and managements' approach to determine the values assigned to each key assumption are as follows:

(i) Selling price

The selling price used to calculate the cash inflows from operations was determined after taking into consideration price trends of the industry which the CGUs are exposed to. Values assigned are consistent with the external sources of information.

(ii) Exchange rate

The exchange rate used to translate foreign currencies into the CGUs' functional currency is based on the average exchange rates obtained immediately before the forecast year. Values assigned are consistent with external sources of information.

(iii) Discount rate

The discount rate applied to the cash flow projections is 9.8% (2012: 8.1%) p.a. and is based on the weighted average cost of capital of the Company.

(iv) Terminal value

The terminal value of the CGUs is calculated by using perpetuity approach, applying no growth rate beyond 5 years.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of CGU, management believes that no reasonable change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

17. Trade and other receivables

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables				
Current				
Third parties - interest bearing at 3.58% to 5.00% p.a. (2012: 3.58% to 5.00% p.a.)	2,222,835	1,457,728	-	-
Third parties - non-interest bearing	28,663,696	30,939,729	-	-
	30,886,531	32,397,457	-	-
Less: Allowance for impairment	(1,968,071)	(507,665)	-	-
Trade receivables, net	28,918,460	31,889,792	-	-
Non-current				
Third parties - interest bearing at 3.58% to 5.00% p.a. (2012: 3.58% to 5.00% p.a.)	548,227	1,135,334	-	-
Total trade receivables (current and non-current)	29,466,687	33,025,126	-	-
Other receivables				
Current:				
Due from subsidiaries	-	-	14,058,583	13,625,015
Less: Allowance for impairment	-	-	(7,332,854)	(4,026,399)
	-	-	6,725,729	9,598,616
Deposits	1,059,313	1,052,234	4,100	4,070
Insurance receivables	-	1,196,178	-	-
Prepayments	3,047,165	2,407,551	-	-
Sundry receivables	2,006,782	1,752,072	-	-
Other receivables, net	6,113,260	6,408,035	6,729,829	9,602,686
Total trade and other receivables (current)	35,031,720	38,297,827	6,729,829	9,602,686
Total trade and other receivables (non-current and current)	35,579,947	39,433,161	6,729,829	9,602,686
Add: Cash and bank balances (Note 21)	10,514,106	11,875,907	72,394	409,045
Less: Prepayments	(3,047,165)	(2,407,551)	-	-
Total loan and receivables	43,046,888	48,901,517	6,802,223	10,011,731

a) Trade receivables

The normal credit terms range from 15 to 90 days (2012: 15 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group has no significant concentration of credit risk that may arise from exposure to a single customer or groups of customers, other than as disclosed in Note 31(a).

The Group has entered into an arrangement with a customer whereby a certain portion of the receipt from its end customer will be used to pay off the Group's revolving credit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

17. Trade and other receivables (cont'd)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2013	2012
	RM	RM
Neither past due nor impaired	20,728,796	25,308,826
1 to 30 days past due not impaired	3,628,097	3,782,150
31 to 60 days past due not impaired	1,454,569	1,023,890
61 to 90 days past due not impaired	483,811	804,746
More than 91 days past due not impaired	1,173,786	1,361,308
	6,740,263	6,972,094
Impaired	3,965,699	1,251,871
	31,434,758	33,532,791

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. The majority of the Group's trade receivables arose from customers with more than four years of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM6,740,263 (2012: RM6,972,094) that are past due at the reporting date but not impaired. These receivables are not secured by any collateral or credit enhancement.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of allowance accounts used to record the impairment are as follows:

	Group	
	2013	2012
	RM	RM
Individually impaired		
Trade receivables - nominal amounts	3,965,699	1,251,871
Less: Allowance for impairment	(1,968,071)	(507,665)
	1,997,628	744,206

Movement in allowance accounts:

	Group	
	2013	2012
	RM	RM
At 1 September	507,665	334,817
Charge for the year (Note 7)	1,668,923	268,242
Written off	-	(48,453)
Reversal of impairment losses (Note 7)	(208,677)	(46,953)
Exchange differences	160	12
At 31 August	1,968,071	507,665

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

17. Trade and other receivables (cont'd)

b) Amounts due from subsidiaries

The amounts due from subsidiaries included under other receivables comprise management fees which are unsecured and interest free and are repayable upon demand.

Included are also advances to subsidiaries which are unsecured, non-interest bearing and are repayable upon demand.

Further details on related party transactions are disclosed in Note 27.

c) Other receivables

Other receivables that are impaired

The Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts to record the impairment are as follows:

	Company	
	2013	2012
	RM	RM
Individually impaired		
Other receivables - nominal amounts	8,857,554	9,799,476
Less: Allowance for impairment	(7,332,854)	(4,026,399)
	1,524,700	5,773,077

Movement in allowance accounts:

	Company	
	2013	2012
	RM	RM
At 1 September	4,026,399	3,621,791
Impairment during the year (Note 7)	3,939,199	404,608
Reversal during the year (Note 7)	(632,744)	-
At 31 August	7,332,854	4,026,399

Other receivables that are individually determined to be impaired at the reporting date relate to subsidiaries that are in significant financial difficulties. These receivables are not secured by any collateral or credit enhancements.

Other information on financial risks of trade and other receivables are disclosed in Note 31.

18. Deferred tax (assets)/liabilities

	Group	
	2013	2012
	RM	RM
At 1 September	(422,610)	(640,560)
Recognised in profit or loss (Note 10)	(99,830)	218,336
Exchange differences	(10,783)	(386)
At 31 August	(533,223)	(422,610)

Presented after appropriate offsetting as follows:

Deferred tax assets	(704,497)	(515,114)
Deferred tax liabilities	171,274	92,504
	(533,223)	(422,610)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

18. Deferred tax (assets)/liabilities (cont'd)

	Company	
	2013 RM	2012 RM
At 1 September	(100,000)	(650,000)
Recognised in profit or loss (Note 10)	100,000	550,000
At 31 August	-	(100,000)

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 RM	Others RM	Total RM
At 1 September 2012	(100,000)	(367,450)	(467,450)
Recognised in profit or loss	(460,419)	238,438	(221,981)
Exchange differences	-	(10,783)	(10,783)
At 31 August 2013	(560,419)	(139,795)	(700,214)
At 1 September 2011	(291,000)	(479,629)	(770,629)
Recognised in profit or loss	191,000	112,565	303,565
Exchange differences	-	(386)	(386)
At 31 August 2012	(100,000)	(367,450)	(467,450)

Deferred liabilities of the Group:

	Accelerated capital allowances RM	Others RM	Total RM
At 1 September 2012	214,247	(169,407)	44,840
Recognised in profit and loss	29,680	92,471	122,151
At 31 August 2013	243,927	(76,936)	166,991
At 1 September 2011	191,621	(61,552)	130,069
Recognised in profit and loss	22,626	(107,855)	(85,229)
At 31 August 2012	214,247	(169,407)	44,840

Deferred tax assets of the Company:

	Unused tax losses RM
At 1 September 2012	(100,000)
Recognised in profit and loss	100,000
At 31 August 2013	-
At 1 September 2011	(650,000)
Recognised in profit and loss	550,000
At 31 August 2012	(100,000)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

18. Deferred tax (assets)/liabilities (cont'd)

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unused tax losses	32,515,000	25,083,000	1,110,000	1,267,000
Unabsorbed capital allowances	8,411,000	8,241,000	–	–
Unutilised reinvestment allowances	8,175,000	9,224,000	–	–
Other deductible temporary differences	1,735,000	1,606,000	2,067,000	2,058,000
	50,836,000	44,154,000	3,177,000	3,325,000

No deferred tax assets were recognised in respect of the above as it is not probable that future taxable profits will be available against which unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowance can be utilised.

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Company and the respective Malaysian subsidiaries are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

19. Inventories

	Group	
	2013 RM	2012 RM
At cost:		
Raw materials	2,446,888	2,986,839
Work-in-progress	928,395	818,847
Finished goods	1,829,666	2,233,635
Trading goods	10,046,542	11,269,094
	15,251,491	17,308,415
At net realisable value:		
Raw materials	2,405,962	2,729,397
Finished goods	1,140,855	525,791
Trading goods	–	60,596
	3,546,817	3,315,784
Total	18,798,308	20,624,199

In the previous financial year, the Group has written off inventories amounting to RM855,648 which were damaged during the flood incident in Bangkok, Thailand as disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

20. Derivatives

	Group			
	2013 RM		2012 RM	
	Contract/ Notional amount	Liabilities	Contract/ Notional amount	Assets/ (liabilities)
Non-hedging derivatives:				
Forward currency contracts:				
- Purchase contracts	-	-	1,447,570	16,307
- Sales contracts	2,452,015	(34,007)	555,500	(11,500)

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's receivables and payables denominated in US Dollar ("USD") for which firm commitments existed at the reporting date, extending to January 2014 (2012: March 2013) as disclosed in Note 31(d).

During the year, the Company recognised a loss of RM38,814 (2012: RM75,017) arising from fair value changes of its forward currency contracts. The fair value changes are attributable to changes in foreign exchange spot and forward rates. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 30.

21. Cash and bank balances

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-current:				
Deposits with licensed bank	431,642	100,000	-	-
Current:				
Cash on hand and at banks	6,528,429	8,611,440	72,394	409,045
Deposits with licensed banks	3,554,035	3,164,467	-	-
	10,082,464	11,775,907	72,394	409,045
Total	10,514,106	11,875,907	72,394	409,045

Non-current

The deposits with a licenced bank is for a period of 3 - 5 years (2012: 5 years) and the effective interest rate as at 31 August 2013 was 3.30% (2012: 3.30%) p.a.. The deposit is pledged as security for the Group's borrowings and banking facilities as disclosed in Note 22.

Current

Deposits with licenced banks are made for varying periods of between 1 month and 12 months depending on the immediate cash requirement of the Group, and earn interest at the respective short term deposit rates. The effective interest rates as at 31 August 2013 for the Group ranged within 2.50% - 3.70% (2012: 2.30% - 3.70%) p.a..

Included in deposits with licensed banks of the Group is an amount of RM3,441,440 (2012: RM2,865,787) which are pledged as securities for the Group's borrowings and banking facilities as disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

21. Cash and bank balances (cont'd)

Current (cont'd)

Certain deposits with a licensed bank of the Group amounting to RM127,327 (2012: RM123,348) are also registered in the name of a director of a subsidiary held in trust for the subsidiary.

22. Loans and borrowings

		Group	
		2013	2012
		RM	RM
Current:	Maturity		
Secured:			
Bank overdrafts	On demand	8,230,262	8,623,789
Bankers' acceptances	2014/2013	6,769,000	7,396,311
Promissory notes	2014/2013	3,282,398	-
Revolving credits	2014/2013	3,130,226	3,590,446
Trust receipts	2014/2013	1,516,568	1,622,366
Term loans	2014/2013	4,869,722	3,232,505
Obligations under finance leases (Note 28(d))	2014/2013	911,792	840,122
		28,709,968	25,305,539
Unsecured:			
Bankers' acceptances	2014/2013	890,000	2,041,286
		29,599,968	27,346,825
Non-current:			
Secured:			
Term loans	2015 - 2026/ 2014 - 2026	11,141,491	11,340,440
Obligations under finance leases (Note 28(d))	2015 - 2018/ 2014 - 2018	1,927,929	1,434,874
		13,069,420	12,775,314
Total borrowings			
Bank overdrafts		8,230,262	8,623,789
Bankers' acceptances		7,659,000	9,437,597
Promissory notes		3,282,398	-
Revolving credits		3,130,226	3,590,446
Trust receipts		1,516,568	1,622,366
Term loans		16,011,213	14,572,945
Obligations under finance leases (Note 28(d))		2,839,721	2,274,996
		42,669,388	40,122,139

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

22. Loans and borrowings (cont'd)

The remaining maturities of the loans and borrowings as at 31 August 2013 and 2012 are as follows:

	Group	
	2013 RM	2012 RM
On demand or within one year	29,599,968	27,346,825
More than 1 year and less than 2 years	3,552,810	3,798,505
More than 2 year and less than 5 years	4,601,713	3,290,136
5 years or more	4,914,897	5,686,673
	42,669,388	40,122,139

(i) Bank overdrafts

Bank overdrafts are denominated in the respective functional currencies of the relevant entities in the Group. The bank overdrafts bear interest rates ranging from 7.60% - 8.60% (2012: 7.60% - 8.60%) p.a. and 7.00% - 9.25% (2012: 7.38%) p.a. for bank overdrafts denominated in RM and Thai Baht ("THB") respectively.

(ii) Obligations under finance leases

These obligations are secured by a charge over the leased assets as disclosed in Note 12(a). These obligations are denominated in the respective functional currencies of the relevant entities in the Group. The average discount rates implicit in the leases ranged from 2.45% - 7.10% (2012: 2.24% - 7.10%) p.a. and 2.45% - 7.55% (2012: 2.65% - 7.29%) p.a. for obligations under finance leases denominated in RM and THB respectively.

Certain obligations under finance leases of RM1,970,665 (2012: RM1,300,491) of the Group are secured by way of corporate guarantees from the Company.

(iii) Bankers' acceptances

Bankers' acceptances are denominated in RM and THB, and bear interest rates ranging from 3.34% - 5.95% (2012: 3.25% - 5.95%) p.a..

(iv) Promissory notes

Promissory notes are denominated in THB and bear interest rate ranging from 6.63% - 7.00% (2012: Nil) p.a. and are secured by legal charges over the property, plant and equipment of the subsidiary and corporate guarantees by the Company and a subsidiary.

(v) Revolving credits

Revolving credits are denominated in RM and bear interest rate of 5.00% (2012: 5.00%) p.a. and are secured by legally assigned third party contracts' proceeds and corporate guarantees by the Company.

(vi) Trust receipts

Trust receipts are denominated in THB and bear interest rates ranging from 6.63% - 8.50% (2012: 7.00% - 10.00%) p.a..

(vii) Term loans

Term loans are denominated in the respective functional currencies of the relevant entities in the Group. The term loans bear interest rates ranging from 3.83% - 8.35% (2012: 4.60% - 8.35%) p.a. and 3.00% - 6.63% (2012: 3.00% - 7.13%) p.a. for term loans denominated in RM and THB respectively.

During the financial year, a subsidiary was unable to maintain certain financial ratios as required by the bank in relation to its term loans. This has resulted in the breach of the provisions of the long term loan agreements and the bank has the right to recall the loans on demand. As such, the subsidiary has reclassified the entire non-current portion of the term loan amounting to RM1,137,167 to current portion.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

22. Loans and borrowings (cont'd)

Except for certain obligations under finance leases and revolving credits, the above banking facilities of the Group are secured by the following:

- a) legal charges over certain subsidiaries' property, plant and equipment, and investment properties as disclosed in Notes 12 and 14 respectively;
- b) current and non-current deposits with licensed banks amounting to RM3,873,082 (2012: RM2,965,787) of the Group as disclosed in Note 21;
- c) a guarantee by a director of a subsidiary;
- d) Credit Guarantee Corporation ("CGC") guarantee under Flexi Guarantee Scheme ("FGS") granted to a subsidiary; and
- e) corporate guarantee by the Company.

23. Trade and other payables

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade payables				
Third parties	18,337,293	18,408,660	-	-
Other payables				
Due to subsidiaries	-	-	13,025,974	12,418,862
Accruals	4,644,057	5,363,481	305,730	499,356
Accrual for directors' remuneration	1,639,812	2,087,509	1,257,826	953,688
Due to director of a subsidiary	221,775	100,200	-	-
Sundry payables	3,201,150	3,504,808	15,403	403
	9,706,794	11,055,998	14,604,933	13,872,309
Total trade and other payables	28,044,087	29,464,658	14,604,933	13,872,309
Add: Loans and borrowings (Note 22)	42,669,388	40,122,139	-	-
Total financial liabilities carried at amortised cost	70,713,475	69,586,797	14,604,933	13,872,309

a) Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days (2012: 30 to 90 days).

b) Other payables

The amount of RM221,775 (2012: RM100,200) due to a director represents advances from a director of a subsidiary. The amount due is unsecured, interest free and repayable upon demand.

c) Amounts due to subsidiaries

Amounts due to subsidiaries are repayable on demand. These amounts are secured and are to be settled in cash. All amounts are also interest free other than an amount due to a subsidiary amounting to RM12,793,546 (2012: RM12,182,354) which bears interest rates ranging from 5.37% - 6.25% (2012: 6.38% - 7.13%) p.a..

Further details on related party transactions are disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

24. Employee benefits

a) Retirement benefit obligations

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees in Malaysia and Thailand. Under the Scheme, eligible employees are entitled to retirement benefits upon attaining their retirement age. The Scheme in Malaysia has vested for its eligible employees within 5 years from the financial year ended 31 August 2006.

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Present value of unfunded defined benefit obligations being net liability	2,351,985	2,502,564	1,930,166	2,144,929
Analysed as:				
Current	540,528	1,005,187	540,528	1,005,187
Non-current	1,811,457	1,497,377	1,389,638	1,139,742

The amounts recognised in the profit or loss are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current service cost	174,253	264,515	110,517	140,864
Interest cost	111,650	135,875	103,623	125,487
Actuarial gain	50,567	1,576	-	-
Gain on curtailment	-	(53,031)	-	-
Underprovision in prior year	-	32,060	-	32,060
	336,470	380,995	214,140	298,411
Charged to a subsidiary company	-	-	-	(66,587)
Total, included in employee benefits expense (Note 6)	336,470	380,995	214,140	231,824

Movements in the net liability are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At 1 September	2,502,564	3,243,377	2,144,929	2,968,586
Recognised in the profit or loss (note 6)	336,470	380,995	214,140	231,824
Amount due from a subsidiary company	-	-	-	66,587
Contributions paid	(487,062)	(1,122,068)	(428,903)	(1,122,068)
Exchange differences	13	260	-	-
At 31 August	2,351,985	2,502,564	1,930,166	2,144,929

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

24. Employee benefits (cont'd)

a) Retirement benefit obligations (cont'd)

The principal actuarial assumptions used are as follows:

	Group and Company	
	2013	2012
	%	%
Discount rate	3.7 - 4.7	3.7 - 4.7
Expected rate of salary increases	5.0 - 6.0	5.0 - 6.0

b) 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. On 25 April 2008, the Company has extended its existing ESOS which expired on 27 May 2008 for a further period of five years from 27 May 2008 until 26 May 2013.

The salient features of the ESOS are as follows:

- 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.
- 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.
- 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.
- 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.
- 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.

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

Grant Date	Expiry Date	Exercise Price RM	Number of share options		
			At 1 September 2012	Expired	At 31 August 2013
20 November 2003	26 May 2013	1.00	785,000	(785,000)	–
16 March 2004	26 May 2013	1.34	56,000	(56,000)	–
			841,000	(841,000)	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

24. Employee benefits (cont'd)

b) Employee share options scheme ("ESOS") (cont'd)

Number of share options vested:

	2013	2012
At 31 August	–	841,000

All exercisable ESOS have since expired on 26 May 2013.

25. Share capital and share premium

	← Group and Company →			
	Number of ordinary shares of RM1 each	← Amount →		
	Share capital RM	Share premium RM	Total share capital and share premium RM	
Authorised share capital				
At 1 September 2012 and 31 August 2013	100,000,000	100,000,000	–	100,000,000
Issued and fully paid				
At 1 September 2012 and 31 August 2013	45,101,000	45,101,000	12,309,806	57,410,806

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26. Other reserves

	← Non-distributable →				
	Foreign currency translation reserve RM (a)	Other capital reserve RM (b)	Legal reserve RM (c)	ESOS reserve RM (d)	
Group					
At 1 September 2012	325,329	5,120,000	32,510	114,255	5,592,094
Other comprehensive income:					
Foreign currency translation	875,757	–	–	–	875,757
Transactions with owners:					
Expiration of ESOS	–	–	–	(114,255)	(114,255)
At 31 August 2013	1,201,086	5,120,000	32,510	–	6,353,596

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

26. Other reserves (cont'd)

	← Non-distributable →				Total RM		
	Foreign currency translation reserve RM (a)	Other capital reserve RM (b)	Legal reserve RM (c)	ESOS reserve RM (d)			
	Group						
	At 1 September 2011	241,009	5,120,000	32,510		127,887	5,521,406
Other comprehensive income:							
Foreign currency translation	84,320	–	–	–	84,320		
Transactions with owners:							
Realisation of ESOS reserves	–	–	–	(13,632)	(13,632)		
At 31 August 2012	<u>325,329</u>	<u>5,120,000</u>	<u>32,510</u>	<u>114,255</u>	<u>5,592,094</u>		

	ESOS reserve RM (d)
Company	
At 1 September 2012	114,255
Expiration of ESOS	<u>(114,255)</u>
At 31 August 2013	<u>–</u>
At 1 September 2011	127,887
Realisation of ESOS reserves	<u>(13,632)</u>
At 31 August 2012	<u>114,255</u>

a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

b) Other capital reserve

The other capital reserve arose as a result of the capitalisation of retained earnings for bonus shares issues made by subsidiaries.

c) Legal reserve

The legal reserve was set up in prior years upon the payment of dividends of RM650,210 by a subsidiary in Thailand. The amount transferred from retained earnings to the legal reserve is fixed at 5% of the subsidiary's retained earnings at each dividend payment date. This transfer is mandatory until the reserve reaches 10% of the subsidiary's issued and fully paid capital.

d) ESOS reserve

Employee share option reserve ("ESOS") represents the equity-settled share options granted to employees as disclosed in Note 24(b). The reserve is made up of the cumulative values of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

27. Related party disclosures

a) Sales and purchase of goods and services

In addition to the transactions detailed elsewhere in the financial statements, the following significant transactions between the Group and the Company and the related parties took place at terms agreed between the parties during the financial year:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Purchases from Master-Pack Sdn. Bhd, a corporate shareholder of a subsidiary	2,792,341	2,340,150	-	-
Interest paid to a subsidiary	-	-	673,678	405,247
Management and advisory fees charged to subsidiaries *	-	-	(4,454,149)	(5,032,650)

* Management fees were arrived at in accordance with prices mutually agreed between the respective parties.

Information regarding outstanding balances arising from related party transactions as at 31 August 2013 and 2012 are as disclosed in Notes 17 and 23.

b) Compensation of key management personnel

The key management personnel are the executive directors of the Company and of its subsidiaries and their benefits are as disclosed in Note 8.

Executive directors of the Group and of the Company have been granted the following number of options under the Employees' Share Option Scheme:

	Number of share options			
	Group		Company	
	2013	2012	2013	2012
At 1 September	400,000	400,000	185,000	185,000
Expired	(400,000)	-	(185,000)	-
At 31 August	-	400,000	-	185,000

The share options were granted on the same terms and conditions as those offered to other employees of the Group as disclosed in Note 24(b).

28. Commitments

a) Capital commitments

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Capital expenditure:				
Approved and contracted for:				
Plant and equipment	433,780	49,841	-	-
Approved and not contracted for:				
Building	4,462,000	5,000,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

28. Commitments (cont'd)

b) Operating lease commitments – as lessee

The Group has entered into non-cancellable operating lease agreements for the use of certain factory/office buildings and warehouses. These leases have an average life of between 1 to 5 years with no renewal or purchase option included in the contracts. There were no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities at the reporting date are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Not later than 1 year	1,382,936	1,678,072	34,200	6,600
Later than 1 year and not later than 5 years	773,640	1,611,037	–	–
	2,156,576	3,289,109	34,200	6,600

c) Operating lease commitments - lessor

The Group has entered into non-cancellable operating lease agreements on its investment property portfolio. These leases have remaining non-cancellable lease terms of between one to three years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date are as follows:

	Group	
	2013	2012
	RM	RM
Not later than 1 year	1,384,000	1,216,000
Later than 1 year and not later than 5 years	990,000	1,530,000
	2,374,000	2,746,000

Investment properties rental income recognised in profit or loss during the financial year is as disclosed in Note 4.

d) Finance lease commitments

The Group has entered finance leases for certain items of plant and equipment as disclosed in Note 12(a). The leases do not have term of renewal, but have purchase options at nominal value at end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

28. Commitments (cont'd)

d) Finance lease commitments (cont'd)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2013 RM	Group 2012 RM
Minimum lease payments:		
Not later than 1 year	994,729	960,688
Later than 1 year and not later than 2 years	958,192	698,949
Later than 2 years and not later than 5 years	1,224,486	845,911
Later than 5 years	–	8,390
Total minimum lease payments	3,177,407	2,513,938
Less: Amounts representing finance charges	(337,686)	(238,942)
Present value of minimum lease payments (Note 22)	2,839,721	2,274,996
Present value of payments:		
Not later than 1 year	911,792	840,122
Later than 1 year and not later than 2 years	855,012	634,739
Later than 2 years and not later than 5 years	1,072,917	791,914
Later than 5 years	–	8,221
Present value of minimum lease payments	2,839,721	2,274,996
Less: Amount due within 12 months (Note 22)	(911,792)	(840,122)
Amount due after 12 months (Note 22)	1,927,929	1,434,874

29. Contingent liability (unsecured)

The following is the contingent liability involving the Group:

A former Director of the Company (“the Respondent”) had filed an industrial claim through the Industrial Court of Malaysia (“Industrial Court”) seeking monetary compensation due to wrongful termination on 2006. The former Director’s position in the Company has ceased as he was not re-elected to the Board of Directors of the Company at the members’ Annual General Meeting held on 23 February 2006. The Respondent filed a representation for dismissal without just cause or excuse which was heard by the Industrial Court on 26 October 2010. The Industrial Court has on 3 April 2013 dismissed the claim on the premise that Respondent was not a “workman” as defined under the Industrial Relations Act 1967.

Prior to the Industrial Court delivering its award, the Respondent began a claim in the High Court on 21 February 2012 and the Company succeeded in striking out the Respondent’s claim.

The Respondent then appealed to the Court of Appeal, which after hearing submission from both parties allowed the Respondent’s appeal and directed the matter to be litigated at the High Court.

Following this, the Respondent’s claim for damages for breach of contract will proceed to trial in the High Court. However, a hearing date in the High Court has not been set as at the date of this report.

The Board, having obtained advice from its solicitors, is of the opinion that there is likelihood of success for the Company. Thus no provision has been made in respect of the claim.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

30. Fair values of financial instruments

A. Fair value of financial instruments that are carried at fair value

The fair value measurement hierarchies used to measure financial assets carried at fair value in the statements of financial position as at 31 August 2013 and 2012 are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
At 31 August 2013				
Financial liabilities				
Non-hedging derivatives				
Forward currency contracts (Note 20)	–	34,007	–	34,007
At 31 August 2012				
Financial assets				
Non-hedging derivatives				
Forward currency contracts (Note 20)	–	16,307	–	16,307
Financial liabilities				
Non-hedging derivatives				
Forward currency contracts (Note 20)	–	11,500	–	11,500

The Group does not have any financial instruments classified as Levels 1 and 3 at 31 August 2013 and 2012.

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Group			
	2013		2012	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial liabilities:				
Loans and borrowings				
Obligations under finance leases	2,839,721	3,089,623	2,274,996	2,204,101
Term loans	16,011,213	16,945,300	14,572,945	14,579,804

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

30. Fair values of financial instruments (cont'd)

C. Determination of fair values

Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values

The following are classes of financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade and other receivables (current and non-current)	17
Loans and borrowings (current and non-current)	22
Trade and other payables (current)	23

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to insignificant impact of discounting.

The fair value of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or lease arrangements at the reporting date.

Amounts due from/to related companies and subsidiaries

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

31. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Chief Executive Officer and Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

31. Financial risk management objectives and policies (cont'd)

a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets (including cash and bank balances and derivatives), arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- (i) The carrying amount of each class of financial assets recognised in the statements of financial position; and
- (ii) a nominal amount of RM39,347,755 (2012: RM27,932,284) relating to corporate guarantees provided by the Company to licensed banks on subsidiaries' bank loans and banking facilities.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 17.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2013		2012	
	RM	%	RM	%
By country:				
Malaysia	17,027,357	57.8	19,022,591	57.6
Thailand	9,155,370	31.0	11,450,837	34.6
Singapore	1,880,662	6.4	1,544,113	4.7
Others	1,403,298	4.8	1,007,585	3.1
	29,466,687	100.0	33,025,126	100.0
By industry sectors:				
Electronics and electrical	12,259,669	41.6	13,066,265	39.6
Security and surveillance system	3,493,581	11.9	4,516,791	13.7
Medical, specialty products and gloves	7,027,682	23.8	7,985,423	24.2
Packaging	927,014	3.1	1,857,228	5.6
Foods	1,547,186	5.3	1,745,892	5.3
Others	4,211,555	14.3	3,853,527	11.6
	29,466,687	100.0	33,025,126	100.0

At the reporting date, approximately 51.90% (2012: 51.46%) of the Group's trade receivables were due from 6 (2012: 6) major customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

31. Financial risk management objectives and policies (cont'd)

a) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with no history of default.

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 17

b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage 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 liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group and the Company raise committed funding from financial institutions and balance its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, approximately 69% (2012: 68%) of the Group's loans and borrowings as disclosed in Note 22 will mature in less than one year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
31 August 2013				
Group				
Financial assets:				
Trade and other receivables	31,984,555	548,227	–	32,532,782
Cash and bank balances	10,082,464	431,642	–	10,514,106
Total undiscounted financial assets	42,067,019	979,869	–	43,046,888
Financial liabilities:				
Trade and other payables	28,044,087	–	–	28,044,087
Derivatives	34,007	–	–	34,007
Loans and borrowings	29,507,777	12,666,054	4,527,843	46,701,674
Total undiscounted financial liabilities	57,585,871	12,666,054	4,527,843	74,779,768

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

31. Financial risk management objectives and policies (cont'd)

b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
31 August 2012				
Group				
Financial assets:				
Trade and other receivables	35,890,276	1,135,334	–	37,025,610
Derivatives	16,307	–	–	16,307
Cash and bank balances	11,775,907	100,000	–	11,875,907
Total undiscounted financial assets	<u>47,682,490</u>	<u>1,235,334</u>	<u>–</u>	<u>48,917,824</u>
Financial liabilities:				
Trade and other payables	29,464,658	–	–	29,464,658
Derivatives	11,500	–	–	11,500
Loans and borrowings	28,652,624	9,556,494	6,559,836	44,768,954
Total undiscounted financial liabilities	<u>58,128,782</u>	<u>9,556,494</u>	<u>6,559,836</u>	<u>74,245,112</u>
31 August 2013				
Company				
Financial assets:				
Trade and other receivables	6,729,829	–	–	6,729,829
Cash and bank balances	72,394	–	–	72,394
Total undiscounted financial assets	<u>6,802,223</u>	<u>–</u>	<u>–</u>	<u>6,802,223</u>
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	14,604,933	–	–	14,604,933
31 August 2012				
Company				
Financial assets:				
Trade and other receivables	9,602,686	–	–	9,602,686
Cash and bank balances	409,045	–	–	409,045
Total undiscounted financial assets	<u>10,011,731</u>	<u>–</u>	<u>–</u>	<u>10,011,731</u>
Financial liability:				
Trade and other payables, representing total undiscounted financial liabilities	13,872,309	–	–	13,872,309

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

31. Financial risk management objectives and policies (cont'd)

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from loans and borrowings. Loans and borrowings at floating rates expose the Group and the Company to cash flow interest rate risk.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 20 basis point lower/higher, with all other variables held constant, the Group's (loss)/profit net of tax would have been RM41,057 (2012: RM42,614) lower/higher, arising mainly as a result of lower/higher interest expense from floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's (loss)/profit net of tax (through the impact on interest expense from floating rate loans and borrowings).

Group	2013		2012	
	Increase/ (decrease) in basis point	(Increase)/ decrease on loss net of tax RM	Increase/ (decrease) in basis point	(Decrease)/ Increase on profit net of tax RM
- Ringgit Malaysia	+20	(23,291)	+20	(24,237)
- Ringgit Malaysia	-20	23,291	-20	24,237
- Thai Baht	+20	(17,766)	+20	(18,377)
- Thai Baht	-20	17,766	-20	18,377

d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company have transactional currency exposures arising from sales that are denominated in currency other than the respective functional currencies of the Group entities i.e. RM and Thai Baht ("THB"), comprising United States Dollars ("USD") and Singapore Dollars ("SGD"). The foreign currencies in which these transactions are denominated are mainly USD.

Approximately 24.2% (2012: 22.6%) of the Group's receivables is denominated in foreign currencies whilst almost 40.9% (2012: 11.3%) of the Group's payables are denominated in foreign currencies.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (in USD and SGD) amounted to RM11,729,553 (2012: RM1,975,142).

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. Certain companies within the Group uses forward currency contracts to eliminate the currency exposure. The forward currency contracts were in the same currency as the hedged item.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

31. Financial risk management objectives and policies (cont'd)

d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit net of tax to a reasonably possible change in the USD and SGD exchange rates against the respective functional currencies of the Group, with all other variables held constant.

		Group	
		2013	2012
		Decrease/ (increase) on loss net of tax RM	Increase/ (decrease) on profit net of tax RM
USD/MYR	- strengthened 5%	276,891	400,957
	- weakened 5%	(276,891)	(400,957)
SGD/MYR	- strengthened 10%	3,206	(12,846)
	- weakened 10%	(3,206)	12,846
USD/THB	- strengthened 10%	(557,741)	(174,268)
	- weakened 10%	557,741	174,268

32. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio, which is net debt divided by total capital plus net debt that complies with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the financial year.

At the end of the financial year, the Group managed to maintain its debt level lower than the total available cash and bank balances and equity.

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Loans and borrowings	22	42,669,388	40,122,139	-	-
Trade and other payables	23	28,044,087	29,464,658	14,604,933	13,872,309
Less: Cash and bank balances	21	(10,514,106)	(11,875,907)	(72,394)	(409,045)
Net debt		60,199,369	57,710,890	14,532,539	13,463,264
Equity attributable to owners of the parent		44,107,381	52,974,539	32,433,709	38,582,150
Capital and net debt		104,306,750	110,685,429	46,966,248	52,045,414
Gearing ratio		58%	52%	31%	26%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

33. Segment information

a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

b) Business segments

The Group is organised into three 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, food related products and consumables.

c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's three major business segments operate in two main geographical areas:

- (i) Malaysia - the operations in this area are principally engaged in supply of packaging materials and contract manufacturing.
- (ii) Thailand - the operations in this area are mainly engaged in integrated supply chain products and services and contract manufacturing.

d) Allocation basis and transfer pricing

Segments results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

33. Segment information (cont'd)

Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

	Integrated supply chain products and services RM	Contract manufacturing RM	Supply of packaging materials RM	Eliminations RM	Consolidation RM
2013					
Revenue					
Sales to external customer	54,447,803	26,614,940	96,744,634	–	177,807,377
Inter-segments sales	1,062,103	360,140	21,504,308	(22,926,551)	–
Total revenue	<u>55,509,906</u>	<u>26,975,080</u>	<u>118,248,942</u>	<u>(22,926,551)</u>	<u>177,807,377</u>
Results					
Segment results	1,560,400	(2,647,337)	(2,007,278)	–	(3,094,215)
Unallocated expenses					<u>(4,307,039)</u>
Operating loss					(7,401,254)
Finance costs					<u>(2,296,042)</u>
Loss before tax					(9,697,296)
Income tax expense					<u>(87,809)</u>
Loss for the year					<u>(9,785,105)</u>
Assets					
Segment assets	8,675,478	24,795,032	85,843,437	–	119,313,947
Unallocated assets					411,305
Tax assets					<u>1,313,583</u>
Total assets					<u>121,038,835</u>
Liabilities					
Segment liabilities	5,478,491	7,434,324	13,993,470	–	26,906,285
Unallocated liabilities					3,523,794
Borrowings					42,669,388
Tax liabilities					<u>208,627</u>
Total liabilities					<u>73,308,094</u>
Other information					
Capital expenditure for property, plant and equipment	8,700	1,566,746	3,042,588	–	4,618,034
Capital expenditure for investment properties	–	–	6,500	–	6,500
Depreciation	58,231	2,270,406	3,097,616	–	5,426,253
Impairment losses on property, plant and equipment	–	–	526,000	–	526,000
Other significant non-cash expenses	54,620	93,096	2,028,832	–	2,176,548

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

33. Segment information (cont'd)

Business Segments (cont'd)

	Integrated supply chain products and services RM	Contract manufacturing RM	Supply of packaging materials RM	Eliminations RM	Consolidation RM
2012					
Revenue					
Sales to external customer	61,670,382	10,948,487	95,159,781	–	167,778,650
Inter-segments sales	1,064,335	249,228	15,381,425	(16,694,988)	–
Total revenue	<u>62,734,717</u>	<u>11,197,715</u>	<u>110,541,206</u>	<u>(16,694,988)</u>	<u>167,778,650</u>
Results					
Segment results	975,220	11,988,888	(751,323)	–	12,212,785
Unallocated expenses					(5,485,253)
Operating profit					<u>6,727,532</u>
Finance costs					(2,039,922)
Profit before tax					<u>4,687,610</u>
Income tax expense					(715,856)
Profit for the year					<u>3,971,754</u>
Assets					
Segment assets	12,809,048	22,913,637	91,076,849	–	126,799,534
Unallocated assets					758,680
Tax assets					1,333,498
Total assets					<u>128,891,712</u>
Liabilities					
Segment liabilities	7,937,523	4,043,671	16,386,978	–	28,368,172
Unallocated liabilities					3,610,550
Borrowings					40,122,139
Tax liabilities					150,920
Total liabilities					<u>72,251,781</u>
Other information					
Capital expenditure for property, plant and equipment	11,531	9,214,982	5,339,768	–	14,566,281
Capital expenditure for investment properties	–	–	8,576,230	–	8,576,230
Depreciation	62,945	1,090,544	3,145,214	–	4,298,703
Impairment losses on property, plant and equipment	–	–	942,163	–	942,163
Other significant non-cash expenses	64,211	7,107,443	2,008,365	–	9,180,019

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2013 (cont'd)

33. Segment information (cont'd)

Geographical segments:

The following table provides an analysis of the Group's revenue, assets and capital expenditure by geographical segments:

	Total revenue from external customers		Segment assets		Capital expenditure	
	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM
Malaysia	104,720,452	94,211,685	80,489,760	77,709,564	2,270,392	15,293,223
Thailand	73,086,925	73,566,965	38,824,187	49,089,970	2,354,142	7,849,288
Consolidated	177,807,377	167,778,650	119,319,947	126,799,534	4,624,534	23,142,511

Information about major customers

Revenue from 2 (2012: 3) major customers amounting to RM69,800,197 (2012: RM87,688,919) arose from sales made from the supply of packing material segment and a major customer amounting to RM16,440,690 (2012: RM6,699,346) from sales made by the contract manufacturing segment.

34. Subsequent events

a) Fire incident at factory building of a subsidiary of the Company

On 29 October 2013, one of the manufacturing facilities of the Company's subsidiary in Thailand, ISCM Industries (Thailand) Co., Ltd ("ISCM I") had caught fire. The fire had damaged certain property, plant and equipment of ISCM I and also certain inventories of ISCM I and of another subsidiary placed in the premise i.e., Integrated SCM Co., Ltd ("ISCM").

ISCM I is principally involved in the printing of packaging materials and contract manufacturing of consumable electronic products and ISCM is involved in the sales and distribution of chemicals, packaging materials, spare parts and consumables.

The fire had caused extensive damages to ISCM I especially in the printing of packaging materials segment and as a result it has temporarily ceased operations to the date of this report.

As of the date of this report, ISCM I is yet to make a full assessment of the extent of the damages to its assets and of the financial impact resulted from the fire incident. The total carrying amounts of inventories and property, plant and equipment affected by the fire is estimated at approximately Thai Baht 113 million (RM11.4 million). However ISCM I's assets are insured.

ISCM has also assessed that its inventories damaged by the fire to be approximately Thai Baht 7 million (RM708,000).

The financial impact from this fire incident to the Group will be reflected in the next financial year.

b) Application to strike off of a subsidiary

An application was made to strike off a wholly owned subsidiary, D'nonce Labels (M) Sdn. Bhd. ("DL") which has ceased operations since October 2006. On 3 October 2013, the Company received a notice from the Companies Commission of Malaysia ("CCM") in relation to the strike off of DL. The CCM shall publish the notice thereon in the Gazette, and on publication in the Gazette of this notice, DL shall be dissolved.

c) Change of name of a subsidiary

The Company has made an application to change the name of a wholly owned subsidiary, AV Innovation Sdn. Bhd. to AV Biofoods Sdn. Bhd. The subsidiary has ceased operations since May 2009. As at 17 October 2013, the application to change the name has been approved by the Companies Commission of Malaysia.

35. Authorisation of financial statements for issue

The financial statements for the year ended 31 August 2013 were authorised for issue in accordance with a resolution of the directors on 27 December 2013.

SUPPLEMENTARY INFORMATION

For the financial year ended 31 August 2013

36. Supplementary information – breakdown of accumulated losses into realised and unrealised

The breakdown of the accumulated losses of the Group and of the Company as at 31 August 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The accumulated losses as at reporting date may be analysed as follows:

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	(5,837,973)	3,722,124	(24,585,286)	(19,087,147)
- Unrealised	329,267	522,469	(391,811)	144,236
Less: Consolidation adjustments	(14,148,315)	(14,272,954)	–	–
	(19,657,021)	(10,028,361)	(24,977,097)	(18,942,911)

LIST OF PROPERTIES OWNED

As At 31 August 2013

Beneficial owner/ Location	Description/ Existing Use	Land/ Built up area (sq.ft.)	Age of building (years) 31.08.2013	Type of land/ tenure (Year of expiry for leasehold)	Net book value as at 31 Aug 2013 RM'000	Date of acquisition
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	4	60 years - leasehold (2045)	168	05.11.1990
51-14 B & C, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Penang	Building/Corporate Head Office	*/ 3,670	19	Freehold	636	14-B: 21.03.1994 14C: 18.04.1994
BAM Villa, Unit 42C-7-5C, Taman Maluri, Cheras, 56000 Kuala Lumpur	Condominium	*/ 975	22	99 years - leasehold (2090)	105	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	28	60 years - leasehold (2045)	703	19.12.1991
Plot 425, Tingkat Perusahaan 6A, Free Trade Zone, 13600 Prai, Penang	Industrial land and building/Factory	46,800 / 29,614	25	60 years - leasehold (2046)	2,831	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	18	Freehold	267	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	18	Freehold	236	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	12	60 years - leasehold (2052)	5,264	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	2	60 years - leasehold (2052)	9,196	13.06.2002
Plot 314, Penang Science Park, Bukit Minyak, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang	Vacant industrial land	* / 111,148	*	60 years - leasehold (2072)	1,963	29.04.2011
Attractive Venture (JB) Sdn. Bhd.						
1273, Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johor	Building/Factory	2,400 / 2,777	18	Freehold	213	10.09.1999
No.17 1/2, Jalan Ayer Hitam, 81400 Saleng, Senai, Johore	Building/Factory	103,226 / 31,300	17	Freehold	1,835	14.12.2010
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	17	Freehold	286	05.08.1996
D'nonce (K.L) 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	17	Freehold	496	15.07.1997
ISCM Industries (Thailand) Co., Ltd.						
188 Moo 1, Kanchanavanich Road, Tambol Samnakkam, Sadao, Songkhla Thailand	Industrial land and building/Factory	122,225	14	Freehold	8,579	15.03.2007
ISCM Technology (Thailand) Co., Ltd.						
Plot No. 33, Tanuu, U-Thai, Pranakorn Sri Ayuthaya, Thailand	Vacant industrial land	58,211	*	Freehold	1,003	21.01.2011
Total					33,781	

* Not applicable

ANALYSIS OF SHAREHOLDINGS

31 December 2013

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	:	1,551
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	6	0.39	177	0.00
100 – 1,000	539	34.75	522,122	1.16
1,001 – 10,000	713	45.97	3,427,700	7.60
10,001 – 100,000	242	15.60	7,387,980	16.38
100,001 – 2,255,049*	48	3.10	23,679,283	52.50
2,255,050 & above**	3	0.19	10,083,738	22.36
	1,551	100.00	45,101,000	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct Interest	% Number of Shares Held	Deemed Interest	%
Law Kim Choon	6,210,995	13.77	–	–
Lim Teik Hoe	5,709,600	12.66	–	–
General Produce Agency Sdn. Berhad	2,510,143	5.57	–	–

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest	% Number of Shares Held	Deemed Interest	%
Law Kim Choon	6,210,995	13.77	–	–
Lim Teik Hoe	5,709,600	12.66	–	–
Dato' Lee Kah Choon	288,000	0.64	–	–

In the Subsidiaries

None of the directors has any direct shareholdings in the subsidiaries.

THIRTY LARGEST SHAREHOLDERS

31 December 2013

Name of Shareholders	Number of Shares	% of Issued Share Capital
1. Law Kim Choon	3,992,995	8.85
2. Lim Teik Hoe	3,580,600	7.94
3. General Produce Agency Sdn. Berhad	2,510,143	5.57
4. Chan Seng Sun	2,246,800	4.98
5. Ho Yu Min	1,950,000	4.32
6. Lim Teik Hoe	1,800,000	3.99
7. Law Kim Choon	1,700,000	3.77
8. Law Chee Kheong	1,607,800	3.56
9. Sunrise Paper (M) Sdn. Bhd.	1,133,705	2.51
10. Lilian Leong Lai Lin	1,068,300	2.37
11. Ee Wee Lee	900,000	2.00
12. Khor Chee Kong	872,700	1.93
13. Lilian Leong Lai Lin	835,100	1.85
14. Chew Kwi Pel @ Chew Kwi Gaik	614,500	1.36
15. Nor Azlinda Tan binti Abdullah	596,300	1.32
16. Mercsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa	543,000	1.20
17. Law Kim Choon	518,000	1.15
18. Khoo Choon Hock	500,000	1.11
19. Goh Shze Yinn	498,000	1.10
20. George Lee Sang Kian	482,500	1.07
21. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lam Mei Fong (474021)	449,971	1.00
22. Chan Su-San	299,500	0.66
23. Lee Kah Choon	288,000	0.64
24. Beh Cheng Siong	280,000	0.62
25. Siao Kent Sing	270,400	0.60
26. Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Teik Hoe	235,000	0.52
27. Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Cheok Teck Seng	232,000	0.51
28. Lilian Leong Lai Lin	231,700	0.51
29. Lee Kee Por	213,400	0.47
30. Lee Moi Ting	210,000	0.47
Total	30,660,414	67.98

PROXY FORM

D'NONCE TECHNOLOGY BHD.

(Company No. 503292-K)

(Incorporated in Malaysia)

#CDS account no. of authorised nominee
--

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 Fourteenth Annual General Meeting of the Company to be held at Hall 3, Level 3, Northam All Suite Penang, 55 Jalan Sultan Ahmad Shah, 10050 Penang on Tuesday, 25 February 2014 at 11.30 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:-

Resolutions		For	Against
Resolution 1	– Re-election of Dato' Lee Kah Choon		
Resolution 2	– Re-election of Dato' Oon Choo Eng @ Oon Choo Khye		
Resolution 3	– Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration		
Resolution 4	– Approval of Directors' fees		
Resolution 5	– Continuing in office for Dato' Ahmad Ibnihajjar as an Independent Non-Executive Director		
Resolution 6	– Continuing in office for Dato' Oon Choo Eng @ Oon Choo Khye as an Independent Non-Executive Director		
Resolution 7	– Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 8	– Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

(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 2014

Number of shares held	
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For appointment of two proxies, 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

Contact No. of
Shareholder/Proxy:

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one but not more than two proxies (who need not be members of the Company) to attend and vote on his behalf. Where a member appoints two proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
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 an officer or attorney duly authorised.
5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Suite 12-02, 12th Floor Menara Zurich, 170 Jalan Argyll, 10050 Penang not less than 48 hours before the time set for the meeting.
6. If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointor is acceptable.
7. 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.
8. Only members registered in the Record of Depositors as at 17 February 2014 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his behalf.

Applicable to shares held through a nominee account.

Please fold across the line and close

STAMP

The Company Secretaries
D'NONCE TECHNOLOGY BHD. (503292-K)
Suite 12-02, 12th Floor, Menara Zurich
170 Jalan Argyll, 10050 Penang
Malaysia

Please fold across the line and close

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

www.dnoncetech.com