D'nonce
TECHNOLOGY BHD
503292-K
Your Dependable Partner

1989

1991

2002

1997

2008

1995

2001

2004

2015

2007

2010

2012

ADVANCING AHEAD

ANNUAL REPORT | 2016

CONTENTS **PAGES**

Concept:

Tree rings are a general indicator of a tree's growth and health through the years. On this cover, they become a representation of the Group's sturdy growth in the industry. Selected dates dot the rings, signifying important milestones that the Group has achieved through the years. The lines are simply illustrated in grey hues; these, along with a white background, exude elegance.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth 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 Wednesday, 25 January 2017 at 11.30 a.m.

AGENDA

AS ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 August 2016 together with the Reports of the Directors and Auditors thereon.	**Please refer to Note A**
2.	(i) To re-elect Mr Law Kim Choon who retires in accordance with Article 95(1) of the Company's Articles of Association.	**Resolution 1**
	(ii) To re-elect Dato' Seri Lee Kah Choon who retires in accordance with Article 95(1) of the Company's Articles of Association.	**Resolution 2**
3.	To re-appoint Messrs BDO 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 RM316,000 for the financial year ended 31 August 2016.	**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 until the conclusion of the next Annual General Meeting."	**Resolution 5**
	(ii) "THAT authority be and is hereby given to Mr Wong Thai Sun 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 until the conclusion of the next Annual General Meeting."	**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."

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New 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 Sections 2.4.1 and 2.4.2 of the Circular to Shareholders dated 30 December 2016 ("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.

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. Proposed authority for share buy-back by the Company of up to ten per centum (10%) of its issued and paid-up share capital **Resolution 9**

"THAT, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Directors of the Company be and are hereby unconditionally and generally authorised to make purchases of ordinary shares of RM0.25 each in the Company's issued and paid-up share capital through Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject further to the following:

(i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at the point of purchase ("D'nonce Shares");

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the D'nonce Shares shall not exceed the aggregate of the retained profits and share premium account of the Company based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s);

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

8. Proposed authority for share buy-back by the Company of up to ten per centum (10%) of its issued and paid-up share capital (cont'd)

(iii) the authority conferred by this resolution shall commence upon the passing of this ordinary resolution and will continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the MMLR of Bursa Securities or any other relevant authority; and

(iv) upon completion of the purchase(s) of the D'nonce Shares by the Company, the Directors of the Company be hereby authorised to deal with the D'nonce Shares in the following manner:

(a) cancel the D'nonce Shares so purchased; or

(b) retain the D'nonce Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or

(c) retain part of the D'nonce Shares so purchased as treasury shares and cancel the remainder;

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient and to enter into any agreements, arrangements and guarantees with any party or parties to implement or to effect the purchase(s) of the D'nonce Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required by the relevant authorities."

9. 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

30 December 2016

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. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown Penang, not less than 24 hours before the time set for the meeting.

7. 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.

8. Only members registered in the Record of Depositors as at 17 January 2017 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 RM316,000 for the financial year ended 31 August 2016**

   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 2016 amounting to RM316,000.

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

   The Nomination Committee had assessed the independence of Dato' Ahmad Ibnihajar who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. The Nomination Committee had also assessed the independence of Mr Wong Thai Sun who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. The Board has recommended that the approval of the shareholders be sought to re-appoint Dato' Ahmad and Mr Wong 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 January 2017, 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 Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New 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 30 December 2016 for more information.

5. **Resolution 9 - Proposed authority for share buy-back by the Company of up to ten per centum (10%) of its issued and paid-up share capital**

   The Ordinary Resolution proposed under item 8, if passed, will give the Directors of the Company the authority to purchase its own shares up to 10% of the issued and paid-up capital of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

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 Director (excluding Directors standing for re-election) at the forthcoming Annual General Meeting.

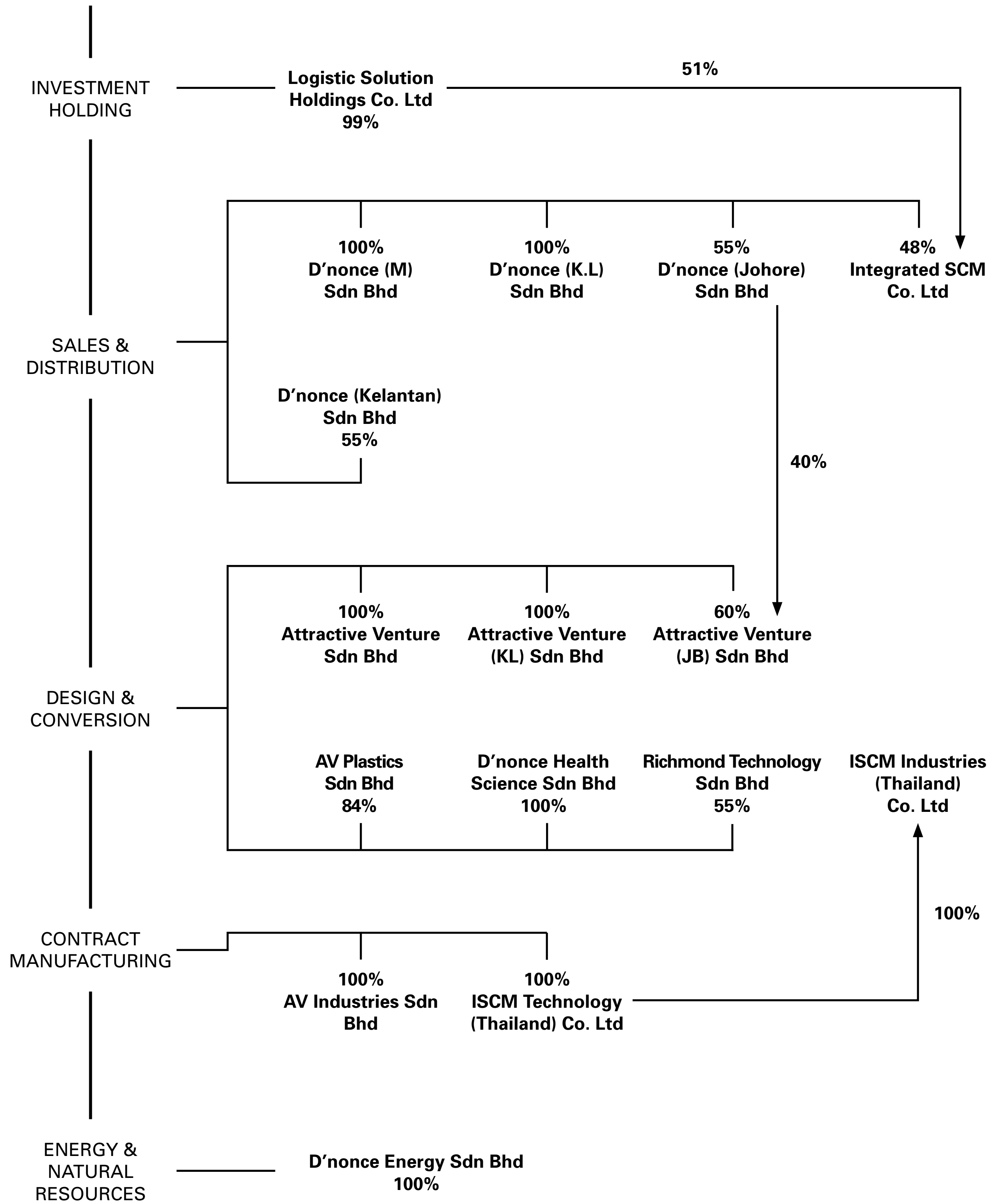
GENERAL MANDATE FOR ISSUE OF SECURITIES
pursuant to Paragraph 6.03(3) of the Listing Requirements of Bursa Malaysia Securities Berhad

This general mandate for issue of shares ("the Mandate") was sought for in the preceding year and the Board did not carry out the Mandate since the Annual General Meeting ("AGM") of the Company until the latest practicable date before the printing of this Annual Report. This Mandate will expire on 25 January 2017. A renewal of this authority is being sought at the Seventeenth 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.

CORPORATE STRUCTURE

D'nonce TECHNOLOGY BHD 503292-K
Your Dependable Partner



CORPORATE INFORMATION

BOARD OF DIRECTORS
- Dato' Ahmad Ibnihajar
  Independent Non-Executive Chairman
- Mr Wong Thai Sun
  Independent Non-Executive Director
- Dato' Seri Lee Kah Choon
  Senior Independent Non-Executive Director
- Mr Law Kim Choon
  Chief Executive Officer / Group Managing Director
- Encik Roslant bin Abu
  Executive Director / Group General Manager
- Ms Lena Leong Oy Lin
  Non-Independent Non-Executive Director

AUDIT COMMITTEE
- Mr Wong Thai Sun
  Chairman
- Dato' Ahmad Ibnihajar
  Member
- Dato' Seri Lee Kah Choon
  Member
- Ms Lena Leong Oy Lin
  Member

NOMINATION COMMITTEE
- Dato' Seri Lee Kah Choon
  Chairman
- Dato' Ahmad Ibnihajar
  Member
- Mr Wong Thai Sun
  Member
- Ms Lena Leong Oy Lin
  Member

REMUNERATION COMMITTEE
- Mr Wong Thai Sun
  Chairman
- Dato' Ahmad Ibnihajar
  Member
- Dato' Seri Lee Kah Choon
  Member
- Mr Law Kim Choon
  Member
- Encik Roslant bin Abu
  Member
- Ms Lena Leong Oy Lin
  Member

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE
- Encik Roslant bin Abu
  Chairman
- Mr Lam Kim Goon
  Member
- Ms Gan Siok Hoy
  Member

COMPANY SECRETARIES
- Ms Gunn Chit Geok (MAICSA 0673097)
- Ms Chew Siew Cheng (MAICSA 7019191)

REGISTERED OFFICE
Suite A, Level 9
Wawasan Open University
54, Jalan Sultan Ahmad Shah
10050 Georgetown, Penang
Tel No.: 04- 229 6318
Fax No.: 04- 226 8318

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

SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn. Bhd.
(Company no. 11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur
Tel No.: 03-2783 9299
Fax No.: 03-2783 9222

AUDITORS
BDO (AF: 0206)
Chartered Accountants
51-21-F, Menara BHL
Jalan Sultan Ahmad Shah
10050 Georgetown, Penang

PRINCIPAL BANKERS
Public Bank Berhad
87 Lebuh Bishop
10200 Georgetown, Penang

Malayan Banking Berhad
Suite 9-03, 9th Floor
Plaza MWE
No. 8 Lebuh Farquhar
10200 Georgetown, Penang

CIMB Thai Bank Public Company Limited
239/8, Niphat-Uthit 3 Road
Hatyai, Songkhla 90110
Thailand

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

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

CORPORATE SOCIAL RESPONSIBILITY

CONTINUOUS COMMITMENT

The introduction of the Sustainability Framework by Bursa Malaysia in October 2015 has given our philosophy of Corporate Social Responsibility (CSR) a new perspective where disclosures to meet the environment, social and governance (ESG) criteria has been given greater emphasis. As a continuous programme, the Group is primarily committed in the various ESG programmes and activities that would reach all levels of society with lasting and meaningful impact. At the moment the activities are centred within Penang with a few activities in other states but we hope to expand our CSR programmes geograpically in the near future to reach the communities in other states as well as in the regions of our operations in Thailand.

ACTIVITIES

In line with the requirements on disclosures in relation to the ECG initiatives, the Group will focus its CSR programme on 3 areas, namely – Social & Community, Our People and Environment.

On the Social & Community initiatives, we have passion in promoting health consciousness among the Penang communities and development of youths in sports. The Group has been actively promoting healthy outdoor activities by supporting several websites, one of them is www.penangtrails.com which promotes hiking in the trails around Penang. Over the years we have noted more and more of Penang citizens participating in hiking as a form of sports or recreational activity. This website would provide access to the hiking sites with factual information and guides on the trails which can serve as references to hiking enthusiasts. We will continue improving these initiatives for the betterment of the hiking community in Penang as well as extending this interest as part of the Penang tourist attractions. With the vast information that will be available, we hope that it will also assist the various government bodies, non-governmental organisation and many social groups in carrying out its duties, thus making this website an authoritative site for those dealing with land utilisation, environment, conservation and tourism.

On a broader perspective, we have also embarked in supporting the development of an online portal, www.penangtrails.com.my which, as the ultimate objective, will be a one-stop information centre that contains complete information about Penang, covering topics from historical facts, hotels, tourist attractions, foods, etc. The website will feature all tourist-related information such as travelling arrangements, accommodations, weather, attractive packages and other interesting information for tourists. Also through this website we provide many information on the social and community events that are happening around Penang for the various target groups and individuals.

In supporting the sporting activities in Penang, notably in the sports of basketball, we have supported the Penang Basketball Association and its affliates in some of their programmes. Among the programmes are the Penang Chief Minister Cup, an international basketball invitational championship, the annual D'nonce Cup Penang Open and the 3-on-3 Street Challenge Basketball which has gained popularity in Penang and have attracted bigger number of teams and participants over the years. We share the aspiration of the Penang State's youth and sports portfolio to popularize and to bring in more talents in the various sports and thus improving their standards in Penang.

Another area of focus is the welfare of its own staff, Our People, which forms the bond between the staff and the Group. We aspire to be a preferred employer which not only provide good and decent employment benefits, but a company that cares for the well being of the staff. This initiative is a long-term effort which progressively improves the working environment and conditions to be above industry standards at least within the northern region of Peninsular Malaysia. We have implemented some improvements in the working days to a 5-day week which provides the opportunities for the staff to spend more quality time with the family. The Group will also be embarking into better healthcare benefits for the staff.

In the area of environment, as a responsible Group, we hope to contribute more into these initiatives in line with the Global awareness that has been promoted for so many years. In this respect, we are proud to be able to contribute to this campaign with the installation of full environment-friendly LED lightings in our new plant of 52,000 sq. ft. in the Penang Science Park. The Group has also embarked into progressively changing the conventional lighting into LED lightings for the other existing facilities. More of such initiatives such as installation of solar panel for electricity and the various energy reduction programme are being progressively explored by the Group.

Apart from the direct initiatives, we have also supported various activities around Penang covering various interest groups and non-governmental organisation, clubs and associations promoting sports, health, social and charity works and we hope that our sincere contributions will bring some benefits to their respective stakeholders and target groups. Our notable contributions in supporting the various groups are the publication and printing of books about Penang by local Penang authors and association, whereby the titles that we have sponsored are: "Penang 12/31" and "Penangism" by the Nanyang Folk Culture, "Panicrama" by Mr Tan Yeow Wooi and "A Shared Destiny", "101 Stories of Old Penang" and "More Penang Stories" by Mr A. Shukor Rahman. All of these books potray the rich past of the heritage and cultural diversity of Penang which should not be forgotten and ignored and we are proud to be associated with such publications.

FUTURE 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.

THANK YOU

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 2016 ("current year").

The Group's performance during the current year has declined in overall revenue by 21% from RM223.8 million for the financial year ended 31 August 2015 ("previous year") to RM176 million for the current year. The higher revenue for the previous year was due to the main contribution from the sales of close circuit television (CCTV) equipment supply which were installed for the whole country under the Kementerian Perumahan dan Kerajaan Tempatan (KPKT) project.

The Group has registered a loss of RM10.2 million for the current year as compared to a profit before tax of RM4.3 million for the previous year mainly due to the ESOS fair value cost of RM3.6 million and other impact from the slower than expected recovery by the subsidiary affected by fire in October 2013 and the slow down from the hard disk drive industry.

Within the electronic and electrical (E&E) sector, where the Group's main businesses are derived from, despite indicators of a favourable export performance and improving demand as well as expectation of a turnaround in worldwide semiconductor market, the environment remained competitive and very challenging.

The Group will continue to improve its businesses, processes and cost management to gain 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. In preparation for its continuous improvement of its businesses, the Group has embarked on strategic programmes in streamlining its business processes and resource planning.

Operational Financial Review

Out of the Group's 3 business segments, the revenue from the Integrated Supply Chain Product and Services business for the current year has increased to RM52.4 million compared to RM43.3 million in the previous year while the revenue for the Contract Manufacturing business and the Supply of Packaging and Other Materials business have decreased by 22% and 33% respectively compared to the previous year.

For the current year the Integrated Supply Chain Product and Services business has recorded a profit of RM5.6 million while the Contract Manufacturing business and the Supply of Packaging and Other Materials business recorded losses of RM0.3 million and RM1.2 million respectively. At the non-operational level, the unallocated expenses of RM8.9 million (comprising of corporate expenses, ESOS and bad debts written off), finance costs of RM5.5 million and income tax expense of RM0.6 million have contributed to the Group's loss of RM10.2 million for the current year.

Integrated Supply Chain Products and Services

The revenue for Integrated Supply Chain Products and Services business segment is mainly from the E&E and the health care sector and the increase in revenue during the current year compared to the previous year was mainly due to the increase in the customers' demand. This increase in revenue has resulted in a higher profit for this business segment of RM5.6 million compared to RM3.2 million for the previous year.

Contract Manufacturing

The revenue for Contract Manufacturing business segment for the current year was mainly contributed by our operations servicing the Hard Disk Drive market and consumer market. The revenue from this business segment has decreased from RM21.9 million in the previous year to RM17 million in the current year mainly due to lower demand from the customers in the Hard Disk Drive industry. Although the revenue for this business segment has decreased, the segmental loss of RM0.3 million recorded in the current year was lower than the previous year's loss of RM3.9 million mainly due stocks written off during the previous year.

CHAIRMAN'S STATEMENT (cont'd)

Supply of Packaging and Other Materials

The Supply of Packaging and Other Materials business segment has recorded a lower revenue of RM106.7 million in the current year compared to RM158.6 million for the previous year. The segmental result for the current year was also lower at a loss of RM1.2 million compared to a positive segmental result of RM16 million in the previous year. The positive result of RM16 million in the previous year was mainly due to the supply of CCTV equipment as mentioned above.

Prospects

Under a cautious outlook as we move into the year 2017, the Group shall continue to be in the E&E sector in line with the positive demand and a turnaround prospect for the sector while pursuing more businesses with the other business segments. We have also put in more efforts in cost management and efficiency to remain competitive and to gain higher market share and bigger customer base.

The Group's strength in customised packaging and design for the E&E sector is also expected to contribute towards higher demand and the Group will continue to consolidate its resources to be a one-stop packaging supplier 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 FY2017 and will engage itself in a more coordinated approach in its strategies and action plans to achieve higher targets in terms of revenue and profitability.

Notwithstanding the above challenges, the Group is confident that there would be turnaround in the profitability for the year ending 31st August 2017 due to the various strategies and actions that have been and will be taken during the period.

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 PENGERUSI

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 2016 ("tahun semasa").

Prestasi Kumpulan dalam tahun semasa bagi perolehan keseluruhan telah menurun sebanyak 21% daripada RM223.8 juta bagi tahun kewangan berakhir 31 Ogos 2015 ("tahun sebelumnya") kepada RM176 juta bagi tahun semasa. Perolehan lebih tinggi yang dicatat bagi tahun sebelumnya adalah terutaman yang disebabkan oleh sumbangan perolehan daripada pembekalan peralatan kamera litar tertutup (CCTV) yang dipasang diseluruh negara dibawah projek Kementerian Perumahan Kerajaan Tempatan (KPKT).

Kumpulan telah mencatatkan kerugian sebanyak RM10.2 juta bagi tahun semasa berbanding dengan keuntungan sebelum cukai dalam tahun sebelumnya sebanyak RM4.3 juta yang mana kerugian in terutamanya disumbang oleh kos nilai saksama ESOS sebanyak RM3.6 juta dan juga kesan daripada pemulihan yang lembab (daripada yang dijangkakan) bagi salah satu daripada anak syarikat yang terjejas akibat kebakaran pada Oktober 2013 dan juga berikutan daripada kelembapan industri Pemacu Cakera Keras (Hard Disk Drive).

Bagi sektor elektronik dan elektrikal (E&E), di mana perniagaan utama Kumpulan dijalankan, sungguhpun terdapat petunjuk-petunjuk yang positif mengenai prestasi eksport dan peningkatan permintaan serta prospek pemulihan serantau bagi pasaran semikonduktor, keadaan pasaran akan terus bersaing dan mencabar.

Kumpulan akan meneruskan usaha-usaha untuk memperbaiki perniagaan, proses dan pengurusan kos untuk meningkatkan penguasaan pasaran. Adalah dijangka bahawa keadaan pasaran akan terus sukar dan Kumpulan akan terus menyesuaikan strategi-strategi perniagaannya dengan persekitaran pasaran semasa. Sebagai persediaan untuk terus memperbaiki perniagaannya, Kumpulan telahpun menceburi program-program strategik untuk menyelaraskan proses perniagaannya dan melaksanakan perancangan sumber.

Semakan Kewangan Operasi

Daripada ketiga-tiga segmen perniagaan, perolehan daripada perniagaan Perkhidmatan dan Barangan Rangkaian Bekalan Berintegrasi bagi tahun semasa telah meningkat kepada RM52.4 juta berbanding dengan RM43.3 juta pada tahun sebelumnya, manakala perolehan daripada perniagaan Pembuatan Secara Kontrak dan perniagaan Pembekalan Bahan Pembungkusan dan Lain-lain Bahan masing-masing telah menurun sebanyak 22% dan 33%berbanding dengan tahun sebelumnya.

Bagi tahun semasa, perniagaan Perkhidmatan dan Barangan Rangkaian Bekalan Berintegrasi telah mencatat keuntungan sebanyak RM5.6 juta manakala perniagaan Pembuatan Secara Kontrak dan perniagaan Pembekalan Bahan Pembungkusan dan Lain-lain Bahan mencatat kerugian masing-masing sebanyak RM0.3 juta dan RM1.2 juta. Diperingkat bukan-operasi, perbelanjaan yang tidak diperuntukkan sebanyak RM8.9 juta (terdiri daripada perbelanjaan korporat, ESOS dan pelupusan hutang lapuk), kos pembiayaan sebanyak RM5.5 juta dan perbelanjaan cukai pendapatan sebanyak RM0.6 juta telah menyumbang kepada kerugian Kumpulan sebanyak RM10.2 juta bagi tahun semasa.

Perkhidmatan dan Barangan Rangkaian Bekalan Berintegrasi

Perolehan bagi segmen Perkhidmatan dan Barangan Rangkaian Bekalan Berintegrasi adalah kebanyakannya daripada sektor E&E dan penjagaan kesihatan dan peningkatan perolehan dalam tahun semasa berbanding tahun sebelumnya adalah kebanyakannya disebabkan oleh peningkatan permintaan daripada pelanggan. Peningkatan perolehan ini telah menyumbang kepada keuntungan yang lebih tinggi bagi segmen ini iaitu sebanyak RM5.6 juta berbanding dengan RM3.2 juta pada tahun sebelumnya.

Pembuatan Secara Kontrak

Perolehan bagi segmen Pembuatan Secara Kontrak bagi tahun semasa kebanyakannya disumbang oleh operasi yang menyokong pasaran Pemacu Cakera Keras dan pasaran konsumer. Perolehan dari segmen perniagaan ini telah menurun daripada RM21.9 juta dalam tahun sebelumnya kepada RM17 juta dalam tahun semasa kebanyakannya disebabkan oleh permintaan yang rendah daripada pelanggan-pelanggan industri Pemacu Cakera Keras. Sungguhpun perolehan bagi segmen perniagaan ini menurun, kerugian bagi segmen ini sebanyak RM0.3 juta yang dicatat bagi tahun semasa adalah lebih rendah daripada kerugian tahun sebelumnya sebanyak RM3.9 juta yang kebanyakannya disebabkan oleh pelupusan nilai stok dalam tahun sebelumnya.

KENYATAAN PENGERUSI (cont'd)

Pembekalan Pembungkusan dan Lain-lain Bahan

Segmen Pembekalan Pembungkusan dan Lain-lain Bahan telah mencatatkan perolehan yang lebih rendah sebanyak RM106.7 juta bagi tahun semasa berbanding dengan RM158.6 juta bagi tahun sebelumnya. Prestasi segmen ini juga mencatat penurunan dengan kerugian sebanyak RM1.2 juta bagi tahun semasa berbanding dengan keuntungan sebanyak RM16 juta bagi tahun sebelumnya. Keuntungan RM16 juta ini adalah disumbang terutamanya oleh pembekalan peralatan kamera litar tertutup (CCTV) pada tahun sebelumnya seperti yang disebutkan di atas.

Prospek

Di bawah unjuran yang perlu berwaspada dalam melangkah ke tahun 2017, Kumpulan akan terus terlibat didalam sektor E&E selaras dengan permintaan yang positif dan prospek pemulihan bagi sektor tersebut sambil berusaha meningkatkan perniagaan dalam lain-lain segmen. Kami telah juga mempertingkatkan langkah-langkah pengurusan kos dan kecekapan untuk kekal bersaing bagi meningkatkan perluasan pasaran dan rangkaian pelanggan.

Kekuatan Kumpulan dalam pembungkusan khusus dan rekabentuk bagi sektor E&E juga dijangka dapat menyumbang kepada permintaan yang meningkat dan Kumpulan akan terus menyepadukan sumber-sumbernya untuk menjadi pembekal pembungkusan "one-stop" dalam 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 ke arah penembusan perniagaan dan pengurusan kos untuk lebih bersedia menghadapi cabaran-cabaran di masa hadapan.

Kumpulan menjangkakan masa hadapan yang mencabar bagi tahun kewangan 2017 dan akan melibatkan diri secara teratur dengan strategi dan pelan tindakan untuk mencapai unjuran yang lebih tinggi dari segi perolehan dan keuntungan.

Sungguhpun berhadapan dengan cabaran-cabaran yang disebutkan diatas, Kumpulan yakin bahawa pemulihan dalam keuntungan boleh dicapai bagi tahun yang akan berakhir 31 Ogos 2017 berdasarkan pelbagai strategi dan tindakan yang telah dan akan diambil dalam tempoh tersebut.

Urustadbir Korporat

Lembaga Pengarah akan terus mempastikan 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 di atas sumbangan dan dedikasi kepada Kumpulan.

Terima kasih.

Dato' Ahmad Ibnihajar
Pengerusi

BOARD OF DIRECTORS

Dato' Ahmad Ibnihajar

Aged 66, Malaysian, Male
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 Managing Director of United Traders Securities Sdn. Bhd. from 1984 to 1991 and also the Managing Director for Taiping Securities Sdn. Bhd. in 1995 to 1997, both of which are involved in stockbroking business. Since 1991, he has been the Chairman of Heirs Corporation Sdn. Bhd., a property development company. From 1999 to 2013, he was the Managing Director of Penang Port Sdn. Bhd., a company principally involved in operations of port. Currently, he also sits on the boards of several other private limited companies principally involved in property development and investment holding.

Dato' Ahmad Ibnihajar is now the Chairman of KUB (M) Bhd as well as Chairman of Penang Sentral Sdn Bhd, a subsidiary of Malaysian Resources Corporation Berhad. He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company.

Dato' Seri Lee Kah Choon

Aged 56, Malaysian, Male
Independent Non-Executive Director, Chairman of the Nomination Committee, Member of the Audit and Remuneration Committees

Dato' Seri Lee Kah Choon was appointed to the Board of D'nonce Technology Bhd. on 20 December 2013. He was appointed as a member of the Audit, Nomination and Remuneration Committees on 20 December 2013 and was subsequently redesignated as Chairman of the Nomination Committee on 27 February 2015.

Dato' Seri Lee Kah Choon holds a LLB from the Southampton University, UK and a Master of Arts from City University, London.

Dato' Seri Lee Kah Choon is the Special Advisor to the Chief Minister of Penang. He is currently a board member of various state government linked companies and corporations as well as private companies. As a Director of Invest-in-Penang Berhad, Penang Development Corporation, Dato' Seri Lee is actively involved in deciding the policy direction of these government linked corporations for the State of Penang.

Before embarking on his current profession, Dato' Seri 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' Seri 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' Seri Lee Kah Choon has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence and does not have any conflict of interest with the Company.

Law Kim Choon

Aged 59, Malaysian, Male
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 the major shareholder in the Company. He has no family relationship with any Director in the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company. He holds directorships in several private limited companies.

BOARD OF DIRECTORS (cont’d)

Wong Thai Sun

Aged 61, Malaysian, Male

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 Audit Committee on 6 November 2006. He was appointed as a member of the Nomination and Remuneration Committees on 30 January 2007 and was subsequently 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 major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company.

Roslant bin Abu

Aged 59, Malaysian, Male

Executive Director/Group General Manager, Chairman of the Employees Share Option Scheme and Member of the Remuneration Committee

Roslant bin Abu was appointed to the Board of D’nonce Technology Bhd on 1 March 2015. He was appointed as a member of the Remuneration Committee on 28 April 2015.

He graduated with a honours Bachelor Degree in Science from University Malaya in 1982. He started his career as Assistant Director in the Implementation Coordination Unit of the Prime Minister’s Department in 1983. While serving the Prime Minister’s Department, he had been placed in various governmental establishments such as the Malaysia-Thailand Joint Authority in 1993 and the Economic Planning Unit of the Prime Minister’s Department in 1996.

In 1997, he joined Khazanah Nasional Berhad (“Khazanah”) as Manager and subsequently as Vice President in various divisions within Khazanah. While serving Khazanah, he has been Khazanah’s representative in the Board of Directors of D’nonce Technology Bhd, Kinta Kellas Bhd and Tradewinds Corporations Bhd. After resigning from Khazanah and all board memberships that he held in 2007, he joined D’nonce Technology Bhd as the Group General Manager, the position he currently holds in the Company.

Roslant bin Abu has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company.

Lena Leong Oy Lin

Aged 45, Malaysian, Female

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

Lena Leong Oy Lin was appointed to the Board of D’nonce Technology Bhd. on 1 March 2015. She was appointed as a member of the Nomination and Remuneration Committees on 28 April 2015. She was also appointed as the member of the Audit Committee on 31 December 2015.

She graduated with a honours law degree from University of London in 1995. She started her career as an advocate and solicitor since 1997 and has since been in active legal practice. She is currently a partner of Zaid Ibrahim & Co. and she is also a member of the Executive Committee of the firm.

She advises and represents local and foreign clients with respect to broad range of banking, real estate and corporate commercial matters in Malaysia. She is the legal advisor for Penang Electrical Merchant Association and secretary of FIABCI Malaysia, Penang Branch.

Lena Leong Oy Lin has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past five (5) years other than traffic offences, if any, and does not have any conflict of interest with the Company.

KEY SENIOR MANAGEMENT

Lam Kim Goon
Aged 46, Malaysian, Male
Chief Financial Officer

Lam Kim Goon is the Chief Financial Officer and has overall charge of the Group's finance and accounting matters. He joined the Group on 1 September, 2008. Prior to joining D'nonce, he was the Head of Group Finance of Texchem-Pack Holdings (S) Ltd, a company listed on the Main Board of Singapore Stock Exchange. He was previously the Group Finance Manager of Texchem Corporation Sdn Bhd a company providing corporate planning and support services to Texchem Resources Berhad, a company listed in the Main Market of Bursa Malaysia Securities Berhad.

He started his career as an audit assistant with Arthur Andersen & Co in 1994 and subsequently joined Ernst & Young. He left Ernst & Young as an Audit Manager in 2003. During his tenure with Arthur Andersen & Co and Ernst & Young, he was involved in, inter alia, listing exercises as well as statutory audits of several listed and unlisted companies, including subsidiaries of multi-national corporations and was thus able to gain a significant amount of experience in various accounting standards. He graduated with a Bachelor of Business (Majoring in Finance and Accounts) from Deakin University, Australia. He is currently a Chartered Accountant registered with the Malaysian Institute of Accountants and a Certified Practising Accountant registered with the CPA Australia.

Lam Kim Goon does not hold any directionships in public companies and listed issuers.

Lam Kim Goon has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within 5 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: Guidelines for Directors of Listed Issuers, the Board of Directors of D’nonce Technology Bhd. 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 MANAGEMENT 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 system of internal control, the systems of internal control are designed to manage risks 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 practise 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, GovernanceAdvisory.com 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.

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

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.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement in accordance to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is not, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

CONCLUSION

The Board has received assurance from Chief Executive Officer and 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 2016. 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 30 November 2016.

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 been supportive of the adoption of the principles as set out in the Code. The Board is committed to ensure that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the performance of the Company.

The Board is pleased to report to shareholders on the manner the Group has applied the eight (8) principles, and the extent of compliance with the twenty six (26) recommendations of the Code throughout the financial year ended 31 August 2016.

Principle 1: Establish Clear Roles and Responsibilities

1.1 The Board should establish clear functions reserved for the board and those delegated to management

The Board consists of members from different backgrounds and diverse expertise in leading and directing the Group’s business operation. The Board is responsible for the control and proper management of the Company. The Board has delegated specific responsibilities to four main committees namely the Audit, Remuneration, Nomination and Employees’ Share Option Committees, which operate within the defined constitution or terms of reference approved by the Board. 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.

The roles of the Chairman and the Chief Executive Officer are mentioned in details in the Board Charter which is made available in the Company’s website at www.dnoncetech.com.

1.2 The Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions

The Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business. There is a clear division of responsibility between the Chairman and the Chief Executive Officer to ensure that there is a balance of power and authority. The management of the Group’s business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors. The Independent Non-Executive Directors and Non-Independent Non-Executive Director provide unbiased and independent views to safeguard the interests of shareholders.

1.3 The Board should formalise ethical standards through a code of conduct and ensure its compliance

The Board has formalised a Code of Conduct for its directors which is incorporated in the Board Charter. The Board would periodically review the said Code of Conduct.

The Group has also established a Whistleblowing Policy underlining its objectives, scope of policy, Policy Statement, reporting procedures and action in the Board Charter.

1.4 The Board should ensure that the company’s strategies promote sustainability

The Company will give attention to the environment, social and governance (ESG) aspects of doing business in the future to ensure long-term viability and sustainability of the Company’s business.

1.5 The Board should have procedures to allow its members access to information and advice

All Directors are provided with an agenda and a set of board papers issued in sufficient time prior to the Board meetings to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.

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 undertakings and properties that are material to the Group, major investments, 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 are updated on new statutory regulations or requirements concerning their duties and responsibilities. They may obtain independent professional advice at the Company’s expense in furtherance of their duties.

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

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle 1: Establish Clear Roles and Responsibilities (cont'd)

1.6 The Board should ensure it is supported by a suitably qualified and competent company secretary

The Board is supported by qualified and experienced named secretaries who facilitate overall compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant laws and regulations. The secretaries are the members of the Malaysian Institute of Chartered Secretaries and Administrators.

The secretaries play important roles by ensuring adherence to the Board policies and procedures from time to time.

The Company Secretaries carry out the following tasks:

- Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting ("AGM"), Extraordinary General Meeting ("EGM") and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;
- Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Securities and Securities Commission on a timely basis;
- Ensure that deliberations at the meetings are well captured and minuted;
- Ensure that the Company complies with the MMLR and the requirements of the relevant authorities;
- Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;
- Keep the Directors and principal officers informed of the closed period for trading in the Company's shares; and
- Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.

1.7 The Board should formalise, periodically review and make public its board charter

The Board has formally established a Board Charter that clearly sets out the roles and responsibilities, composition and processes related to key governance activities. The Board will periodically review the Board Charter which is published on the corporate website at www.dnoncetech.com.

Principle 2: Strengthen Composition

2.1 The Board should establish a Nominating Committee which should comprise exclusively of non-executive directors, a majority of whom must be independent

The Nomination Committee shall consist of not less than three (3) members and all members are to be Non-Executive with the majority being independent. The present members of the Nomination Committee are Dato' Seri Lee Kah Choon (Independent Non-Executive Director) who is the Chairman, Dato' Ahmad Ibnihajar (Independent Non-Executive Chairman), Mr Wong Thai Sun (Independent Non-Executive Director) and Ms Lena Leong Oy Lin (Non-Independent Non-Executive Director).

The Terms of Reference of the Nomination Committee are published in the Company's website at www.dnoncetech.com.

2.2 The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors

Appointment of Directors
The Board appoints its members through a formal and transparent selection process, which is consistent with the Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee after taking into consideration the candidates' skills, knowledge, expertise, experience, professionalism and integrity and women candidates shall be sought as part of its recruitment exercise. For the position of independent non-executive directors, the Nomination Committee will evaluate the candidates' ability to discharge such responsibilities as expected from independent non-executive directors. The Nomination Committee shall also consider candidates for directorships proposed by the Managing Director and within the bounds of practicality, by any other senior management or any director or shareholder. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and that legal and regulatory requirements are met.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle 2: Strengthen Composition (cont'd)

2.2 The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors (cont'd)

Re-election of Directors
In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being or, if their number is not a multiple of three (3), the number nearest to one-third (1/3), shall retire from office and an election of Directors shall take place. The Articles further provide that each Director shall retire once in every three (3) years but shall be eligible for re-election.

Newly appointed directors shall hold office only until the next annual general meeting and shall be eligible for re-election.

Boardroom Diversity
The Company currently does not have any gender, ethnicity and age policy or target. The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company. Nevertheless, the Board is supportive of gender diversity in the boardroom as recommended by the Code to promote the representation of women in the composition of the Board. The Board will endeavor to ensure that gender, ethnicity and age diversity will be taken into account in nominating and selecting new Directors to be appointed to the Board. The Board currently has one female director.

Annual Assessment
During the financial year, the Nomination Committee had assisted the Board on the following functions:

(1) reviewed the structure, size and composition of the Board and Board Committees and made recommendation to the Board as regards to any changes that may, in their view, be beneficial to the company;
(2) reviewed and assessed the character, experience, integrity and competence of the Chief Financial Officer;
(3) assessed the effectiveness of the Board as a whole, committees of the Board and the contribution of individual directors;
(4) recommended to the Board directors who are retiring by rotation to be put forward for re-election;
(5) reviewed and recommended to the Board for re-appointment of Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years and to seek shareholders' approval at the forthcoming AGM by giving strong justification on the re-appointment; and
(6) assessed the independence of each of the existing Independent Directors with each director abstaining from deliberation on his own assessment.

During the financial year ended 31 August 2016, the Nomination Committee had one (1) meeting:

Nomination Committee Meeting		**Nov'15**		
Directors	**Position**	**Attendance**	**Total**	**%**
Dato' Seri Lee Kah Choon	Chairman	•	1/1	100
Dato' Ahmad Ibnihajar	Member	•	1/1	100
Wong Thai Sun	Member	•	1/1	100
Lena Leong Oy Lin	Member	•	1/1	100
Total number of meeting held:			1	

2.3 The Board should establish formal and transparent remuneration policies and procedures to attract and retain directors

Remuneration Committee
The Remuneration Committee comprises Mr Wong Thai Sun (Independent Non-Executive Director) who is the Chairman, Dato' Ahmad Ibnihajar (Independent Non-Executive Chairman), Dato' Seri Lee Kah Choon (Independent Non-Executive Director), Mr Law Kim Choon (Chief Executive Officer/ Group Managing Director), En Roslant bin Abu (Executive Director/ Group General Manager) and Ms Lena Leong Oy Lin (Non-Independent Non-Executive Director).

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle 2: Strengthen Composition (cont'd)

2.3 The Board should establish formal and transparent remuneration policies and procedures to attract and retain directors

Remuneration Committee(cont'd)
During the financial year ended 31 August 2016, the Remuneration Committee had two (2) meetings:

Remuneration Committee Meetings		**Nov'15**	**Jan'16**		
Directors	**Position**	**Attendance**	**Attendance**	**Total**	**%**
Wong Thai Sun	Chairman	•	•	2/2	100
Dato' Ahmad Ibnihajar	Member	•	•	2/2	100
Dato' Seri Lee Kah Choon	Member	•	•	2/2	100
Law Kim Choon	Member	•	•	2/2	100
Roslant bin Abu	Member	•	•	2/2	100
Lena Leong Oy Lin	Member	•	•	2/2	100
Total number of meetings held:				2	

Remuneration Policy
The Remuneration Committee reviews the payment of Directors' fees for all the Directors annually and proposes to the Board for recommendation to the shareholders for approval at every AGM. The remuneration packages for Executive Directors are based on the achievements and contribution of each member measured against their respective Key Performance Indicators. The Group Managing Director is employed on contract basis and his remuneration package is subject to review and recommendation by the Remuneration Committee and approval by the Board upon renewal of his contract. The remuneration for non-executive directors is not linked to individual performance.

Directors' Remuneration
The aggregate remuneration of the Directors categorized into the respective components in respect of the financial period ended 31 August 2016 are as follows:

	Group and Company	
	Executive Directors RM	**Non-Executive Directors RM**
Fees	111,000	216,055
Salaries	1,352,055	3,360
Bonus	294,284	–
Benefits in kind	14,900	–
Other benefits	594,258	48,000
Total	2,366,497	267,415

The number of Directors whose remuneration falls into the following bands of RM50,000 is shown below :-

	Group and Company	
	Executive Directors	**Non-Executive Directors**
50,000 – 100,000	–	4
250,000 – 300,000	1	–
2,050,000 – 2,100,000	1	–
Total	2	4

The Board is of the opinion that the disclosure of Directors' remuneration through the "band disclosure" is sufficient to meet the objectives of the Code. They feel that it is inappropriate to disclose the remuneration of individual Directors and has opted not to do so.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle 3: Reinforce Independence

3.1 The Board should undertake an assessment of its independent directors annually

The Board formalised the importance of independence and objectivity in the decision-making process as advocated in the MCCG 2012. The Board is committed to ensure that the independent directors are capable to exercise independent judgment and act in the best interests of the Group.

In line with Recommendation 3.1 of the MCCG 2012 whereby the Board is required to develop criteria to assess independence of directors, the Board has adopted the same criteria used in the definition of "independent directors" prescribed by the MMLR of Bursa Securities.

The Independent Directors of the Company fulfilled the criteria of "Independence". They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making.

Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transactions. Such a situation may arise from external associations, interests or personal relationships.

The Director is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the respective matters.

The Nomination Committee carried out the board evaluation of every director's performance and assessed the independence of the independent directors annually based on the developed criteria.

3.2 The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director

The Board is aware of the tenure of an Independent Director which should not exceed a cumulative term of nine (9) years as recommended by MCCG 2012 and that an Independent Director may continue to serve on the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of the cumulative term of nine (9) years.

3.3 The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine years

Subject to the assessment of the Nomination Committee and the shareholders' approval, the Board may retain an Independent Director who has served nine (9) years or more on the Board. Presently, Dato' Ahmad Ibnihajar and Mr Wong Thai Sun, both Independent Directors of the Company whose tenure have exceeded a cumulative term of nine (9) years. The length of their services on the Board do not in any way interfere with their exercise of independent judgement and ability to act in the best interest of the Company.

The Board is satisfied with the skills, contribution and independent judgment of Dato' Ahmad Ibnihajar and Mr Wong Thai Sun bring to the Board. In view thereof, the Board recommends and supports their retention as Independent Non-Executive Directors of the Company which will be tabled for shareholders' approval at the forthcoming AGM of the Company.

3.4 The positions of Chairman and CEO should be held by different individuals, and the Chairman must be a non-executive member of the Board

The Chairman and the Chief Executive Officer/Group Managing Director are held by different individuals. The Chairman is an Independent Non-Executive Member of the Board.

The role of the Chairman and the Chief Executive Officer/Group Managing Director are clearly distinct for effective balance of power and authority because the positions are held by two different individuals. The Chairman is primarily responsible for ensuring Board's effectiveness and conduct. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle 3: Reinforce Independence (cont'd)

3.4 The positions of Chairman and CEO should be held by different individuals, and the Chairman must be a non-executive member of the Board (cont'd)

The Chief Executive Officer/Group Managing Director is responsible for the daily management of the Group's operations and implementation of the Board's policies and decisions. He is responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills contributed significantly towards the attainment of the Group's goals and objectives.

The role of the Chairman and the Chief Executive Officer/Group Managing Director are mentioned in details in the Board Charter which is made available in the Company's website at www.dnoncetech.com.

3.5 The board must comprise a majority of independent directors where the Chairman of the Board is not an independent director

The Board currently has six (6) members consisting two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The composition of the Board complies with paragraph 15.02 of the MMLR of Bursa Securities.

The Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business. There is a clear division of responsibility between the Chairman and the Chief Executive Officer/Group Managing Director to ensure that there is a balance of power and authority. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors. The Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

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 existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

Principle 4: Foster Commitment

4.1 The Board should set out expectations on time commitment for its members and protocols for accepting new directorships

All directors of the Company do not hold more than 5 directorships under paragraph 15.06 of the MMLR.

The annual calendar of at least four (4) meetings is agreed at the beginning of each year, with additional meetings convened as and when necessary. 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 investments, appointment of Directors are discussed and decided by the Board.

The dates scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance and circulated to the Directors to facilitate the Directors' time planning. The Directors' Circular Resolutions are used for determination of urgent matters arising in between meetings. In accordance with Article 136 of the Articles of Association of the Company, a resolution in writing signed and approved by letter, telegram, telex or telefax by all the Directors who may be present in Malaysia and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Directors.

Principle 4: Foster Commitment (cont'd)

4.1 The Board should set out expectations on time commitment for its members and protocols for accepting new directorships (cont'd)

During the financial year ended 31 August 2016, seven (7) Board Meetings were held. The attendance record of each Director is as follows:

Board of Directors' Meeting		**Oct' 15**	**Dec' 15**	**Dec' 15**	**Jan' 16**	**April' 16**	**Jul' 16**	**Jul' 16**		
Directors	**Position**	**Attendance**							**Total**	**%**
Dato' Ahmad Ibnihajar	Independent Non-Executive Chairman	•	•	•	•	•	•	•	7/7	100
Wong Thai Sun	Independent Non-Executive Director	•	•	•	•	•	•	•	7/7	100
Dato' Seri Lee Kah Choon	Independent Non-Executive Director	•	•	•	•	•	•	•	7/7	100
Law Kim Choon	Chief Executive Officer/ Group Managing Director	•	•	•	•	•	•	•	7/7	100
Roslant bin Abu	Executive Director/ Group General Manager	•	•	•	•	•	•	•	7/7	100
Lena Leong Oy Lin	Non-Independent Non-Executive Director	•	•	•	•	•	•	•	7/7	100
Total number of meetings held:									7	

4.2 The Board should ensure its members have access to appropriate continuing education programmes

As required under the MMLR of Bursa Securities, all the Directors have attended the Directors' Mandatory Accreditation Programme. 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 2016, the Directors have evaluated their own training needs on a continuous basis and attended the following:

Dato' Ahmad Ibnihajar
- Business Sustainability and Directors' Dealing in Securities and Insider Trading — 29 July 2016

Dato' Seri Lee Kah Choon
- Business Sustainability and Directors' Dealing in Securities and Insider Trading — 29 July 2016

Law Kim Choon
- Business Sustainability and Directors' Dealing in Securities and Insider Trading — 29 July 2016

Wong Thai Sun
- Comparing Salient features of PERS vs MPERS — 28 & 29 September 2015
- Seminar Percukaian Kebangsaan 2015 — 3 November 2015
- 2016 Budget Seminar: Summary & Highlights for Corporate Accountants — 11 November 2015
- Getting Your GST-03 Correct (From A Preparer's Perspective) — 21 December 2015
- Tax Issues for Land Traders, Investors and Property Developers — 21 January 2016
- Preparation and Submission of Return Forms 2015 — 24 February 2016
- New Framework and New Guidelines Issued by IRBM — 9 March 2016
- Managing Tax Audits in Present Regime — 19 April 2016
- Reinvestment Allowance and Industrial Building Allowance — 12 May 2016

Roslant bin Abu
- Business Sustainability and Directors' Dealing in Securities and Insider Trading — 29 July 2016

Lena Leong Oy Lin
- Business Sustainability and Directors' Dealing in Securities and Insider Trading — 29 July 2016

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle 5: Uphold Integrity in Financial Reporting

5.1 The Audit Committee should ensure financial statements comply with applicable financial reporting standards

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

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 31 of this Annual Report.

5.2 The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors

The Audit Committee's terms of reference formalises the relationship with the External Auditors to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the External 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 page 32-34 of this Annual Report.

Principle 6: Recognise and Manage Risks

6.1 The Board should establish a sound framework to manage risks

The Board continues to review and evaluate the effectiveness of the Group's systems of internal control to safeguard the shareholders' investment and the Group's assets. These controls provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Company has in place an on-going process for identifying, evaluating and managing key risks that may affect the achievement of the business objectives of the Group. Towards cultivating a sustainable risk management culture, risk management principles and practices are embedded into existing key processes across different functions within the Group.

6.2 The Board should establish an internal audit function which reports directly to the Audit Committee

The Group's internal audit function is carried out by outsourced external consultants who assist the Audit Committee and Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's governance, risk management and internal control processes.

The information on the Group's risk management and internal control is presented in the Statement on Risk Management & Internal Control set out on page 18-19 of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle 7: Ensure Timely and High Quality Disclosure

7.1 The Board should ensure the company has appropriate corporate disclosure policies and procedures

The Board ensures that the disclosure of material information pertaining to the Group's performance and operations to the public is in accordance with the disclosure requirements under the MMLR of Bursa Securities and other applicable laws and regulations. Confidential information is restricted to top management only. Selected members of top management are responsible for making disclosures and responding to market rumours and queries.

7.2 The Board should encourage the company to leverage on information technology for effective dissemination of information

The Board has established a dedicated section for corporate information on the Company's website where information on the Company's announcements, financial information, share prices and analysts' reports can be accessed.

Shareholders and members of the public are invited to access the Company's website at www.dnoncetech.com and Bursa Securities website at www.bursamalaysia.com to obtain the latest information on the Group.

Principle 8: Strengthen Relationship between Company and Shareholders

8.1 The Board should take reasonable steps to encourage shareholder participation at general meetings

The AGM is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report twenty-one (21) days before the meeting. All Directors are available to provide responses to questions from shareholders during this meeting. External Auditors are also present to provide their professional and independent clarification on issues and concerns raised by shareholders. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

8.2 Poll voting

With effect from 1 July 2016, all resolutions set out in the notice of general meetings will be carried out by poll voting. The Board will make an announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

8.3 The Board should promote effective communication and proactive engagements 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 Bursa Link, press releases, annual report and circular to shareholders.

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

Dato' Seri Lee Kah Choon	Senior Independent Non-Executive Director
Telephone number	04-228 1198
Facsimile number	04-228 3016

Compliance Statement

The Board is of the view that the Group is generally in compliance with the Principles and Recommendations of the MCCG 2012. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observance has been explained and the reasons thereof has been included in this Statement.

This Statement was approved by the Board of Directors on 26 October 2016.

ADDITIONAL COMPLIANCE INFORMATION

a) Utilisation of proceeds from corporate proposals

On 30 November 2015, the Company announced that the Rights Issue of 90,202,000 ordinary shares of RM0.25 each, 90,202,000 Warrants and 45,101,000 Bonus Shares were listed and quoted on the Main Market of Bursa Securities. The Company had raised total gross proceeds of approximately RM22.551 million from the Rights Issue with Warrants.

On 22 November 2016, the Company made an announcement to extend the time for the utilisation of proceeds. The utilisation for all the outstanding purposes would be expected to be completed within 24 months from the Listing Date. Details are as follows:

Purpose	Proceeds Utilisation RM'000	Actual Utilisation RM'000	Adjustments RM'000	Balance yet to be utilised RM'000	Estimated timeframe for utilisation from the Listing Date[1]	Extended timeframe for utilisation from the Listing Date[1]
To partly finance the purchase of land and factory building, renovation and refurbishment expenses[2]	5,000	–	–	5,000	Within 12 months	Within 24 months
Construction of clean room facility and purchase of 3 lines of tray cleaning systems in Thailand[3]	4,400	–	–	4,400	Within 12 months	Within 24 months
Construction of new factory building in Penang	1,600	1,600	–	–	Within 12 months	Completed
Construction of new factory building in Thailand[4]	2,200	–	–	2,200	Within 12 months	Within 24 months
Renovation and refurbishment of factory building in Penang	1,000	1,000	–	–	Within 12 months	Completed
Working Capital[5]	6,751	6,751	–	–	Within 12 months	Completed
Estimated expenses in relation to the Corporate Exercises[5]	1,600	1,079	521	–	Within 3 months	Completed
Total	**22,551**	**10,430**	**521**	**11,600**		

Notes:

(1) The Rights Issue with Warrants was listed on the Main Market of Bursa Malaysia Securities Berhad on 30 November 2015.

(2) The Company has yet to utilise the proceeds as the Company is still looking for a suitable factory in the same locality as the present premises.

(3) In view of the softening of the global demand for hard disk drives, the Company does not need the capacity now. As such the Company decided to defer the construction of the cleanroom facility and purchase of 3 lines of tray cleaning systems in Thailand until there is stronger demand.

(4) The new factory building is to accommodate the expansion of clean room facility as mentioned in item (3) above. With the softening of the global demand for hard disk drives, the new factory building's construction is also delayed.

(5) In view of the actual expenses were lower than estimated, the excess would be utilised for working capital purposes. The Circular to Shareholders dated 11 June 2015 had stated that in event of Maximum Scenario, any surplus for the payment of expenses in relation to the Proposals will be adjusted accordingly to the working capital. This has already been utilised as at the date of this announcement.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

b) Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 August 2016, which have material impact on the operations or financial position of the Group.

c) Audit and Non-Audit Fees

During the financial year ended 31 August 2016, the amount of audit fees and non-audit fees paid or payable to the Company and the Group are as follows:

	Group (RM)	Company (RM)
Audit Fees	333,433	51,000
Non-Audit Fees	40,000	40,000

d) Material contracts

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

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

Significant transactions between the Group and its related party during the financial year ended 31 August 2016 were as follows:

Related Party	Relationship	Nature of RRPTs	Value* (RM)
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	4,188,103

* actual value from 1 September 2015 to 31 August 2016

f) Share Buy-back

The Company did not purchase its own share previously and as such, there were no resale or cancellation of any treasury shares during the financial year, which were still subsisting at the end of the financial year or entered into since the end of the previous financial year.

g) Employees' Share Option Scheme

D'nonce Technology Bhd Employees' Share Option Scheme ("ESOS") was established on 18 May 2016.

During the financial year ended 31 August 2016, the Company granted share options of 26,069,500 ordinary shares of RM0.25 each to eligible employees and the Directors. The total number of share options granted to Directors and Chief Executive were 11,500,000. There were no share options being exercised during the financial year ended 31 August 2016.

The aggregate maximum allocation of share options to Directors and senior management of the Group shall not exceed 75% of the share options available under the ESOS. During the financial year ended 31 August 2016 and since commencement of the ESOS, the actual allocation of share options to the Directors and senior management was 60%.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

g) Employees' Share Option Scheme (cont'd)

During the financial year ended 31 August 2016, the share options granted and exercised by the Non-Executive Directors are as follows:

Name of Director	Number of share options granted	Number of share options exercised
Dato' Ahmad Ibnihajar	2,500,000	–
Wong Thai Sun	2,000,000	–
Dato' Seri Lee Kah Choon	1,500,000	–
Lena Leong Oy Lin	1,500,000	–

h) Options, Warrants or Convertible Securities

At the Extraordinary General Meeting of the Company held on 3 July 2015, the shareholders of the Company had approved the Rights Issue of up to 90,202,000 ordinary shares of RM0.25 each together with up to 90,202,000 Warrants on the basis of two (2) Rights Shares for every one (1) share held, and one (1) Warrant for every one (1) Rights Share and 45,101,000 Bonus Shares on the basis of one (1) bonus share for every two (2) rights shares.

A total of 90,202,000 Warrants ("Warrants 2015/2020") were issued on 26 November 2015 and listed on the Main Market of Bursa Malaysia Securities Berhad on 30 November 2015 with a 5 years' exercise period from 26 November 2015 to 25 November 2020. Each warrant carries the entitlement to subscribe for one (1) new DNONCE Share at the exercise price of RM0.25 per share for cash subject to adjustments in accordance with the provisions of the Deed Poll.

During the financial year ended 31 August 2016, no warrants were exercised.

Saved as disclosed above, there were no options, warrants or convertible securities exercised during the financial year ended 31 August 2016.

i) Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 August 2016.

j) 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.

k) Comparison of profit achieved with the profit guarantee

There was no profit guarantee given by the Company.

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.
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AUDIT COMMITTEE REPORT

Chairman

Wong Thai Sun*	(Independent Non-Executive Director)

Members

Dato' Ahmad Ibnihajar	(Independent Non-Executive Director)
Dato' Seri Lee Kah Choon	(Independent Non-Executive Director)
Lena Leong Oy Lin	(Non-Independent Non-Executive Director)

** Member of MIA*

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are published in the Company's website at www.dnoncetech.com.

DETAILS OF ATTENDANCE OF MEMBERS AT AUDIT COMMITTEE MEETINGS

During the financial year ended 31 August 2016, there were six (6) Audit Committee Meetings held. The details of the attendance of each member are as follows:

Audit Committee Meeting		**Oct '15**	**Dec '15**	**Dec '15**	**Jan '16**	**Apr '16**	**Jul '16**		
Committee Members	**Position**	**Attendance**						**Total**	**%**
Wong Thai Sun	Chairman	•	•	•	•	•	•	6/6	100
Dato' Ahmad Ibnihajar	Member	•	•	•	•	•	•	6/6	100
Dato' Seri Lee Kah Choon	Member	•	•	•	•	•	•	6/6	100
Lena Leong Oy Lin (Appointed on 31 December 2015)	Member	N/A	N/A	N/A	•	•	•	3/3	100
Total number of meetings held:								6	

SUMMARY OF WORK OF THE AUDIT COMMITTEE

In discharging its functions and duties in accordance with its Terms of Reference, the Audit Committee ("AC") had carried out the following work during the financial year ended 31 August 2016:

1. At their meetings held on 29 October 2015 and 29 July 2016, the AC met with the external auditors in the absence of the Executive Board Members to discuss on any significant audit issues which may have arisen in the course of their audit of the Group.

2. The AC had ensured that the quarterly financial results of the Group complied with the Malaysian Financial Reporting Standard ("MRFS") and Appendix 9B of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The quarterly financial results for the fourth quarter ended 31 August 2015, first quarter ended 30 November 2015, second quarter ended 29 February 2016 and third quarter ended 31 May 2016 were reviewed by the AC at their meetings held on 29 October 2015, 29 January 2016, 27 April 2016 and 29 July 2016 respectively.

3. The AC received and discussed the Internal Audit Reports containing the audit findings and recommendations made by the internal auditors on weaknesses in the systems of internal control and the Management responses on those issues. The AC monitored the progress on the corrective actions taken by the Management on a quarterly basis until it is satisfied that the weaknesses identified had been adequately addressed.

4. The report of RRPTs of the Group was tabled and reviewed by the AC at every quarterly meeting. The AC was satisfied that all RRPTs were within arm's length, fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders.

AUDIT COMMITTEE REPORT (cont'd)

SUMMARY OF WORK OF THE AUDIT COMMITTEE (cont'd)

5. At their meeting held on 29 October 2015, the AC reviewed and discussed the following:-

    a. The report from the external auditors on the audit results in respect of their audit of the Group for the financial year ended 31 August 2015.

    b. The Internal Audit Plan for the year 2016 as presented by the internal auditors.

    c. The Statement on Risk Management and Internal Control and Audit Committee Report for inclusion in the Annual Report 2015.

    d. The circular to shareholders on the proposed renewal of shareholders' mandate for recurrent related party transactions ("RRPTs") of a revenue or trading nature. The AC was satisfied that the procedures and processes in monitoring, tracking and identifying the RRPTs of the Group were sufficient to ensure that the RRPTs are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

    e. The effectiveness of the Group's risk management and internal control system. The AC was satisfied with the reasonable assurance given by the management on the processes for the monitoring internal control and risk management and their continuance to operate as intended.

6. At their meeting held on 15 December 2015, the AC reviewed and discussed the following:-

    a. The Directors' Report and Audited Financial Statements for the financial year ended 31 August 2015.

    b. The internal audit function and re-appointment of internal auditors. The AC agreed that the scope, functions, competency and resources of the internal audit function were adequate and the internal auditors was recommended to the Board of Directors for re-appointment.

7. At their meeting held on 31 December 2015, Messrs Ernst & Young had expressed their intention not to seek for re-election as Auditors of the Company at the Sixteenth Annual General Meeting. Messrs BDO who were nominated by the substantial shareholder to be the new Auditors of the Company was recommended to the Board of Directors for their consideration. The AC had received confirmation from the partner of BDO that they could act as the Company's external auditors and there should not be any issue on their independence as external auditors as BDO Governance Advisory Sdn. Bhd. would cease to act as the internal auditors.

8. At their meeting held on 29 January 2016, the AC reviewed and discussed the following:

    a. The management letter for financial year ended 31 August 2015 presented by the external auditors.

    b. The appointment of GovernanceAdvisory.com Sdn. Bhd as the Internal Auditors in place of BDO Governance Advisory Sdn. Bhd. was recommended to the Board of Directors for approval.

9. Reviewed the allocation of options during the year under the Company's Employees Share Option Scheme ("ESOS").

10. At their meeting held on 29 July 2016, the AC reviewed and approved the Audit Plan for the financial year ended 31 August 2016 presented by the external auditors.

AUDIT COMMITTEE REPORT (cont'd)

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit function to GovernanceAdvisory.com Sdn. Bhd. for the financial year ended 31 August 2016. The total cost incurred for the outsourced internal audit function of the Group for the financial year ended 31 August 2016 amounted to RM27,000.

The Group's internal audit activities are mainly carried out in accordance with the annual audit plan that has been tabled to the AC for its review and approval and selected ad-hoc audits on management's requests. The Internal Auditors adopt a risk based audit approach in auditing objectively to provide the assurance that risks were mitigated to acceptable levels. This approach would draw the Internal Auditors' attention towards gaining an understanding of the Group's interaction with external forces, changes in the strength of the relationships during the period under audit, and the risk of potential future changes presented by the external forces. Their approach would entail understanding on how the business risks translate to audit risks, and communicating value added input to the management through the audit process. Whenever required, the Internal Auditors would make reference to the Group's policies and procedures, established practices, listing requirements and recommended industry practices.

During the financial year ended 31 August 2016, the Internal Auditors carried out the internal audit work for the Group as follows:

a. The Internal Audit Report on 28 October 2015 in relation to the review of the internal control systems on Sales to Receipt and Procure to Pay of D'nonce (Kelantan) Sdn. Bhd., a subsidiary of the Company.

b. The Internal Audit Report on 27 January 2016 in relation to the review of the internal control systems on Sales to Receipt and Conversion & Production of ISCM Industries (Thailand) Co. Ltd., a subsidiary of the Company.

c. Internal Audit Report on 29 July 2016 in relation to the review of the internal control systems on Sales & Marketing Review and Procurement Review of Integrated SCM Co. Ltd., a subsidiary of the Company.

In each of the internal audit report, the findings arising from the audit field work were highlighted together with suitable recommendations for improvement to the management for review and further action where necessary. These findings were not limited to matters relating to the financial and accounting controls but also cover certain key operational and management control areas.

During the quarterly meetings, the Internal Auditors also go through with the AC the update status on the implementation of their recommendations by the Management.

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DIRECTORS’ REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 August 2016.

PRINCIPAL ACTIVITIES

The Company is principally involved in provision of management services and investment holding. The principal activities of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year	(10,791,808)	(3,634,618)
Attributable to:		
Owners of the parent	(10,614,280)	(3,634,618)
Non-controlling interests	(177,528)	–
	(10,791,808)	(3,634,618)

DIVIDENDS

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

The Directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

On 23 September 2015, the Company completed a par value reduction exercise pursuant to Section 64(1) of the Companies Act, 1965 in Malaysia to reduce the par value of its ordinary shares of the Company from RM1.00 to RM0.25 each by way of cancellation of RM0.75 of the par value of each ordinary share of RM1.00 each in the Company.

Subsequently, the Company increased its authorised share capital from 100,000,000 of RM0.25 each to 800,000,000 of RM0.25 each by creation of 700,000,000 ordinary share of RM0.25 each.

During the financial year, the issued and paid-up share capital of the Company was increased from 45,101,000 ordinary shares to 180,404,000 ordinary shares by way of:

(i) rights issue of 90,202,000 new ordinary shares of RM0.25 each (“Rights Share(s)”) on the basis of two (2) Rights Shares for every one (1) ordinary share of RM0.25 each held after the par value reduction, together with 90,202,000 free detachable warrants (“Warrant(s)”) on the basis of one (1) Warrant for every one (1) Rights Share subscribed.

(ii) bonus issue of 45,101,000 new ordinary shares of RM0.25 each in the Company (“Bonus Share(s)”) on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed pursuant to the rights issue with warrants.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issue of shares during the financial year.

The Company did not issue any debentures during the financial year.

DIRECTORS' REPORT (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

The employee share option scheme ('ESOS') of the Company is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 3 July 2015. The ESOS was implemented on 4 August 2016 and is to be in force for a period of 5 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 31 to the financial statements.

The details of the options over the ordinary shares of the Company are as follows:

		Number of options over ordinary shares of RM0.25 each				
	Option price	Outstanding as at	Movement during the financial year		Outstanding as at	Exercisable as at
Date of offer	RM	1.9.2015	Granted	Exercised	31.8.2016	31.8.2016
2016 options	0.25	–	26,069,500	–	26,069,500	26,069,500

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 11 October 2016 from having to disclose the list of option holders to whom options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965 in Malaysia except for information of employees who were granted 1,000,000 options and above.

Options for the Directors and employees of the Company and of the subsidiaries who were granted 1,000,000 options and above under the ESOS during the financial year are as follows:

	Number of options over ordinary shares of RM0.25 each		
	Grant date, 4 August 2016	Exercised	31 August 2016
Dato' Ahmad Ibnihajar	2,500,000	–	2,500,000
Law Kim Choon	2,500,000	–	2,500,000
Wong Thai Sun	2,000,000	–	2,000,000
Dato' Seri Lee Kah Choon	1,500,000	–	1,500,000
Lena Leong Oy Lin	1,500,000	–	1,500,000
Roslant Bin Abu	1,500,000	–	1,500,000
Lam Kim Goon	1,200,000	–	1,200,000
Teo Tin Jien	1,000,000	–	1,000,000
Lim Oon Jin	1,000,000	–	1,000,000
Ang Oon Ling	1,000,000	–	1,000,000

DIRECTORS

The Directors who have held office since the date of the last report are:

Dato' Ahmad Ibnihajar
Dato' Seri Lee Kah Choon
Law Kim Choon
Wong Thai Sun
Roslant Bin Abu
Lena Leong Oy Lin

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares in the Company during the financial year ended 31 August 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	Number of ordinary shares of RM0.25 each			
Shares in the Company	**Balance at**	**Bonus issue/**		**Balance at**
Direct interests:	**1.9.2015 ***	**Bought**	**Sold**	**31.8.2016**
Dato' Seri Lee Kah Choon	288,000	982,000	–	1,270,000
Law Kim Choon	7,257,795	23,663,407	–	30,921,202
Roslant Bin Abu	10,000	39,600	–	49,600

	Number of warrants over ordinary shares of RM0.25 each			
Warrants in the Company	**Balance at**	**Rights issue/**		**Balance at**
Direct interests:	**1.9.2015**	**Bought**	**Sold**	**31.8.2016**
Dato' Seri Lee Kah Choon	–	601,000	(601,000)	–
Law Kim Choon	–	14,515,605	(6,991,400)	7,524,205
Roslant Bin Abu	–	26,400	–	26,400

	Number of options over ordinary shares of RM0.25 each			
Shares options in the Company	**Balance at**			**Balance at**
Direct interests:	**1.9.2015**	**Granted**	**Exercised**	**31.8.2016**
Dato' Ahmad Ibnihajar	–	2,500,000	–	2,500,000
Dato' Seri Lee Kah Choon	–	1,500,000	–	1,500,000
Law Kim Choon	–	2,500,000	–	2,500,000
Wong Thai Sun	–	2,000,000	–	2,000,000
Roslant Bin Abu	–	1,500,000	–	1,500,000
Lena Leong Oy Lin	–	1,500,000	–	1,500,000

* On 23 September 2015, the Company completed a par value reduction exercise pursuant to Section 64(1) of the Companies Act, 1965 in Malaysia to reduce the par value of its ordinary shares of the Company from RM1.00 to RM0.25 each by way of cancellation of RM0.75 of the par value of each ordinary share of RM1.00 each in the Company.

By virtue of his interests in the ordinary shares of the Company, Law Kim Choon is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the remuneration received by certain Directors as Directors of the Company and its subsidiaries as disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS disclosed in Note 31 to the financial statements.

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of profit or loss and other 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 have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for 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 material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) 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) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS’ REPORT (cont’d)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 41 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Details of subsequent events are disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Dato’ Ahmad Ibnihajar
Director

Law Kim Choon
Director

Penang
30 November 2016

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 44 to 136 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions 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 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 43 to the financial statements on page 137 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Dato' Ahmad Ibnihajar
Director

Law Kim Choon
Director

Penang
30 November 2016

STATUTORY DECLARATION

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 financial statements set out on pages 44 to 137 are, to the best of my knowledge and belief, 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 at Georgetown in the state of Penang this 30 November 2016

Law Kim Choon

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF D’NONCE TECHNOLOGY BHD.

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

Report on the Financial Statements

We have audited the financial statements of D’nonce Technology Bhd, which comprise the statements of financial position as at 31 August 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 136.

The financial statements of the Group and of the Company for the financial year ended 31 August 2015 were audited by another firm of chartered accountants whose report dated 31 December 2015 expressed on unqualified opinion in those statements.

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 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF D'NONCE TECHNOLOGY BHD.

(Company No. 503292-K)
(Incorporated 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 accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 10 to the financial statements.

(c) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 43 to the financial statements is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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

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.

BDO
AF: 0206
Chartered Accountants

Koay Theam Hock
2141/04/17 (J)
Chartered Accountant

Penang
30 November 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 31 AUGUST 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	**53,944,322**	53,256,365	**677,595**	795,489
Investment properties	8	**2,773,125**	12,098,588	**–**	–
Intangible asset	9	**289,128**	289,128	**–**	–
Investment in subsidiaries	10	**–**	–	**44,719,067**	42,111,988
Other investments	11	**–**	14,000	**–**	–
Deferred tax assets	12	**92,155**	63,772	**–**	–
Trade receivables	14	**23,081,731**	33,096,116	**–**	–
Cash and bank balances	15	**–**	469,045	**–**	–
		80,180,461	99,287,014	**45,396,662**	42,907,477
Current assets					
Inventories	13	**18,158,859**	17,503,446	**–**	–
Trade and other receivables	14	**56,401,916**	54,574,582	**21,488,187**	6,988,167
Current tax assets		**1,223,281**	474,500	**–**	–
Cash and bank balances	15	**33,328,687**	10,405,044	**5,798,330**	267,602
		109,112,743	82,957,572	**27,286,517**	7,255,769
Assets of disposal group classified as held for sale	16	**8,994,347**	–	**–**	–
TOTAL ASSETS		**198,287,551**	182,244,586	**72,683,179**	50,163,246

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 AUGUST 2016 (cont'd)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	**45,101,000**	45,101,000	**45,101,000**	45,101,000
Reserves	18	**22,903,555**	22,743,173	**12,736,844**	12,309,806
Accumulated losses		**(2,257,248)**	(16,692,063)	**(6,500,330)**	(27,914,807)
		65,747,307	51,152,110	**51,337,514**	29,495,999
Non-controlling interests		**4,562,286**	4,739,814	**–**	–
TOTAL EQUITY		**70,309,593**	55,891,924	**51,337,514**	29,495,999
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	19	**580,286**	441,163	**–**	–
Borrowings	20	**30,281,306**	37,865,687	**395,282**	530,188
Deferred tax liabilities	12	**422,587**	583,122	**–**	–
		31,284,179	38,889,972	**395,282**	530,188
Current liabilities					
Trade and other payables	23	**35,476,439**	38,208,233	**20,653,566**	19,544,413
Derivative liabilities	24	**49,924**	187,950	**–**	–
Retirement benefit obligations	19	**89,710**	436,884	**89,710**	430,518
Borrowings	20	**60,470,619**	47,739,913	**134,907**	124,797
Current tax liabilities		**607,087**	889,710	**72,200**	37,331
		96,693,779	87,462,690	**20,950,383**	20,137,059
TOTAL LIABILITIES		**127,977,958**	126,352,662	**21,345,665**	20,667,247
TOTAL EQUITY AND LIABILITIES		**198,287,551**	182,244,586	**72,683,179**	50,163,246

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	27	**176,016,446**	223,772,090	**6,249,679**	5,783,800
Other income	28	**8,527,543**	11,718,441	**608,893**	1,817,412
Changes in inventories of work-in-progress and finished goods		**(1,035,290)**	(2,386,148)	**–**	–
Raw materials and consumables used		**(48,631,118)**	(43,170,481)	**–**	–
Trading goods		**(66,927,041)**	(78,782,293)	**–**	–
Cost of equipment, sub-contractor and other installation costs		**(620,713)**	(41,522,989)	**–**	–
Employee benefits expense	29	**(37,161,371)**	(29,398,833)	**(6,804,334)**	(3,581,791)
Depreciation of property, plant and equipment and investment properties		**(6,845,933)**	(6,847,466)	**(110,877)**	(57,682)
Operating leases - minimum lease		**(2,357,242)**	(2,179,172)	**(50,700)**	(44,400)
Utilities		**(4,006,257)**	(4,133,505)	**(28,970)**	(56,573)
Other expenses		**(21,670,353)**	(17,859,047)	**(2,562,275)**	(5,169,134)
Operating (loss)/profit	32	**(4,711,329)**	9,210,597	**(2,698,584)**	(1,308,368)
Finance costs	33	**(5,477,309)**	(4,953,414)	**(901,165)**	(818,214)
(Loss)/Profit before tax		**(10,188,638)**	4,257,183	**(3,599,749)**	(2,126,582)
Tax expense	34	**(603,170)**	(3,038,382)	**(34,869)**	(37,331)
(Loss)/Profit for the financial year		**(10,791,808)**	1,218,801	**(3,634,618)**	(2,163,913)

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (cont'd)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		**(266,656)**	4,703,810	**–**	–
Remeasurement gains on defined benefit plans		**–**	263,553	**–**	–
		(266,656)	4,967,363	**–**	–
Total comprehensive (loss)/income		**(11,058,464)**	6,186,164	**(3,634,618)**	(2,163,913)
(Loss)/Profit attributable to:					
Owners of the parent		**(10,614,280)**	396,504	**(3,634,618)**	(2,163,913)
Non-controlling interests		**(177,528)**	822,297	**–**	–
		(10,791,808)	1,218,801	**(3,634,618)**	(2,163,913)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		**(10,880,936)**	5,363,304	**(3,634,618)**	(2,163,913)
Non-controlling interests		**(177,528)**	822,860	**–**	–
		(11,058,464)	6,186,164	**(3,634,618)**	(2,163,913)
Earnings per ordinary share attributable to equity holders of the Company (sen):					
Basic	35 (a)	**(6.66)**	0.44		
Diluted	35 (b)	**(6.66)**	0.44		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	← Non-distributable						→				
Group	**Share capital RM**	**Share premium RM**	**Other capital reserve RM**	**Exchange translation reserve RM**	**Legal reserve RM**	**Share options reserve RM**	**Warrant reserve RM**	**Accumulated losses RM**	**Total attributable to owners of the parent RM**	**Non-controlling interests RM**	**Total equity RM**
Balance as at 1 September 2015	45,101,000	12,309,806	5,120,000	5,280,857	32,510	–	–	(16,692,063)	51,152,110	4,739,814	55,891,924
Loss for the financial year	–	–	–	–	–	–	–	(10,614,280)	(10,614,280)	(177,528)	(10,791,808)
Foreign currency translations	–	–	–	(266,656)	–	–	–	–	(266,656)	–	(266,656)
Total comprehensive loss	–	–	–	(266,656)	–	–	–	(10,614,280)	(10,880,936)	(177,528)	(11,058,464)
Transactions with owners											
Par value reduction (Note 17)	(33,825,750)	–	–	–	–	–	–	33,825,750	–	–	–
Issuance of rights issue with warrants (Note 17 and 18)	22,550,500	–	–	–	–	–	8,776,655	(8,776,655)	22,550,500	–	22,550,500
Issuance of bonus shares (Note 17)	11,275,250	(11,275,250)	–	–	–	–	–	–	–	–	–
Share options granted under ESOS (Note 18)	–	–	–	–	–	3,566,307	–	–	3,566,307	–	3,566,307
Corporate exercise expenses	–	(640,674)	–	–	–	–	–	–	(640,674)	–	(640,674)
Total transactions with owners	–	(11,915,924)	–	–	–	3,566,307	8,776,655	25,049,095	25,476,133	–	25,476,133
Balance as at 31 August 2016	45,101,000	393,882	5,120,000	5,014,201	32,510	3,566,307	8,776,655	(2,257,248)	65,747,307	4,562,286	70,309,593

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (cont'd)

	←		Non-distributable				→				
Group	Share capital RM	Share premium RM	Other capital reserve RM	Exchange translation reserve RM	Legal reserve RM	Share options reserve RM	Warrant reserve RM	Accumulated losses RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 September 2014	45,101,000	12,309,806	5,120,000	577,612	32,510	–	–	(17,352,122)	45,788,806	3,916,954	49,705,760
Profit for the financial year	–	–	–	–	–	–	–	396,504	396,504	822,297	1,218,801
Foreign currency translations	–	–	–	4,703,245	–	–	–	–	4,703,245	565	4,703,810
Remeasurement gains on defined benefit plans	–	–	–	–	–	–	–	263,555	263,555	(2)	263,553
Total comprehensive income	–	–	–	4,703,245	–	–	–	660,059	5,363,304	822,860	6,186,164
Balance as at 31 August 2015	45,101,000	12,309,806	5,120,000	5,280,857	32,510	–	–	(16,692,063)	51,152,110	4,739,814	55,891,924

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	← Non-distributable			→		
Company	**Share capital RM**	**Share premium RM**	**Share options reserve RM**	**Warrant reserve RM**	**Accumulated losses RM**	**Total equity RM**
Balance as at 1 September 2015	45,101,000	12,309,806	–	–	(27,914,807)	29,495,999
Loss for the financial year	–	–	–	–	(3,634,618)	(3,634,618)
Other comprehensive loss, net of tax	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	(3,634,618)	(3,634,618)
Transactions with owners						
Par value reduction (Note 17)	(33,825,750)	–	–	–	33,825,750	–
Issuance of rights issue with warrants (Note 17 and 18)	22,550,500	–	–	8,776,655	(8,776,655)	22,550,500
Issuance of bonus shares (Note 17)	11,275,250	(11,275,250)	–	–	–	–
Share options granted under ESOS (Note 18)	–	–	3,566,307	–	–	3,566,307
Corporate exercise expenses	–	(640,674)	–	–	–	(640,674)
Total transactions with owners	–	(11,915,924)	3,566,307	8,776,655	25,049,095	25,476,133
Balance as at 31 August 2016	45,101,000	393,882	3,566,307	8,776,655	(6,500,330)	51,337,514

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (cont'd)

	Non-distributable					
Company	**Share capital RM**	**Share premium RM**	**Share options reserve RM**	**Warrant reserve RM**	**Accumulated losses RM**	**Total equity RM**
Balance as at 1 September 2014	45,101,000	12,309,806	–	–	(25,750,894)	31,659,912
Loss for the financial year	–	–	–	–	(2,163,913)	(2,163,913)
Other comprehensive loss, net of tax	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	(2,163,913)	(2,163,913)
Balance as at 31 August 2015	45,101,000	12,309,806	–	–	(27,914,807)	29,495,999

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax		**(10,188,638)**	4,257,183	**(3,599,749)**	(2,126,582)
Adjustments for:					
Allowance of slow moving inventories		**208,659**	–	**–**	–
Depreciation on:					
- property, plant and equipment	7	**6,507,817**	6,512,132	**110,877**	57,682
- investment properties	8	**338,116**	335,334	**–**	–
Fair value changes in derivatives	24	**(138,026)**	187,950	**–**	–
(Gain)/Loss on disposal of:					
- property, plant and equipment		**(15,047)**	(109,556)	**–**	–
- other investments		**(32,479)**	–	**–**	–
- a subsidiary	36	**78,137**	–	**38,383**	–
Interest expense	33	**5,477,309**	4,953,414	**901,165**	818,214
Interest income	28	**(3,479,342)**	(1,856,113)	**(190,753)**	–
Loss/(Gain) on unrealised foreign exchange		**993,504**	(300,239)	**(114,096)**	1,803,801
Increase in retirement benefit obligations	19	**202,709**	489,879	**89,710**	110,700
Provision for directors' leave passage	30	**64,571**	64,571	**64,571**	64,571
Reversal of slow moving inventories		**(50,752)**	(59,339)	**–**	–
(Reversal of)/impairment losses on:					
- property, plant and equipment	7	**–**	(1,364,105)	**–**	–
- investment in subsidiaries	10	**–**	–	**7,464**	–
- trade and other receivables	14	**640,561**	85,233	**85,024**	1,988,693
- trade and other receivables	14	**(6,154)**	(979,054)	**(50,000)**	–
Share options granted under ESOS	29	**3,566,307**	–	**2,060,755**	–
Short term accumulating compensated absences	30	**74,505**	10,551	**74,505**	10,551
Waiver of a director's remuneration	28	**–**	(1,453,364)	**–**	(1,453,364)
Written down/(Reversal) of inventories		**3,489**	(28,986)	**–**	–
Written off of:					
- bad debts		**720,855**	70,946	**810,157**	–
- property, plant and equipment	7	**12,515**	1,281,254	**–**	33,781
- inventories		**54,947**	1,137,676	**–**	–
Operating profit before changes in working capital		**5,033,563**	13,235,367	**288,013**	1,308,047

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (cont'd)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)					
Operating profit before changes in working capital (cont'd)		**5,033,563**	13,235,367	**288,013**	1,308,047
(Increase)/Decrease in inventories		**(944,404)**	18,516,424	**–**	–
Decrease/(Increase) in trade and other receivables		**6,710,221**	(20,349,487)	**1,611,032**	(1,972,614)
(Decrease)/Increase in trade and other payables		**(4,355,193)**	3,462,101	**(1,728,731)**	2,165,409
Cash generated from operations		**6,444,187**	14,864,405	**170,314**	1,500,842
Contribution paid for retirement benefit obligations	19	**(437,128)**	(684,729)	**(430,518)**	(424,015)
Tax paid		**(1,823,817)**	(786,686)	**–**	–
Interest paid		**(5,477,309)**	(4,953,414)	**(901,165)**	(818,214)
Net cash (used in)/generated from operating activities		**(1,294,067)**	8,439,576	**(1,161,369)**	258,613
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of additional interest in a subsidiary	10	**–**	–	**(1,147,375)**	–
Interest received		**3,479,342**	1,856,113	**190,753**	–
Net changes in deposits pledged with licensed banks		**(14,414,023)**	(224,197)	**(5,158,240)**	–
Proceeds from disposal of:					
- property, plant and equipment		**15,047**	137,000	**–**	–
- a subsidiary	36	**(3,618)**	–	**1**	–
- other investment		**46,479**	–	**–**	–
Purchase of property, plant and equipment	7	**(5,184,390)**	(7,947,632)	**(23,983)**	(52,343)
Subsequent expenditure incurred on investment properties	8	**(7,000)**	(20,300)	**–**	–
Net cash used in investing activities		**(16,068,163)**	(6,199,016)	**(6,138,844)**	(52,343)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (cont'd)

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of rights issue	17	**22,550,500**	–	**22,550,500**	–
Net changes in short term borrowings		**12,325,051**	(83,319)	**–**	–
Net changes in subsidiaries' balances		**–**	–	**(14,753,003)**	(17,874)
Repayment of:					
- hire purchase and lease creditors		**(2,129,536)**	(1,338,536)	**(124,796)**	(49,015)
- term loans		**(7,669,743)**	–	**–**	–
Drawdown of term loans		**–**	(6,065,102)	**–**	–
Net cash from/(used in) financing activities		**25,076,272**	(7,486,957)	**7,672,701**	(66,889)
Net increase/(decrease) in cash and cash equivalents		**7,714,042**	(5,246,397)	**372,488**	139,381
Effects of exchange rate changes on cash and cash equivalents		**(268,615)**	63,975	**–**	–
Cash and cash equivalents at beginning of financial year		**(10,321,078)**	(5,138,656)	**267,602**	128,221
Cash and cash equivalents at end of financial year	15	**(2,875,651)**	(10,321,078)	**640,090**	267,602

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

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 12-02, 12th Floor, Menara Zurich, 170, Jalan Argyll, 10050 Penang.

The principal place of business of the Company is located at 51-14-B & C, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Penang.

The consolidated financial statements for the financial year ended 31 August 2016 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 30 November 2016.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in provision of management services and investment holding. The principal activities of the subsidiaries are set out in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company as set out on pages 44 to 136 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia.

However, Note 43 to the financial statements as set out on page 137 has 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 ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of the financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;

(b) Exposure, or rights, to variable returns from its involvement with the investee; and

(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual agreements; and

(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions are also eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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 interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Basis of consolidation (cont'd)

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

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination 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.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on an combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group 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 4.8 to the financial statements. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and is not depreciated. Capital work-in-progress is also not depreciated until such time when the asset is available for use.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation periods and rates are as follows:

Leasehold land	34 - 99 years
Buildings	2% - 5%
Plant and machinery	10% - 20%
Office furniture, fittings and computer equipment	10% - 33.33%
Motor vehicles	20%
Renovation	2% - 10%

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

4.6 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs, less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the carrying amount of the investment properties or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.6 Investment properties (cont'd)

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 their estimated useful lives. The principal annual depreciation periods and rates are as follows:

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

At the end of each reporting period, the carrying amount of an item of the investment properties is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the investment properties. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Investment properties are derecognised when either they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

4.7 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.8 Intangible asset

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4.9 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.9 Impairment of non-financial assets (cont'd)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

4.10 Inventories

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

Cost is determined using the first-in, first-out basis. The cost of finished goods and work-in-progress comprises all 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. The cost of trading goods is determined on the first-in, first-out basis and includes cost of purchase and other incidental expenses in bringing in the items into its present location and condition.

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

4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(i) Financial assets at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in profit or loss.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

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

(iii) Loans and receivables

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

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

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

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 in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

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 classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the share retirement method.

Where the share retirement method is applied, the nominal value of the shares repurchased shall be cancelled by a debit to the share capital account. An amount equivalent to the nominal value of the shares repurchased shall be transferred to a capital redemption reserve.

The consideration, including any acquisition cost and premium or discount arising from the shares repurchased, shall be adjusted directly to the share premium account or any other suitable reserve. In the circumstance where there is no or insufficient share premium, the consideration, or its balance thereof, shall be adjusted to any other suitable reserve.

The shares cancelled and the adjustments made to share premium or reserves shall be shown as a movement in the share capital account and the share premium or reserve account respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.12 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on held-to-maturity investments and loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial 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 loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates 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 impairment reversed is recognised in profit or loss.

(b) Available-for-sale financial assets

The Group collectively considers factors such as 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 as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit to loss.

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial 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.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if the 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.

4.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised to profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.14 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary and real property gains taxes payable on disposal of properties, if any.

Taxes in the profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset, is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.15 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.17 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.17 Employee benefits (cont'd)

(b) Defined contribution plans

The Company and its subsidiaries make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

(c) Defined benefit plans

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefits costs comprise the following:

(i) Service cost
(ii) Net interest on the net defined benefit liability or asset
(iii) Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group and of the Company, nor can they be paid directly to the Group and the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.17 Employee benefits (cont'd)

(d) Share-based payment

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions but excluding the impact of any non-market performance and service vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees could provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

If the options are exercised, the Company issues new shares to the employees. The proceeds received, net of any directly attributable transaction costs are recognised in ordinary share capital at nominal value, and any excess would be recognised in share premium.

(e) Termination benefits

Termination benefits are payments due to employees as a result of the decision of the Group to terminate the employment or an employee's decision to accept an offer of benefits by the Group in exchange for termination of employment. They are recognised as a liability and an expense at the earlier of the following dates:

(i) when the Group has a detailed formal plan for termination where it can no longer withdraw the offer of those benefits; and

(ii) when the Group recognises costs for a restructuring and involves the payment of termination benefits.

Subsequent to initial recognition, the Group applies the requirements for post-employment benefits by measuring and recognising subsequent changes in accordance with the nature of the employee benefits. Otherwise:

(i) if the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period, the Group applies the requirements for short-term employee benefits.

(ii) if the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the Group applies the requirements for other long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.18 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of 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, which is the functional and presentation currency of the Company.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(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.

(f) Maintenance income

Maintenance income is accounted for on a straight-line basis over the terms of the contract.

4.20 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts would be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets shall be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. The probability of shareholders' approval (if required in the jurisdiction) is considered as part of the assessment of whether the sale is highly probable.

The sale is expected to qualify for recognition as a completed sale within one (1) year from the date of classification. However, an extension of the period required to complete the sale does not preclude the assets from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to its plan to sell the assets.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale or otherwise.

Immediately before the initial classification as held for sale, the carrying amounts of the assets are measured in accordance with applicable MFRSs. On initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, and financial assets carried at fair value) are measured at the lower of its carrying amount before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.20 Non-current assets held for sale (cont'd)

The Group measures a non-current asset classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

Non-current assets held for sale are classified as current assets in the statement of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset classified as held for sale is presented separately.

If the Group has classified an asset as held for sale but subsequently, the criteria for classification is no longer met, the Group ceases to classify the asset as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

(i) Its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale; and

(ii) Its recoverable amount at the date of the subsequent decision not to sell.

4.21 Operating segments

Operating segments are defined as components of the Group that:

(a) Engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

  (i) The combined reported profit of all operating segments that did not report a loss; and

  (ii) The combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.21 Operating segments (cont'd)

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.22 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4.23 Warrant reserve

Where the Company received a lump sum payment ('proceeds') from the issuance of new ordinary shares with warrants, the proceeds received shall be assigned to the ordinary shares and warrants based on the irrespective fair values.

The value of the warrants ascertained shall be allocated to warrant reserves from other equity items. Warrant reserve is transferred to the share premium upon the exercise of warrants and the warrant reserve in relation to the unexercised warrants shall remain in equity until the warrants lapsed.

4.24 Fair value measurements

The fair value of an asset or a liability, (except for share based payment and lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.24 Fair value measurements (cont'd)

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2016

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company.

Title	Effective Date
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRSs *Annual Improvements to 2012-2014 Cycle*	1 January 2016
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no changes in estimates during the reporting period and at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

(a) 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 to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Disposal group classified as held for sale

Certain non-current assets as disclosed in Note 16 to the financial statements have been classified as disposal group held for sale as the management has committed to a plan to sell the assets and liabilities as at the end each the reporting period. Barring any unforeseen circumstances, the Group expects that the sale of the assets and liabilities to be completed within the next twelve (12) months.

(c) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and machinery as disclosed in the Note 7 to the financial statements. These are common life expectancies applied in the industry which the Group operates. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

6.3 Key sources of estimation uncertainty (cont'd)

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. (cont'd)

(b) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(c) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(d) Fair value measurement

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Company measures its financial instruments at fair value as disclosed in Note 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Leasehold land RM	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
Group									
At 31 August 2016									
Cost									
At 1 September 2015	6,975,091	4,830,215	22,070,930	38,972,148	10,248,972	4,880,814	10,865,206	1,433,766	100,277,142
Additions	854,202	–	2,656,218	1,905,663	338,611	360,770	733,182	361,149	7,209,795
Reclassification	–	–	46,583	453,291	71,941	–	(14,200)	(557,615)	–
Disposals	–	–	–	–	–	(107,093)	–	–	(107,093)
Written off	–	–	–	(7,000)	(8,645)	(102,500)	–	–	(118,145)
Exchange differences	16,744	–	10,435	645,231	(4,443)	(7,996)	(32,583)	(3,408)	623,980
Disposal of a subsidiary (Note 36)	–	–	–	–	(57,251)	(134,388)	(297,098)	–	(488,737)
At 31 August 2016	7,846,037	4,830,215	24,784,166	41,969,333	10,589,185	4,889,607	11,254,507	1,233,892	107,396,942
Accumulated depreciation and impairment losses									
At 1 September 2015	–	504,370	4,498,537	24,960,381	7,877,754	3,873,063	5,306,672	–	47,020,777
Depreciation charge for the financial year (Note 32)	–	101,023	766,958	3,821,073	568,909	386,288	863,566	–	6,507,817
Reclassification	–	–	–	–	237	–	(237)	–	–
Disposals	–	–	–	–	–	(107,093)	–	–	(107,093)
Written off	–	–	–	(900)	(2,230)	(102,500)	–	–	(105,630)
Exchange differences	–	–	668,081	(49,935)	(7,439)	(7,252)	(8,096)	–	595,359
Disposal of a subsidiary (Note 36)	–	–	–	–	(55,556)	(134,388)	(268,666)	–	(458,610)
At 31 August 2016	–	605,393	5,933,576	28,730,619	8,381,675	3,908,118	5,893,239	–	53,452,620
Analysed as:									
Accumulated depreciation	–	605,393	5,933,576	27,134,448	8,369,109	3,908,118	5,688,328	–	51,638,972
Accumulated impairment losses	–	–	–	1,596,171	12,566	–	204,911	–	1,813,648
At 31 August 2016	–	605,393	5,933,576	28,730,619	8,381,675	3,908,118	5,893,239	–	53,452,620
Net carrying amount									
At 31 August 2016	7,846,037	4,224,822	18,850,590	13,238,714	2,207,510	981,489	5,361,268	1,233,892	53,944,322

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM	Leasehold land RM	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
Group									
At 31 August 2015									
Cost									
At 1 September 2014	6,307,157	3,180,215	13,566,384	31,224,321	10,155,585	4,389,103	9,790,725	4,479,178	83,092,668
Additions	–	1,650,000	3,088,123	3,498,676	1,124,312	405,184	219,046	4,108,806	14,094,147
Reclassification	(291,955)	–	4,448,306	3,127,240	–	–	424,394	(7,707,985)	–
Disposals	–	–	–	–	(525,800)	(70,607)	(483,091)	–	(1,079,498)
Written off	–	–	–	(2,342,048)	(832,436)	(102,500)	(65,810)	–	(3,342,794)
Exchange differences	959,889	–	968,117	3,463,959	327,311	259,634	979,942	553,767	7,512,619
At 31 August 2015	6,975,091	4,830,215	22,070,930	38,972,148	10,248,972	4,880,814	10,865,206	1,433,766	100,277,142
Accumulated depreciation and impairment losses									
At 1 September 2014	–	443,591	3,147,328	22,201,210	8,336,972	3,416,927	4,633,801	–	42,179,829
Depreciation charge for the financial year (Note 32)	–	60,779	623,484	3,844,172	623,317	410,464	949,916	–	6,512,132
Reclassification	–	–	570,751	(570,751)	–	–	–	–	–
Disposals	–	–	–	–	(498,357)	(70,607)	(483,090)	–	(1,052,054)
Written off	–	–	–	(1,094,575)	(814,741)	(102,500)	(49,724)	–	(2,061,540)
Reversal of impairment loss (Note 7)	–	–	(665,123)	(698,982)	–	–	–	–	(1,364,105)
Exchange differences	–	–	822,097	1,279,307	230,563	218,779	255,769	–	2,806,515
At 31 August 2015	–	504,370	4,498,537	24,960,381	7,877,754	3,873,063	5,306,672	–	47,020,777
Analysed as:									
Accumulated depreciation	–	504,370	4,498,537	23,364,210	7,865,188	3,873,063	5,101,761	–	45,207,129
Accumulated impairment losses	–	–	–	1,596,171	12,566	–	204,911	–	1,813,648
At 31 August 2015	–	504,370	4,498,537	24,960,381	7,877,754	3,873,063	5,306,672	–	47,020,777
Net carrying amount									
At 31 August 2015	6,975,091	4,325,845	17,572,393	14,011,767	2,371,218	1,007,751	5,558,534	1,433,766	53,256,365

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Motor vehicles RM	Office furniture, fittings and computer equipment RM	Renovation RM	Capital work-in-progress RM	Total RM
Company					
At 31 August 2016					
Cost					
At 1 September 2015	143,856	1,533,376	33,428	62,000	1,772,660
Additions	–	23,983	–	–	23,983
Reclassification	–	15,500	–	(15,500)	–
Transfer out to subsidiaries	–	–	–	(31,000)	(31,000)
Written off	–	(2,150)	–	–	(2,150)
At 31 August 2016	143,856	1,570,709	33,428	15,500	1,763,493
Accumulated depreciation					
At 1 September 2015	140,823	830,943	5,405	–	977,171
Depreciation charge for the financial year (Note 32)	910	106,624	3,343	–	110,877
Written off	–	(2,150)	–	–	(2,150)
At 31 August 2016	141,733	935,417	8,748	–	1,085,898
Net carrying amount					
At 31 August 2016	2,123	635,292	24,680	15,500	677,595

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Motor vehicles RM	Office furniture, fittings and computer equipment RM	Renovation RM	Capital work-in-progress RM	Total RM
Company					
At 31 August 2015					
Cost					
At 1 September 2014	143,856	863,403	46,751	–	1,054,010
Additions	–	689,723	4,620	62,000	756,343
Written off	–	(19,750)	(17,943)	–	(37,693)
At 31 August 2015	143,856	1,533,376	33,428	62,000	1,772,660
Accumulated depreciation					
At 1 September 2014	139,913	779,863	3,625	–	923,401
Depreciation charge for the financial year (Note 32)	910	53,135	3,637	–	57,682
Written off	–	(2,055)	(1,857)	–	(3,912)
At 31 August 2015	140,823	830,943	5,405	–	977,171
Net carrying amount					
At 31 August 2015	3,033	702,433	28,023	62,000	795,489

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Purchase of property, plant and equipment	**7,209,795**	14,094,147	**23,983**	756,343
Financed by hire purchase arrangements	**(2,025,405)**	(2,392,605)	**–**	(704,000)
Financed by term loan arrangements	**–**	(3,753,910)	**–**	–
Cash payments on purchase of property, plant and equipment	**5,184,390**	7,947,632	**23,983**	52,343

(b) The carrying amount of the property, plant and equipment of the Group and of the Company under finance leases at the end of the reporting period are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Plant and machinery	**5,515,524**	6,973,943	**–**	–
Office furniture, fittings and computer equipment	**1,258,305**	615,384	**545,599**	615,384
Motor vehicles	**1,056,056**	718,071	**–**	–
Capital work-in-progress	**15,500**	337,581	**15,500**	62,000
	7,845,385	8,644,979	**561,099**	677,384

Details of the terms and conditions and information on financial risks of the hire purchase or finance leases arrangements are disclosed in Note 20 and 40 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(c) As at the end of the reporting period, the carrying amount of the Group's property, plant and equipment have been charged to banks for credit facilities granted to the Group are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Land and buildings	**26,591,568**	23,491,759
Plant and machinery	**12,959,320**	5,677,279
Renovation	**281,872**	514,490
Office furniture, fittings and computer equipment	**–**	615,384
Capital work-in-progress	**–**	695,428
	39,832,760	30,994,340

Details of the terms and conditions of the borrowings are disclosed in Note 20 to the financial statements.

(d) In the previous financial year, certain subsidiaries in Malaysia had carried out impairment reviews of their property, plant and equipment due to their continuing losses. An impairment loss of RM90,000 had been recognised in the income statement. The recoverable amount of approximate RM518,000 as at 31 August 2015 was based on value in use and was determined at the level of the CGU. In determining the value in use for the CGU of the subsidiary, the cash flows were discounted at a rate of 13% on a pre-tax basis.

In the previous financial year, one of the subsidiaries in Thailand has made a reversal of impairment loss amounting to RM1,454,105.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

8. INVESTMENT PROPERTIES

	Group	
	2016 **RM**	**2015** **RM**
Land, buildings and renovation, at cost		
Balance as at 1 September 2015/2014	**14,985,743**	14,965,443
Additions	**7,000**	20,300
Transfer to assets of disposal group classified as held for sale (Note 16)	**(10,432,099)**	–
Balance as at 31 August	**4,560,644**	14,985,743
Accumulated depreciation		
Balance as at 1 September 2015/2014	**2,887,155**	2,551,821
Depreciation charge for the year	**338,116**	335,334
Transfer to assets of disposal group classified as held for sale (Note 16)	**(1,437,752)**	–
Balance as at 31 August	**1,787,519**	2,887,155
Net carrying amount		
Balance as at 31 August	**2,773,125**	12,098,588

(a) Investment properties with an aggregate carrying amount of RM2,677,906 (2015: RM12,000,196) are charged to a financial institution for banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

(b) The net carrying amount of investment properties held under finance leases arrangements at the reporting date are as follows:

	Group	
	2016 **RM**	**2015** **RM**
Renovation	**–**	48,750

(c) Direct operating expenses arising from investment properties generating rental income during the financial year amounted to RM55,655 (2015: RM540,045).

(d) The fair value of the investment properties for disclosure purpose, which are at Level 2 fair value were determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuations are based on comparison method.

The fair value of investment properties of the Group are as follows:

	2016 **RM**	**2015** **RM**
Land and building	**9,280,000**	21,760,000

(e) There were no transfer between Level 1, 2 and 3 fair value measurement during the financial years ended 31 August 2016 and 31 August 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

9. INTANGIBLE ASSET

	Group	
	2016 RM	2015 RM
Goodwill, at cost		
At 31 August	**413,371**	413,371
Accumulated impairment losses		
At 31 August	**124,243**	124,243
Net carrying amount		
At 31 August	**289,128**	289,128

Goodwill arising from business combinations has been allocated to one individual cash-generating units ("CGU") for impairment testing as follows:

	Group	
	2016 RM	2015 RM
Contract manufacturing - Thailand	**289,128**	289,128

The recoverable amount of a CGU has been determined based on value-in-use calculations using cash flow projections from financial budgets 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 the external sources of information.

(iii) Discount rate

The discount rate applied to the cash flow projections is 11% p.a. (2015: 11% 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 a constant growth rate beyond 5 years.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

10. INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
At cost		
Unquoted shares	**55,930,338**	55,392,963
Accumulated impairment losses	**(12,716,823)**	(13,280,975)
	43,213,515	42,111,988
Share options granted to employees of subsidiaries	**1,505,552**	–
	44,719,067	42,111,988

Movement in accumulated impairment losses:

	Company 2016 RM	Company 2015 RM
Balance as at 1 September 2015/2014	**13,280,975**	13,280,975
Disposal of a subsidiary (Note 36)	**(571,616)**	–
Impairment loss recognised in profit or loss (Note 32)	**7,464**	–
Balance as at 31 August	**12,716,823**	13,280,975

(a) The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Equity interest 2016 %	Equity interest 2015 %	Principal activities
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 and security products.
D'nonce Biofoods Sdn. Bhd.	Malaysia	*** –**	* 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.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

10. INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) The details of the subsidiaries are as follows (cont'd):

Name of company	Country of incorporation	Equity interest 2016 %	Equity interest 2015 %	Principal activities
Attractive Venture (JB) Sdn. Bhd.	Malaysia	**** 82**	** 82	Design and conversion of advanced packaging materials and distribution of electronic products.
AV Industries Sdn. Bhd.	Malaysia	**100**	100	Contract manufacturing of electronic components and renting of plant and machinery.
D'nonce Health Science Sdn. Bhd.	Malaysia	**100**	100	Repacking, value adding and marketing of personal healthcare and safety and protection products.
AV Plastics Sdn. Bhd.	Malaysia	**84**	84	Processing of plastic injected moulded products.
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 Solutions 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 disposed off its entire 100% interest in a subsidiary, D'nonce Biofoods Sdn. Bhd. during the financial year for cash consideration of RM1 on 5 August 2016.

** 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 Solutions Holdings Co., Ltd.

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

^ Subsidiaries not audited by BDO.

~ During the financial year, the Company increased its investment in ISCM Technology (Thailand) Co., Ltd. by subscribing for 92,500 shares for RM1,147,375.

(b) Impairment loss on investment in a subsidiary amounting to RM7,464 relating to a subsidiary, D'nonce Energy Sdn. Bhd., has been recognised during the financial year due to declining business operations.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

10. INVESTMENTS IN SUBSIDIARIES (cont'd)

(c) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:

	D'nonce (Kelantan) Sdn. Bhd.	D'nonce (Johore) Sdn. Bhd.	Attractive Venture (JB) Sdn. Bhd.	AV Plastics Sdn. Bhd.	Richmond Technology Sdn. Bhd.	Other individual immaterial subsidiaries	Total
2016							
NCI percentage of ownership interest and voting interest	**45%**	**45%**	**18%**	**16%**	**45%**		
Carrying amount of NCI (RM)	**826,066**	**1,641,932**	**1,908,658**	**(612,184)**	**818,391**	**(20,577)**	**4,562,286**
Profit/(Loss) allocated to NCI (RM)	**44,348**	**(161,595)**	**93,586**	**(180,642)**	**26,268**	**507**	**(177,528)**
2015							
NCI percentage of ownership interest and voting interest	45%	45%	18%	16%	45%		
Carrying amount of NCI (RM)	781,717	1,803,526	1,815,073	(431,543)	792,123	(21,082)	4,739,814
Profit/(Loss) allocated to NCI (RM)	87,566	112,861	613,609	(122,859)	112,226	19,457	822,860

The NCI of all other subsidiaries that are not wholly owned by the Group are deemed to be immaterial.

(d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	D'nonce (Kelantan) Sdn. Bhd. RM	D'nonce (Johore) Sdn. Bhd. RM	Attractive Venture (JB) Sdn. Bhd. RM	AV Plastics Sdn. Bhd. RM	Richmond Technology Sdn. Bhd. RM
2016					
Assets and liabilities					
Non-current assets	**108,117**	**526,444**	**26,425,825**	**626,080**	**1,666,219**
Current assets	**5,712,721**	**5,154,167**	**27,721,101**	**3,237,515**	**3,403,663**
Non-current liabilities	**(46,009)**	**(11,300)**	**(13,848,599)**	**(121,368)**	**(1,038,266)**
Current liabilities	**(3,914,435)**	**(1,880,149)**	**(29,314,366)**	**(7,496,080)**	**(2,035,197)**
Net assets/(liabilities)	**1,860,394**	**3,789,162**	**10,983,961**	**(3,753,853)**	**1,996,419**

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

10. INVESTMENTS IN SUBSIDIARIES (cont'd)

(d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows (cont'd):

	D'nonce (Kelantan) Sdn. Bhd. RM	D'nonce (Johore) Sdn. Bhd. RM	Attractive Venture (JB) Sdn. Bhd. RM	AV Plastics Sdn. Bhd. RM	Richmond Technology Sdn. Bhd. RM
2016					
Results					
Revenue	**15,019,197**	**1,129,315**	**26,777,444**	**2,918,268**	**10,696,688**
Profit/(Loss) for the financial year	**98,551**	**(359,100)**	**519,921**	**(1,129,010)**	**58,373**
Total comprehensive income/ (loss)	**98,551**	**(359,100)**	**519,921**	**(1,129,010)**	**58,373**
Cash flows from/(used in) operating activities	**3,805**	**696,300**	**2,259,400**	**722,043**	**347,906**
Cash flows (used in)/from investing activities	**(3,434)**	**312,970**	**930,171**	**(259,424)**	**(75,758)**
Cash flows from/(used in) financing activities	**496,086**	**(1,079,924)**	**(3,063,859)**	**(250,593)**	**148,824**
Net increase/(decrease) in cash and cash equivalents	**496,457**	**(70,654)**	**125,712**	**212,026**	**420,972**
2015					
Assets and liabilities					
Non-current assets	145,811	550,368	37,080,667	627,728	748,582
Current assets	5,407,444	5,922,561	25,200,546	3,119,190	3,105,629
Non-current liabilities	(84,467)	(12,152)	(21,995,456)	(215,822)	(252,927)
Current liabilities	(3,731,639)	(2,452,941)	(30,202,018)	(6,228,237)	(1,841,010)
Net assets/(liabilities)	1,737,149	4,007,836	10,083,739	(2,697,141)	1,760,274
Results					
Revenue	14,627,325	7,645,758	68,700,098	3,957,426	9,235,805
Profit/(Loss) for the financial year	194,591	250,802	3,408,938	(767,866)	249,392
Total comprehensive income/ (loss)	194,591	250,802	3,408,938	(767,866)	249,392
Cash flows (used in)/from operating activities	(203,054)	2,470,139	(2,654,213)	(534,263)	(131,901)
Cash flows (used in)/from investing activities	(14,085)	176,062	1,445,648	(68,039)	(78,939)
Cash flows (used in)/from financing activities	(16,197)	(2,751,539)	995,260	704,403	(43,344)
Net (decrease)/increase in cash and cash equivalents	(233,336)	(105,338)	(213,305)	102,101	(254,184)

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

11. OTHER INVESTMENTS

	Group	
	2016	**2015**
	RM	**RM**
Golf club memberships, at cost		
At 1 September 2015/2014	**80,000**	168,205
Disposal	**(80,000)**	–
Written off	**–**	(88,205)
At 31 August	**–**	80,000
Accumulated depreciation		
At 1 September 2015/2014	**66,000**	154,205
Disposal	**(66,000)**	–
Written off	**–**	(88,205)
At 31 August	**–**	66,000
Net carrying amount		
At 31 August	**–**	14,000

12. DEFERRED TAX

(a) The deferred tax (assets) and liabilities are made up of the followings:

	Group	
	2016	**2015**
	RM	**RM**
Balance as at 1 September 2015/2014	**519,350**	(539,831)
Recognised in profit or loss (Note 34)	**(189,243)**	1,095,426
Exchange differences	**325**	(36,245)
Balance as at 31 August	**330,432**	519,350
Presented after appropriate offsetting:		
Deferred tax assets, net	**(92,155)**	(63,772)
Deferred tax liabilities, net	**422,587**	583,122
	330,432	519,350

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

12. DEFERRED TAX (cont'd)

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

Deferred tax assets of the Group

	Unused tax losses RM	Others RM	Total RM
Balance as at 1 September 2015	–	(63,772)	(63,772)
Recognised in profit or loss	(50,444)	21,736	(28,708)
Exchange differences	–	325	325
Balance as at 31 August 2016	**(50,444)**	**(41,711)**	**(92,155)**
Balance as at 1 September 2014	(839,839)	(535,707)	(1,375,546)
Recognised in profit or loss	839,839	508,180	1,348,019
Exchange differences	–	(36,245)	(36,245)
Balance as at 31 August 2015	–	(63,772)	(63,772)

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Others RM	Total RM
Balance as at 1 September 2015	327,998	255,124	583,122
Recognised in profit or loss	154,364	(314,899)	(160,535)
Balance as at 31 August 2016	**482,362**	**(59,775)**	**422,587**
Balance as at 1 September 2014	848,795	(13,080)	835,715
Recognised in profit or loss	(520,797)	268,204	(252,593)
Balance as at 31 August 2015	327,998	255,124	583,122

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unused tax losses	**52,721,000**	46,754,000	**–**	–
Unabsorbed capital allowances	**12,450,000**	11,262,000	**–**	–
Unutilised reinvestment allowances	**9,225,000**	9,225,000	**–**	–
Other deductible temporary differences	**10,240,000**	10,363,000	**–**	–
	84,636,000	77,604,000	**–**	–

Deferred tax assets have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be sufficient against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under the current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

13. INVENTORIES

	Group 2016 RM	Group 2015 RM
At cost		
Raw materials	**5,221,294**	3,542,919
Work-in-progress	**873,318**	365,797
Finished goods	**2,363,055**	2,027,895
Trading goods	**9,302,232**	10,208,084
	17,759,899	16,144,695
At net realisable value		
Raw materials	**26,945**	1,220,407
Work-in-progress	**25,211**	138,344
Finished goods	**334,659**	–
Trading goods	**12,145**	–
	398,960	1,358,751
	18,158,859	17,503,446

During the financial year, inventories of the Group recognised as cost of sales amounted to RM116,593,449 (2015: RM124,338,922).

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current				
Trade receivables				
Third party - interest bearing at 3.25% to 5.00% p.a. (2015: 3.25% to 5.00% p.a.)	**23,081,731**	33,096,116	**–**	–
Current				
Trade receivables				
Third party - interest bearing at 3.25% to 5.00% p.a. (2015: 3.25% to 5.00% p.a.)	**8,974,385**	14,479,097	**–**	–
Third party - non-interest bearing	**37,599,508**	31,868,346	**–**	–
	46,573,893	46,347,443	**–**	–
Less: Impairment losses - Third parties	**(767,387)**	(236,716)	**–**	–
	45,806,506	46,110,727	**–**	–
Other receivables				
Amount owing by subsidiaries	**–**	–	**26,007,241**	15,080,614
Less: Impairment losses	**–**	–	**(4,889,942)**	(10,074,367)
	–	–	**21,117,299**	5,006,247
Other receivables	**4,730,755**	4,210,346	**332,340**	1,536,348
	4,730,755	4,210,346	**21,449,639**	6,542,595
Loans and receivables	**50,537,261**	50,321,073	**21,449,639**	6,542,595
Deposits and prepayments				
Deposits	**2,543,644**	1,823,435	**12,550**	11,820
Prepayments	**3,321,011**	2,430,074	**25,998**	433,752
	5,864,655	4,253,509	**38,548**	445,572
	56,401,916	54,574,582	**21,488,187**	6,988,167

14. TRADE AND OTHER RECEIVABLES (cont'd)

(a) The normal trade credit terms granted by the Group range from 30 to 120 days (2015: 30 to 120 days). Other credit terms are assessed and approved on case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) The amount owing by subsidiaries are unsecured, interest-free, repayable upon demand and to be settled in cash.

(c) The currency exposure profile of loans and receivables are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	**30,788,457**	32,798,619	**18,986,259**	4,623,662
Thai Baht	**11,296,378**	8,386,283	**644,050**	176,550
United States Dollar	**7,938,998**	8,497,423	**1,819,330**	1,742,383
Others	**513,428**	638,748	**–**	–
	50,537,261	50,321,073	**21,449,639**	6,542,595

(d) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2016 RM	2015 RM
Neither past due nor impaired	**54,734,238**	68,182,139
Past due, but not impaired		
1 to 30 days	**5,295,680**	4,671,883
31 to 60 days	**2,921,261**	1,904,909
61 to 90 days	**2,250,156**	1,026,275
More than 91 days	**3,686,902**	3,421,637
	14,153,999	11,024,704
Past due and impaired	**767,387**	236,716
	69,655,624	79,443,559

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.

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

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired amounting to RM14,153,999 (2015: RM11,024,704) mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

14. TRADE AND OTHER RECEIVABLES (cont'd)

(e) The reconciliation of movement in the impairment loss are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Trade receivables				
At 1 September 2015/2014	**236,716**	1,170,386	**–**	–
Charge during the financial year (Note 32)	**640,561**	85,233	**–**	–
Written off	**(103,559)**	(45,448)	**–**	–
Reversal of impairment losses (Note 32)	**(6,154)**	(979,054)	**–**	–
Exchange differences	**(177)**	5,599	**–**	–
At 31 August	**767,387**	236,716	**–**	–
Other receivables				
At 1 September 2015/2014	**–**	–	**10,074,367**	8,085,674
Charge during the financial year (Note 32)	**–**	–	**85,024**	1,988,693
Written off	**–**	–	**(5,219,449)**	–
Reversal of impairment losses (Note 32)	**–**	–	**(50,000)**	–
At 31 August	**–**	–	**4,889,942**	10,074,367
	767,387	236,716	**4,889,942**	10,074,367

Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors and subsidiaries that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(f) Information on financial risks of trade and other receivables is disclosed in Note 40 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

15. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current				
Deposits with licensed banks	**–**	469,045	**–**	–
Current				
Cash and bank balances	**11,785,866**	5,297,683	**640,090**	267,602
Deposits with licensed banks	**21,542,821**	5,107,361	**5,158,240**	–
	33,328,687	10,405,044	**5,798,330**	267,602
	33,328,687	10,874,089	**5,798,330**	267,602

(a) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	**25,789,478**	8,119,594	**5,789,425**	267,602
United States Dollar	**3,944,298**	1,477,329	**2,430**	–
Thai Baht	**3,208,710**	1,182,517	**–**	–
Others	**386,201**	94,649	**6,475**	–
	33,328,687	10,874,089	**5,798,330**	267,602

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	**11,785,866**	5,297,683	**640,090**	267,602
Deposit with licensed banks	**21,542,821**	5,576,406	**5,158,240**	–
Bank overdrafts (Note 20)	**(16,213,909)**	(15,618,761)	**–**	–
	17,114,778	(4,744,672)	**5,798,330**	267,602
Less:				
Deposits pledged with licensed banks	**(19,990,429)**	(5,576,406)	**(5,158,240)**	–
	(2,875,651)	(10,321,078)	**640,090**	267,602

(c) The deposits with licensed banks are pledged as security for the Group's borrowings and banking facilities as disclosed in Note 20 to the financial statements.

(d) Certain deposits with a licensed bank of the Group amounting to RM nil (2015: RM134,986) are registered in the name of a past Director of a subsidiary who hold such deposits in trust for the subsidiary.

(e) Information on financial risks of cash and bank balances is disclosed in Note 40 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

16. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As at 16 June 2016 and 29 August 2016, D'nonce (K.L) Sdn. Bhd. and Attractive Venture Sdn. Bhd., both wholly owned subsidiaries of D'nonce Technology Bhd. have entered into sales and purchases agreement to dispose off two investment properties with carrying amount of RM8,994,347 for a total consideration of RM17,500,000. The sales of investment properties are expected to complete by October 2016 and March 2017 respectively. As at the end of the reporting period, the assets of the non-current asset are as follows:

	Group 2016 RM
Assets of disposal group classified as held for sale	
Investment properties	**8,994,347**

The carrying amount of investment properties of the disposal group is the same as its carrying amount before it was being reclassified to current assets.

Investment properties held for sale comprise the following:

	2016 RM
Cost	**10,432,099**
Accumulated depreciation	**(1,437,752)**
	8,994,347

As at the end of the reporting period, the carrying amount of the Group's assets of disposal group classified as held for sale have been charged to a bank for credit facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

17. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of ordinary shares	Amount RM	Number of ordinary shares	Amount RM
Authorised share capital				
At 1 September 2015/2014 (Par value of RM1.00 each)	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Par value reduction to RM0.25 each	**–**	**(75,000,000)**	–	–
Creation of 700,000,000 ordinary shares of RM0.25 each	**700,000,000**	**175,000,000**	–	–
At 31 August	**800,000,000**	**200,000,000**	100,000,000	100,000,000
Issued and fully paid				
At 1 September 2015/2014 (Par value of RM1.00 each)	**45,101,000**	**45,101,000**	45,101,000	45,101,000
Par value reduction to RM0.25 each	**–**	**(33,825,750)**	–	–
Rights issue of 90,202,000 shares of par value RM0.25 each	**90,202,000**	**22,550,500**	–	–
Bonus issue of 45,101,000 shares of par value RM0.25 each	**45,101,000**	**11,275,250**	–	–
At 31 August	**180,404,000**	**45,101,000**	45,101,000	45,101,000

On 23 September 2015, the Company completed a par value reduction exercise pursuant to Section 64(1) of the Companies Act, 1965 in Malaysia to reduce the par value of its ordinary shares of the Company from RM1.00 to RM0.25 each by way of cancellation of RM0.75 of the par value of each ordinary share of RM1.00 each in the Company.

Subsequently, the Company increased its authorised share capital from 100,000,000 of RM0.25 each to 800,000,000 of RM0.25 each by creation of 700,000,000 ordinary share of RM0.25 each.

(a) During the financial year, the issued and paid-up share capital of the Company was increased from 45,101,000 ordinary shares to 180,404,000 ordinary shares by way of:

   (i) rights issue of 90,202,000 new ordinary shares of RM0.25 each ("Rights Share(s)") on the basis of two (2) Rights Shares for every one (1) ordinary share of RM0.25 each held after the par value reduction, together with 90,202,000 free detachable warrants ("Warrant(s)") on the basis of one (1) Warrant for every one (1) Rights Share subscribed.

   (ii) bonus issue of 45,101,000 new ordinary shares of RM0.25 each in the Company ("Bonus Share(s)") on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed pursuant to the rights issue with warrants.

(b) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

18. RESERVES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable:				
Share premium	**393,882**	12,309,806	**393,882**	12,309,806
Exchange translation reserve	**5,014,201**	5,280,857	**–**	–
Other capital reserve	**5,120,000**	5,120,000	**–**	–
Legal reserve	**32,510**	32,510	**–**	–
Warrant reserve	**8,776,655**	–	**8,776,655**	–
Share options reserve	**3,566,307**	–	**3,566,307**	–
	22,903,555	22,743,173	**12,736,844**	12,309,806

(a) Share premium

The share premium of the Group and the Company represents premium arising from the issuance of ordinary shares of the Company at issue price above par value.

(b) Exchange translation reserve

Exchange 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.

(c) Other capital reserve

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

(d) Legal reserve

Legal reserve was set up in prior years upon 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.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

18. RESERVES (cont'd)

(e) Warrant reserve

Pursuant to a Deed Poll dated 11 June 2015 ("Deed Poll"), the Company issued 90,202,000 new warrants ("Warrants") in conjunction with the rights issue of 90,202,000 shares.

The salient features of the Warrants as stated in the Deed Poll are as follows:

(i) The issue date of the Warrants was 26 November 2016 and the expiry date is 25 November 2020. Any warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose;

(ii) Each Warrant entitles the registered holder, at any time during the exercise period, to subscribe for one (1) new ordinary share at an exercise price of RM0.25 per Warrant, subject to adjustments in accordance with the provisions of the Deed Poll.

(iii) The exercise price and/or the number of unexercised Warrants shall be adjusted in the event of alteration to the share capital by reason of any issue of shares, consolidation, subdivision, conversion or capital distribution in accordance with the provisions of the Deed Poll.

(iv) The new ordinary shares arising from the exercise of the Warrants are not entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the new ordinary shares upon the exercise of the Warrants.

(v) The Warrant holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in the Company until and unless such Warrant holders exercise their Warrants into new ordinary shares.

(vi) If the Company is wound up or an order has been granted for such compromise or arrangement, all Exercise Rights which are not exercised within six weeks of the passing of the resolution for winding-up or within six weeks after the granting of the court order approving the winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation), will cease to be valid for any purpose.

At the end of the financial year, 90,202,000 warrants remained unexercised.

(f) Share options reserve

The share options reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant date of share options.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

19. RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current liabilities				
Retirement benefit obligations	**89,710**	436,884	**89,710**	430,518
Non-current liabilities				
Retirement benefit obligations	**580,286**	441,163	**–**	–
Total				
Retirement benefit obligations	**669,996**	878,047	**89,710**	430,518

(a) 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.

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Present value of unfunded defined benefit obligations being net liability	**669,996**	878,047	**89,710**	430,518
Analysed as:				
Current	**89,710**	436,884	**89,710**	430,518
Non-current	**580,286**	441,163	**–**	–
	669,996	878,047	**89,710**	430,518

(c) The amounts recognised in the profit and loss are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current service cost	**195,208**	189,206	**87,754**	84,960
Interest cost	**13,721**	24,264	**1,842**	3,421
Past service cost	**(6,334)**	247,182	**–**	–
Underprovision in prior year	**114**	29,227	**114**	22,319
	202,709	489,879	**89,710**	110,700

19. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

(d) The following tables set out the reconciliation of the scheme.

	Group		Company	
	2016 RM	2015 RM	**2016 RM**	2015 RM
At 1 September 2015/2014	**878,047**	1,521,649	**430,518**	1,030,577
Recognised in the profit or loss				
- Employee benefit expense (Note 29)	**202,709**	489,879	**89,710**	110,700
- Other income	**–**	(286,744)	**–**	(286,744)
Included in other comprehensive income	**–**	(263,553)	**–**	–
Exchange differences	**26,368**	101,545	**–**	–
Contributions paid to the plans by the Group	**(437,128)**	(684,729)	**(430,518)**	(424,015)
At 31 August	**669,996**	878,047	**89,710**	430,518

In the previous financial year, the RM286,744 relates to retirement benefit obligations waived by a director of the Company and forms part of the waiver of director's remuneration totalling RM1,453,364 as disclosed in Note 28 to the financial statements.

(e) The principal actuarial assumptions used are as follows:

	Group		Company	
	2016 %	2015 %	**2016 %**	2015 %
Discount rate	**3.3 - 4.3**	3.3 - 4.4	**4.3**	4.4
Expected rate of salary increases	**5.0**	5.0	**5.0**	5.0

(f) The following table demonstrates the sensitivity analysis of the Group if significant actuarial assumptions at the end of each reporting period changed by one hundred (100) basis points with all other variables held constant:

	Group		Group	
	2016 Increase/ (decrease) %	**2016 RM**	**2015 Increase/ (decrease) %**	**2015 RM**
Discount rate increase	**1**	**(51,484)**	1	(51,735)
Discount rate decrease	**(1)**	**61,133**	(1)	51,735
Expected rate of salary increase	**1**	**61,175**	1	60,178
Expected rate of salary decrease	**(1)**	**(52,857)**	(1)	(60,178)

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

19. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

(f) The following table demonstrates the sensitivity analysis of the Group if significant actuarial assumptions at the end of each reporting period changed by one hundred (100) basis points with all other variables held constant (cont'd):

	Company		Company	
	2016	2016	2015	2015
	Increase/ (decrease)		Increase/ (decrease)	
	%	RM	%	RM
Discount rate increase	**1**	**(851)**	1	(842)
Discount rate decrease	**(1)**	**867**	(1)	842
Expected rate of salary increase	**1**	**2,583**	1	1,286
Expected rate of salary decrease	**(1)**	**(2,536)**	(1)	(1,286)

20. BORROWINGS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<u>Non-current liabilities</u>				
Secured				
Term loans	**26,185,074**	33,482,085	**–**	–
Hire purchase and lease creditors (Note 21)	**4,096,232**	4,383,602	**395,282**	530,188
	30,281,306	37,865,687	**395,282**	530,188
<u>Current liabilities</u>				
Secured				
Bank overdrafts (Note 15(b))	**16,213,909**	15,618,761	**–**	–
Short term bank loans (Note 22)	**32,363,618**	20,038,567	**–**	–
Term loans	**9,777,970**	10,150,702	**–**	–
Hire purchase and lease creditors (Note 21)	**2,115,122**	1,931,883	**134,907**	124,797
	60,470,619	47,739,913	**134,907**	124,797
Total borrowings				
Bank overdrafts (Note 15(b))	**16,213,909**	15,618,761	**–**	–
Short term bank loans (Note 22)	**32,363,618**	20,038,567	**–**	–
Term loans	**35,963,044**	43,632,787	**–**	–
Hire purchase and lease creditors (Note 21)	**6,211,354**	6,315,485	**530,189**	654,985
	90,751,925	85,605,600	**530,189**	654,985

(a) The secured borrowings, other than hire purchase and lease creditors and revolving credits (included under short term bank loans) are secured by the following:

(i) legal charges over certain subsidiaries' property, plant and equipment, investment properties and assets of disposal group classified as held for sale as disclosed in Note 7, 8 and 16 to the financial statements respectively;

(ii) current and non-current deposits with licensed banks amounting to RM19,990,429 (2015: RM5,576,406) of the Group as disclosed in Note 15 to the financial statements;

(iii) Credit Guarantee Corporation ("CGC") guarantee under the Flexi Guarantee Scheme ("FGS") granted to a subsidiary;

(iv) corporate guarantee by the Company; and

(v) deed of assignment of Contract Proceed in relation to the CCTV installation project.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

20. BORROWINGS (cont'd)

(b) The currency exposure profile of borrowings are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	**69,329,355**	59,535,122	**530,189**	654,985
Thai Baht	**21,422,570**	26,070,478	**–**	–
	90,751,925	85,605,600	**530,189**	654,985

(c) Information on financial risks of borrowings is disclosed in Note 40 to the financial statements.

21. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Minimum hire purchase and lease payments:				
- not later than one (1) year	**2,455,874**	2,286,454	**166,500**	166,500
- later than one (1) year but not later than five (5) years	**4,423,972**	4,785,781	**430,105**	596,605
Total minimum hire purchase and lease payments	**6,879,846**	7,072,235	**596,605**	763,105
Less: Future interest charges	**(668,492)**	(756,750)	**(66,416)**	(108,120)
Present value of hire purchase and lease payments	**6,211,354**	6,315,485	**530,189**	654,985

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Repayable as follows:				
Current liabilities				
- not later than one (1) year	**2,115,122**	1,931,883	**134,907**	124,797
Non-current liabilities				
- later than one (1) year but not later than five (5) years	**4,096,232**	4,383,602	**395,282**	530,188
	6,211,354	6,315,485	**530,189**	654,985

Information on financial risks of hire purchase creditor is disclosed in Note 40 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

22. SHORT TERM BANK LOANS

	Group	
	2016 RM	2015 RM
Bankers' acceptance	**15,611,674**	13,753,195
Promissory notes	**2,342,000**	5,615,458
Revolving credits	**12,712,932**	167,016
Trust receipts	**1,697,012**	502,898
	32,363,618	20,038,567

Revolving credits of the Group are secured deposits with licensed banks and corporate guarantee by the Company.

Information on financial risks of borrowings is disclosed in Note 40 to the financial statements.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
Trade payables				
Third parties	**25,071,783**	25,767,432	**–**	–
Other payables				
Amount owing to subsidiaries	**–**	–	**19,355,411**	17,297,277
Other payables	**5,119,277**	6,216,337	**327,061**	479,780
Amount owing to directors	**99,410**	1,502,095	**99,410**	795,550
Accruals	**5,185,969**	4,722,369	**871,684**	971,806
	10,404,656	12,440,801	**20,653,566**	19,544,413
	35,476,439	38,208,233	**20,653,566**	19,544,413

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2015: 30 to 90 days).

(b) The amount owing to subsidiaries are unsecured, interest-free, payable upon demand and to be settled in cash except for amount owing to subsidiaries amounting to RM10,425,740 (2015: RM12,123,685) on which interest is charged at 5.75% - 7.85% (2015: 5.75% - 7.85%) per annum.

(c) The amount owing to directors are unsecured, interest-free and payable upon demand.

23. TRADE AND OTHER PAYABLES (cont'd)

(d) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Ringgit Malaysia	**21,491,255**	27,024,453	**7,885,253**	6,516,183
Thai Baht	**9,624,675**	8,793,959	**10,310,876**	10,363,815
United States Dollar	**3,990,881**	1,436,204	**2,457,437**	2,664,415
Others	**369,628**	953,617	**–**	–
	35,476,439	38,208,233	**20,653,566**	19,544,413

(d) Information on financial risks of trade and other payables is disclosed in Note 40 to the financial statements.

24. DERIVATIVE LIABILITIES

	Group			
	2016		2015	
	Contract/ Notional amount RM	**Liabilities RM**	**Contract/ Notional amount RM**	**Liabilities RM**
Forward currency contracts	**1,550,340**	**(49,924)**	1,268,050	(187,950)

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.

The forward currency contracts were used to hedge the Group's receivables denominated in US Dollar ("USD") for which firm commitments existed as at 31 August 2016 and are expected to occur at various dates within three (3) months from the end of the reporting period.

During the financial year, the Group recognised a gain of RM138,026 (2015: loss of RM187,950) 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 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

25. COMMITMENTS

(a) Operating lease commitments

(i) The Group 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 one to five 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 Group has aggregate future minimum lease commitment as at the end of each reporting period as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Not later than one (1) year	**1,637,629**	2,115,015	**38,940**	43,600
Later than one (1) year but not later than five (5) years	**1,713,863**	2,382,752	**–**	39,200
	3,351,492	4,497,767	**38,940**	82,800

(ii) The Group as 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 Group has aggregate future minimum lease receivables as at the end of each reporting period as follows:

	Group	
	2016 RM	**2015 RM**
Not later than one (1) year	**1,242,150**	1,230,000
Later than one (1) year but not later than five (5) years	**510,000**	552,500
	1,752,150	1,782,500

(b) Capital commitments

	Group	
	2016 RM	**2015 RM**
Capital expenditure:		
Approved and contracted for:		
Building	**6,700,000**	–
Motor vehicles	**395,957**	217,587
Plant and machinery	**507,719**	232,756
Renovation	**–**	293,620
	7,603,676	743,963
Approved and not contracted for:		
Building	**–**	4,400,000

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

26. CONTINGENT LIABILITIES

	Group	
	2016 RM	2015 RM
Unsecured		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries (Note 20)	**89,679,554**	83,034,128

The Directors are of the view that the chances of the financial institutions and suppliers to call upon the corporate guarantee are remote. Accordingly, the fair values of the above corporate guarantees are negligible.

27. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods	**164,156,207**	211,178,354	**–**	–
Revenue from services	**10,552,239**	11,285,736	**–**	–
Management fees	**–**	–	**6,249,679**	5,783,800
Rental income from investment properties	**1,308,000**	1,308,000	**–**	–
	176,016,446	223,772,090	**6,249,679**	5,783,800

28. OTHER INCOME

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest income from loans and receivables	**3,479,342**	1,856,113	**190,753**	–
Rental income	**85,000**	128,438	**–**	–
Scrap sales	**619,140**	530,780	**–**	–
Insurance claims	**1,614,200**	5,848,502	**–**	106,691
Maintenance income	**2,226,750**	1,298,938	**–**	–
Sub leasing fee from:				
Related parties	**–**	–	**249,634**	162,000
Companies related to a director	**45,992**	21,538	**45,992**	21,538
External parties	**8,136**	16,019	**8,136**	16,019
Waiver of a director's remuneration (Note 19)	**–**	1,453,364	**–**	1,453,364
Others	**448,983**	564,749	**114,378**	57,800
	8,527,543	11,718,441	**608,893**	1,817,412

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

29. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Wages and salaries	**28,755,575**	25,112,038	**3,689,538**	2,904,244
Social security contributions	**446,491**	463,000	**14,943**	11,871
Contributions to defined contribution plan	**2,021,594**	1,606,564	**486,452**	346,819
Defined benefit plan (Note 19)	**202,709**	489,879	**89,710**	110,700
Termination benefit	**–**	39,038	**–**	–
Share options granted under ESOS	**3,566,307**	–	**2,060,755**	–
Other benefits	**2,168,695**	1,688,314	**462,936**	208,157
	37,161,371	29,398,833	**6,804,334**	3,581,791

30. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Directors of the Company				
Executive:				
Salaries and other emoluments	**1,765,523**	1,088,863	**1,765,523**	1,088,863
Fees	**111,000**	83,320	**111,000**	78,320
Defined contribution plan	**261,188**	149,939	**261,188**	149,939
Defined benefit plan	**89,710**	110,700	**89,710**	110,700
Provision for leave passage	**64,571**	64,571	**64,571**	64,571
Share options granted under ESOS	**547,200**	–	**547,200**	–
Short term accumulating compensated absences	**74,505**	10,551	**74,505**	10,551
	2,913,697	1,507,944	**2,913,697**	1,502,944
Non-executive:				
Salaries and other emoluments	**48,000**	63,638	**48,000**	63,638
Fees	**216,055**	242,844	**216,055**	242,844
Share options granted under ESOS	**1,026,000**	–	**1,026,000**	–
Defined contribution plan	**3,360**	–	**3,360**	–
	1,293,415	306,482	**1,293,415**	306,482
	4,207,112	1,814,426	**4,207,112**	1,809,426
Directors of subsidiaries				
Executive:				
Salaries and other emoluments	**933,569**	664,883	**–**	–
Fees	**312,561**	110,000	**–**	–
Share options granted under ESOS	**410,400**	–	**–**	–
Defined contribution plan	**85,842**	–	**–**	–
	1,742,372	774,883	**–**	–
Total	**5,949,484**	2,589,309	**4,207,112**	1,809,426

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

30. DIRECTORS' REMUNERATION (cont'd)

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	
	2016	**2015**
Executive directors:		
RM1 - RM500,000	**1**	1
RM1,300,000 - RM2,500,000	**1**	1
Non-executive directors:		
RM3,000 to RM100,000	**–**	5
RM100,001 and above	**4**	–

Executive and Non-executive Directors of the Group and the Company have been granted the following number of options under the ESOS.

	Group		Company	
	2016	**2015**	**2016**	**2015**
Directors of the Company				
Executive:				
At 1 September 2015/2014	**–**	–	**–**	–
Granted	**4,000,000**	–	**4,000,000**	–
At 31 August	**4,000,000**	–	**4,000,000**	–
Non-executive:				
At 1 September 2015/2014	**–**	–	**–**	–
Granted	**7,500,000**	–	**7,500,000**	–
At 31 August	**7,500,000**	–	**7,500,000**	–
Directors of subsidiaries				
Executive:				
At 1 September 2015/2014	**–**	–	**–**	–
Granted	**3,000,000**	–	**–**	–
At 31 August	**3,000,000**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

31. EMPLOYEE SHARE OPTION SCHEME ('ESOS')

The ESOS is governed by the ESOS By-Laws and was approved by shareholders on 11 June 2015. The ESOS was to be in force for a period of 5 years effective from 4 August 2016.

The main features of the ESOS were as follows:

(i) Eligible persons meets the following criteria as at the Date of Offer:

- if he has attained the age of eighteen (18) years on the Date of Offer and is not an undischarged bankrupt;
- if he is employed on a full time basis on the payroll of a company within the Group and his employment must have been confirmed in writing on or prior to the Date of Offer;
- if he is a contract worker on a full time basis serving under a contract of employment; and
- if he fulfils any other criteria and/or falls within such category that the ESOS Committee may from time to time at its absolute discretion determine.

(ii) The maximum number of new shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15% of the total issued and paid-up share capital of the Company at any point in time during the duration of the Scheme and includes any extension thereof.

(iii) The option price shall be determined by the Option Committee based on the 5-day weighted average market price of shares of the Company immediately preceding the offer date of the option, with a discount of not more than 10%, or at the par value of shares of the Company, whichever is higher.

(iv) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new shares of the Company comprised in the ESOS.

(v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new shares.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

31. EMPLOYEE SHARE OPTION SCHEME ('ESOS') (cont'd)

The details of the options over ordinary shares of the Company are as follows:

	Number of options over ordinary shares of RM0.25 each				
	Outstanding as at 1.9.2015	Movement during the financial year Granted	Exercised	Outstanding as at 31.8.2016	Exercisable as at 31.8.2016
2016	–	26,069,500	–	**26,069,500**	**26,069,500**
Exercise price (RM)	0.25	0.25	0.25	**0.25**	**0.25**
Remaining contractual life (months)	–				**59**

The details of share options over the Company outstanding at the end of the reporting period are as follows:

	Exercise price 2016 RM	2015 RM	Exercise period
2016 options	**0.25**	–	4.8.2016 - 3.8.2020

The fair values of share options granted during the financial year was estimated by using the Black-Scholes-Mertion option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	2016	2015
Fair value of share options at grant date at 4 August 2016 (RM)	**0.14**	–
Share price (RM)	**0.22**	–
Exercise price (RM)	**0.25**	–
Expected volatility (%)	**77.76**	–
Expected life (years)	**5**	–
Risk free rate (%)	**3.22**	–
Expected dividend yield (%)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

32. OPERATING (LOSS)/PROFIT

Included in operating (loss)/profit are:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration:				
- statutory audits:				
- current year	**290,280**	304,398	**19,000**	14,000
- underprovision in prior year	**43,153**	10,274	**32,000**	4,000
- other services	**40,000**	118,000	**40,000**	–
Allowance of slow moving inventories	**208,659**	–	**–**	–
Depreciation:				
- Property, plant and equipment (Note 7)	**6,507,817**	6,512,132	**110,877**	57,682
- Investment properties (Note 8)	**338,116**	335,334	**–**	–
Directors' other emoluments	**5,309,868**	2,153,145	**3,880,057**	1,488,262
Directors' fees for:				
- The Company's Directors (Note 30)	**327,055**	326,164	**327,055**	321,164
- The subsidiaries' Directors (Note 30)	**312,561**	110,000	**–**	–
Fair value changes in derivatives (Note 24)	**(138,026)**	187,950	**–**	–
Freight costs	**3,332,159**	4,322,759	**–**	–
(Gain)/Loss on disposal of:				
- Property, plant and equipment	**(15,047)**	(109,556)	**–**	–
- Other investment	**(32,479)**	–	**–**	–
- A subsidiary (Note 36)	**78,137**	–	**38,383**	–
(Gain)/loss on foreign exchange:				
- Realised	**(62,733)**	(1,630,423)	**143,013**	(30,181)
- Unrealised	**993,504**	(300,239)	**(114,096)**	1,803,801
Professional fees	**435,388**	457,050	**86,595**	265,467
Rental expenses	**2,357,242**	2,179,172	**50,700**	44,400
Reversal of slow moving inventories	**(50,752)**	(59,339)	**–**	–
(Reversal of)/Impairment losses on:				
- Property, plant and equipment (Note 7)	**–**	(1,364,105)	**–**	–
- Investments in subsidiaries (Note 10)	**–**	–	**7,464**	–
- Trade and other receivables (Note 14)	**640,561**	85,233	**85,024**	1,988,693
- Trade and other receivables (Note 14)	**(6,154)**	(979,054)	**(50,000)**	–
Upkeep expenses	**1,178,928**	1,260,760	**49,256**	53,189
Written down/(Reversal) of inventories	**3,489**	(28,986)	**–**	–
Written off of:				
- Bad debts	**720,855**	70,946	**810,157**	–
- Property, plant and equipment	**12,515**	1,281,254	**–**	33,781
- Inventories	**54,947**	1,137,676	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

33. FINANCE COSTS

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Interest expense on:				
- Bank borrowings	**2,517,078**	1,747,318	**54,299**	20,361
- Amounts owing to subsidiaries	**–**	–	**805,163**	797,853
- Term loans	**2,617,881**	2,821,728	**–**	–
- Hire purchase and lease creditors	**342,350**	384,368	**41,703**	–
	5,477,309	4,953,414	**901,165**	818,214

34. TAX EXPENSE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Current tax expense based on profit for the financial year	**901,333**	1,955,391	**72,200**	37,331
Overprovision of income tax in prior years	**(108,920)**	(12,435)	**(37,331)**	–
	792,413	1,942,956	**34,869**	37,331
Deferred tax (Note 12):				
Relating to origination and reversal of temporary differences	**(174,829)**	1,071,477	**–**	–
Effect of changes in tax rates	**–**	(8,248)	**–**	–
(Over)/Underprovision in prior years	**(14,414)**	32,197	**–**	–
	(189,243)	1,095,426	**–**	–
	603,170	3,038,382	**34,869**	37,331

The Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profits for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

34. TAX EXPENSE (cont'd)

The numerical reconciliations between the tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
(Loss)/Profit before tax	**(10,188,638)**	4,257,183	**(3,599,749)**	(2,126,582)
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	**(2,445,273)**	1,064,296	**(863,940)**	(531,646)
Tax effects in respect of:				
Non-allowable expenses	**1,641,080**	190,205	**963,523**	274,783
Non-taxable income	**(248,970)**	(113,125)	**(27,383)**	–
Deferred tax assets not recognised during the financial year	**1,687,680**	2,287,950	**–**	653,250
Different tax rates in another country	**91,987**	230,148	**–**	–
Utilisation of previously unrecognised tax losses	**–**	(640,854)	**–**	(359,056)
	726,504	3,018,620	**72,200**	37,331
(Over)/Underprovision in prior years				
- tax expense	**(108,920)**	(12,435)	**(37,331)**	–
- deferred tax	**(14,414)**	32,197	**–**	–
	603,170	3,038,382	**34,869**	37,331

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

35. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016 **RM**	**2015** **RM**
(Loss)/Profit for the financial year attributable to equity holders of the parent	**(10,614,280)**	396,504

	Group Number of ordinary shares	
	2016	**2015**
Weighted average number of ordinary shares in issue	**45,101,000**	45,101,000
Effects of:		
- Bonus issue	**45,101,000**	45,101,000
- Rights issue	**69,196,055**	–
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	**159,398,055**	90,202,000

	Group	
	2016 **sen**	**2015** **sen**
Basic earnings per ordinary share	**(6.66)**	0.44

(b) Diluted earnings per ordinary share

The ESOS and warrants that could potentially dilute the earnings per ordinary shares were not included in the calculation of diluted earnings per ordinary shares as it would have an anti-dilution effect thereon. Accordingly, the diluted earnings per ordinary share is the same as the basic earnings per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

36. DISPOSAL OF A SUBSIDIARY

On 5 August 2016, the Company completed the disposal of its entire equity interest in a subsidiary, D'nonce Biofoods Sdn. Bhd., a company incorporated in Malaysia which is engaged in the trading and manufacturing of food related products for a cash consideration of RM1.

The loss on disposal of the subsidiary during the financial year is as follows:

	Group RM	Company RM
Cost of investment	–	610,000
Impairment in cost of investment (Note 10)	–	(571,616)
Property, plant and equipment (Note 7)	30,127	–
Inventories	72,648	–
Receivables	121,568	–
Cash and bank balance	3,619	–
Payables	(149,824)	–
Net assets/Carrying amount	78,138	38,384
Net proceeds from disposal	1	1
Loss on disposal	(78,137)	(38,383)
The cash (outflow)/inflow on disposal are as follows:		
Cash consideration	1	1
Cash and cash equivalents of subsidiary disposed	(3,619)	–
Cash (outflow)/inflow on disposal	(3,618)	1

37. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

37. RELATED PARTY DISCLOSURES (cont'd)

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Subsidiaries:				
Advances from	**–**	–	**3,846,000**	2,186,296
Advances to	**–**	–	**10,795,501**	3,408,199
Interest charged from	**–**	–	**805,163**	797,853
Management and advisory fees	**–**	–	**6,249,679**	5,783,800
Sub-leasing fee	**–**	–	**249,634**	162,000
Legal fee paid to a firm which a Director is a partner	**67,084**	165,970	**15,000**	85,000
Purchase of goods from a shareholder of a subsidiary	**4,188,103**	3,547,814	**–**	–
Advances from a director	**99,410**	2,814,995	**99,410**	2,064,995
Advance from a director of a subsidiary	**405,000**	1,216,646	**–**	–
Waiver of a director's remuneration	**–**	1,453,364	**–**	1,453,364
Debt assignment to a director in respect of amounts due from receivables	**–**	1,204,661	**–**	1,041,206
Debt assignment from subsidiaries to the Company in respect of amounts due from receivables	**–**	–	**–**	2,495,759
Sub-leasing fee charged to companies connected to a director	**45,992**	21,538	**45,992**	21,538
Debt reassignment from subsidiaries to the Company in respect of amounts due from D'nonce Biofoods Sdn. Bhd. to the subsidiaries	**–**	–	**–**	318,149
Expenses charged by subsidiaries	**–**	–	**–**	23,258

The related party transactions described above were undertaken on mutually agreed and negotiated terms.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The key management personnel are the executive directors of the Company and of its subsidiaries and their benefits are as disclosed in Note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

38. OPERATING SEGMENTS

D'nonce Technology Bhd. is principally involved in provision of management services and investment holding. The subsidiaries are principally engaged in manufacture, sales and distribution of advanced packaging materials, electronics products, chemicals, food related products, spare parts and consumables and contract manufacturer of electronic components.

D'nonce Technology Bhd. has arrived at three (3) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Integrated supply chain products and services

Sales and distribution of advanced packaging materials, electronics products, chemicals, spare parts and consumables.

(ii) Contract manufacturing

Contract manufacturer of electronic components.

(iii) Supply of packaging and other materials

Manufacture, sales and distribution of advanced packaging materials, electronics products, food related products and consumables.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and unallocated assets.

Segment liabilities exclude tax liabilities, borrowings and unallocated liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

38. OPERATING SEGMENTS (cont'd)

	Integrated supply chain products and services RM	Contract manufacturing RM	Supply of packaging and other materials RM	Eliminations RM	Total RM
2016					
Revenue					
Sales to external customers	52,388,051	16,957,396	106,670,999	–	176,016,446
Inter-segments sales	160,334	750,879	18,042,736	(18,953,949)	–
Total revenue	52,548,385	17,708,275	124,713,735	(18,953,949)	176,016,446
Results					
Segment results	5,628,894	(312,136)	(1,168,673)	–	4,148,085
Unallocated expenses					(8,859,414)
Operating loss					(4,711,329)
Finance costs					(5,477,309)
Loss before tax					(10,188,638)
Income tax expense					(603,170)
Loss for the financial year					(10,791,808)
Assets					
Segment assets	11,830,009	22,366,612	155,624,957	–	189,821,578
Unallocated assets					7,150,537
Tax assets					1,315,436
Total assets					198,287,551
Liabilities					
Segment liabilities	9,217,570	1,888,826	23,728,322	–	34,834,718
Unallocated liabilities					1,361,641
Borrowings					90,751,925
Tax liabilities					1,029,674
Total liabilities					127,977,958
Other information					
Depreciation	35,996	2,545,431	4,264,506	–	6,845,933
Other significant non-cash expenses	1,303	68,297	2,301,509	–	2,371,109
Additions to non-current assets other than financial instruments and deferred tax assets	2,931	3,738,312	3,475,552	–	7,216,795

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

38. OPERATING SEGMENTS (cont'd)

2015	Integrated supply chain products and services RM	Contract manufacturing RM	Supply of packaging and other materials RM	Eliminations RM	Total RM
Revenue					
Sales to external customers	43,304,321	21,850,437	158,617,332	–	223,772,090
Inter-segments sales	594,526	328,485	24,414,298	(25,337,309)	–
Total revenue	43,898,847	22,178,922	183,031,630	(25,337,309)	223,772,090
Results					
Segment results	3,174,652	(3,850,843)	15,991,383	–	15,315,192
Unallocated expenses					(6,104,595)
Operating profit					9,210,597
Finance costs					(4,953,414)
Profit before tax					4,257,183
Income tax expense					(3,038,382)
Profit for the financial year					1,218,801
Assets					
Segment assets	12,963,968	20,792,775	144,674,178	–	178,430,921
Unallocated assets					3,275,393
Tax assets					538,272
Total assets					182,244,586
Liabilities					
Segment liabilities	6,737,882	2,038,151	26,548,539	–	35,324,572
Unallocated liabilities					3,949,658
Borrowings					85,605,600
Tax liabilities					1,472,832
Total liabilities					126,352,662
Other information					
Depreciation	34,931	2,488,972	4,323,563	–	6,847,466
Reversal of impairment losses on property, plant and equipment	–	–	(1,364,105)	–	(1,364,105)
Other significant non-cash expenses	260,497	49,960	87,066	–	397,523
Additions to non-current assets other than financial instruments and deferred tax assets	4,382	1,040,783	13,069,282	–	14,114,447

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

38. OPERATING SEGMENTS (cont'd)

(a) Reconciliations

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

	2016 RM	2015 RM
Revenue		
Total revenue for reportable segments	**194,970,395**	249,109,399
Elimination of inter-segmental revenues	**(18,953,949)**	(25,337,309)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	**176,016,446**	223,772,090
(Loss)/Profit for the financial year		
Total profit for reportable segments	**4,148,085**	15,315,192
Finance costs	**(5,477,309)**	(4,953,414)
Unallocated amounts	**(8,859,414)**	(6,104,595)
(Loss)/Profit before tax	**(10,188,638)**	4,257,183
Tax expense	**(603,170)**	(3,038,382)
(Loss)/Profit for the financial year of the Group from per consolidated statement of profit or loss and other comprehensive income	**(10,791,808)**	1,218,801
Assets		
Total assets for reportable segments	**189,821,578**	178,430,921
Tax assets	**1,315,436**	538,272
Unallocated assets	**7,150,537**	3,275,393
Assets of the Group per consolidated statement of financial position	**198,287,551**	182,244,586
Liabilities		
Total liabilities for reportable segments	**34,834,718**	35,324,572
Tax liabilities	**1,029,674**	1,472,832
Borrowings	**90,751,925**	85,605,600
Unallocated liabilities	**1,361,641**	3,949,658
Liabilities of the Group per consolidated statement of financial position	**127,977,958**	126,352,662

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

38. OPERATING SEGMENTS (cont'd)

(b) Geographical segments

The manufacturing facilities and sales offices of the Group are mainly based in Malaysia and Thailand.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

Segment assets are based on the geographical location of the assets of the Group. The non-current assets do not include tax assets and unallocated assets.

	2016 RM	2015 RM
Revenue from external customers		
Malaysia	**111,862,760**	172,490,480
Thailand	**64,153,686**	51,281,610
Consolidated	**176,016,446**	223,772,090
Non-current assets		
Malaysia	**50,369,477**	69,278,900
Thailand	**28,844,260**	28,923,496
Consolidated	**79,213,737**	98,202,396

Major customers
Revenue from five (5) customers in the supply of packaging and other materials segment represent RM27,396,438 (2015: RM112,516,508) of the Group revenue.

39. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 August 2016 and 31 August 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the Group's net gearing ratio at a level deemed appropriate considering business, economic and investment condition. The Group includes within net debt, borrowings, trade and other payables, less cash and cash equivalents. Capital represents equity attributable to the owners of the Parent.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

39. FINANCIAL INSTRUMENTS (cont'd)

(a) Capital management (cont'd)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Loans and borrowings	20	**90,751,925**	85,605,600	**530,189**	654,985
Trade and other payables	23	**35,476,439**	38,208,233	**20,653,566**	19,544,413
		126,228,364	123,813,833	**21,183,755**	20,199,398
Less:					
Cash and bank balances	15	**(33,328,687)**	(10,874,089)	**(5,798,330)**	(267,602)
Net debt		**92,899,677**	112,939,744	**15,385,425**	19,931,796
Total capital		**65,747,307**	51,152,110	**51,337,514**	29,495,999
Net debt		**92,899,677**	112,939,744	**15,385,425**	19,931,796
		158,646,984	164,091,854	**66,722,939**	49,427,795
Gearing ratio (%)		**59**	69	**23**	40

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 August 2016.

(b) Financial instruments

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Financial assets					
Loans and receivables					
Trade and other receivables (exclude prepayments) (current and non-current)	14	**76,162,636**	85,240,624	**21,462,189**	6,554,415
Cash and bank balances (current and non-current)	15	**33,328,687**	10,874,089	**5,798,330**	267,602
		109,491,323	96,114,713	**27,260,519**	6,822,017
Financial liabilities					
Other financial liabilities					
Trade and payables	23	**35,476,439**	38,208,233	**20,653,566**	19,544,413
Borrowings (current and non-current)	20	**90,751,925**	85,605,600	**530,189**	654,985
		126,228,364	123,813,833	**21,183,755**	20,199,398
Fair value through profit or loss					
Derivative	24	**49,924**	187,950	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

39. FINANCIAL INSTRUMENTS (cont'd)

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, 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 end of the reporting period.

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

(ii) Hire purchase and lease creditors

The fair value of hire purchase and lease creditors are estimated based on the future contractual cash flows discounted at current market interest rates available for similar financial instruments and of the same remaining maturities.

(iii) Derivatives

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from 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).

(i) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs other than assets or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

39. FINANCIAL INSTRUMENTS (cont')

(d) Fair value hierarchy (cont'd)

The following table sets out the financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
Group										
2016										
Financial liabilities										
Financial liabilities at fair value through profit or loss										
- Forward currency contracts	**–**	**49,924**	**–**	**49,924**	**–**	**–**	**–**	**–**	**49,924**	**49,924**
Other financial liabilities										
- Hire purchase and lease creditors	**–**	**–**	**–**	**–**	**–**	**5,634,672**	**–**	**5,634,672**	**5,634,672**	**6,211,354**
2015										
Financial liabilities at fair value through profit or loss										
- Forward currency contracts	–	187,950	–	187,950	–	–	–	–	187,950	187,950
Other financial liabilities										
- Hire purchase and lease creditors	–	–	–	–	–	6,777,338	–	6,777,338	6,777,338	6,315,485

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

39. FINANCIAL INSTRUMENTS (cont')

(d) Fair value hierarchy (cont'd)

The following table sets out the financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
Company										
2016										
Financial liabilities										
Other financial liabilities										
- Hire purchase and lease creditors	**–**	**–**	**–**	**–**	**–**	**486,877**	**–**	**486,877**	**486,877**	**530,189**
2015										
Financial liabilities										
Other financial liabilities										
- Hire purchase and lease creditors	–	–	–	–	–	767,531	–	767,531	767,531	654,985

The Group has an established control framework in respect to the measurement of fair value of financial instruments. The management regularly reviews significant unobservable inputs and valuation adjustments.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below:

(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 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 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 end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position and a nominal amount of RM89,679,554 (2015: RM83,034,128) relating to corporate guarantees provided by the Company as securities to licenses banks in respect of bank loans and banking facilities granted to its subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 14 to the financial statements.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of reporting period are as follows:

	2016		**2015**	
	RM	**%**	**RM**	**%**
By country				
Malaysia	**54,637,377**	**79**	70,233,440	89
Thailand	**10,903,257**	**16**	7,260,382	9
Singapore	**607,380**	**1**	488,429	–
Others	**2,740,223**	**4**	1,224,592	2
	68,888,237	**100**	79,206,843	100

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of reporting period are as follows: (cont'd)

	2016		2015	
	RM	**%**	**RM**	**%**
By industry sectors				
Electronics and electrical	**38,136,429**	**56**	14,038,856	18
Security and surveillance system	**11,761,284**	**17**	49,372,261	62
Medical and medical related	**10,654,723**	**15**	3,912,951	5
Packaging	**2,292,297**	**3**	2,852,302	4
Foods	**1,493,564**	**2**	2,388,032	3
Others	**4,549,940**	**7**	6,642,441	8
	68,888,237	**100**	79,206,843	100

At the end of each reporting period, approximately 68.28% (2015: 78.12%) of the trade receivables of the Group were due from 5 (2015: 4) major customers.

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 14 to the financial statements. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with no history of defaults.

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 14 to the financial statements.

(b) Liquidity and cash flow 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 their 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 end of each reporting period, approximately 67% (2015: 55%) and 25% (2015: 19%) of the Group's and the Company's loans and borrowings as disclosed in Note 20 to the financial statements will mature in less than one year.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 August 2016				
Group				
Financial liabilities				
Trade and other payables	**35,476,439**	**–**	**–**	**35,476,439**
Foreign currency forward contracts	**49,924**	**–**	**–**	**49,924**
Loans and borrowings	**62,428,437**	**20,633,591**	**11,113,150**	**94,175,178**
Total undiscounted financial liabilities	**97,954,800**	**20,633,591**	**11,113,150**	**129,701,541**
Company				
Financial liabilities				
Trade and other payables	**20,653,566**	**–**	**–**	**20,653,566**
Loans and borrowings	**166,500**	**430,105**	**–**	**596,605**
Total undiscounted financial liabilities	**20,820,066**	**430,105**	**–**	**21,250,171**
As at 31 August 2015				
Group				
Financial liabilities				
Trade and other payables	38,113,671	–	–	**38,113,671**
Foreign currency forward contracts	187,950	–	–	**187,950**
Loans and borrowings	51,665,150	34,697,685	7,523,601	**93,886,436**
Total undiscounted financial liabilities	89,966,771	34,697,685	7,523,601	**132,188,057**

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations. (cont'd)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 August 2015				
Company				
Financial liabilities				
Trade and other payables	19,484,321	–	–	**19,484,321**
Loans and borrowings	166,500	596,605	–	**763,105**
Total undiscounted financial liabilities	19,650,821	596,605	–	**20,247,426**

(c) Interest rate risk

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

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

<u>Sensitivity analysis for interest rate risk</u>

A sensitivity analysis has been performed based on the outstanding floating rate bank borrowings of the Group as at 31 August 2016. If interest rates were to increase or decrease by 20 basis points with all other variables held constant, the Group's profit after tax would decrease or increase by RM128,502 (2015: RM96,876), as a result of higher or lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Interest rate risk (cont'd)

The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of Group and the Company that are exposed to the interest rate risk:

Group	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 -5 years RM	More than 5 years RM	Total RM
At 31 August 2016							
Fixed rates							
Deposits with licensed banks	**15**	**6.14**	**21,542,821**	**–**	**–**	**–**	**21,542,821**
Hire purchase and lease creditors	**21**	**4.87**	**2,115,122**	**2,014,258**	**2,081,974**	**–**	**6,211,354**
Floating rates							
Cash and bank balances	**15**	**1.00**	**11,785,866**	**–**	**–**	**–**	**11,785,866**
Bank overdrafts	**20**	**7.38**	**16,213,909**	**–**	**–**	**–**	**16,213,909**
Short term bank loans	**22**	**5.09**	**32,363,618**	**–**	**–**	**–**	**32,363,618**
Term loans	**20**	**5.84**	**9,798,568**	**9,786,865**	**9,689,106**	**6,688,505**	**35,963,044**
At 31 August 2015							
Fixed rates							
Deposits with licensed banks	15	3.23	5,107,361	469,045	–	–	**5,576,406**
Hire purchase and lease creditors	21	4.75	1,931,883	1,893,181	2,490,421	–	**6,315,485**
Floating rates							
Cash and bank balances	15	1.00	5,297,683	–	–	–	**5,297,683**
Bank overdrafts	20	7.76	15,618,761	–	–	–	**15,618,761**
Short term bank loans	22	5.09	20,038,567	–	–	–	**20,038,567**
Term loans	20	6.18	10,150,702	10,482,593	16,026,783	6,972,709	**43,632,787**

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Interest rate risk (cont'd)

The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of Group and the Company that are exposed to the interest rate risk: (cont'd)

Company	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 -5 years RM	Total RM
At 31 August 2016						
Fixed rates						
Deposits with licensed banks	**15**	**4.09**	**5,158,240**	**–**	**–**	**5,158,240**
Hire purchase and lease creditors	**21**	**3.65**	**134,907**	**145,017**	**250,265**	**530,189**
Amount owing to subsidiaries	**23**	**5.27**	**10,425,740**	**–**	**–**	**10,425,740**
Floating rates						
Cash and bank balances	**15**	**1.00**	**640,090**	**–**	**–**	**640,090**
At 31 August 2015						
Fixed rates						
Hire purchase and lease creditors	21	3.65	124,797	134,907	395,281	**654,985**
Amount owing to subsidiaries	23	4.94	12,123,685	–	–	**12,123,685**
Floating rates						
Cash and bank balances	15	1.00	267,602	–	–	**267,602**

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would 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"). The foreign currencies in which these transactions are denominated are mainly USD.

Approximately 16.7% and 11.5% (2015: 18.2% and 29.3%) of the Group's and Company's receivables respectively is denominated in foreign currencies whilst 12.3% and 61.8% (2015: 6.3% and 66.7%) of the Group's and the Company's payables are denominated in foreign currencies.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of each reporting period, such foreign currency balances (in USD) amounted to RM3,944,298 (2015: RM1,477,329).

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 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
31 AUGUST 2016 (cont'd)

40. 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 analysis of the Group and Company to a reasonably possible change in the USD, exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Profit/(Loss) net of tax				
USD/MYR				
- strengthen by 5%	**435,552**	460,999	**(31,784)**	(46,102)
- weaken by 5%	**(435,552)**	(460,999)	**31,784**	46,102
THB/MYR				
- strengthen by 5%	**1,066,230**	528,079	**(483,341)**	(509,363)
- weaken by 5%	**(1,066,230)**	(528,079)	**483,341**	509,363
USD/THB				
- strengthen by 5%	**(59,054)**	(45,487)	**–**	–
- weaken by 5%	**59,054**	45,487	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2016 (cont'd)

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(A) Corporate exercises

(a) There were no corporate proposals announced and completed as at the date of this report other than as disclosed below:

As disclosed in prior financial year end, the Company had proposed and received shareholders' approval to carry out the following corporate proposals:

(i) Proposed Par Value Reduction
(ii) Proposed Rights Issue with Warrants
(iii) Proposed Bonus Issue
(iv) Proposed Private Placement with Warrants
(v) Proposed Memorandum And Articles of Association Amendments
(vi) Proposed Employee Share Option Scheme ("ESOS")
(vii) Proposed Share Buy-Back; and
(viii) Proposed Increase in Authorised Share Capital

(b) The shareholders of the Company had approved the increase in the authorised capital of the Company from RM100 million to RM200 million.

(c) On 23 September 2015, the Company has carried out a reduction of the issued and paid-up share capital of D'nonce Technology Bhd. ("DTB") pursuant to Section 64(1) of the Companies Act, 1965 ("Act"), involving the cancellation of RM0.75 of the par value of each ordinary share of RM1.00 each in DTB;

This credit arising of RM33,825,750 has been set off against the accumulated loss of the Company.

(d) On 30 November 2015, the Company undertook the following:

- right issue of 90,202,000 new ordinary shares of RM0.25 each ("Right Share (s)") on the basis of two Right Shares for one ordinary share of RM0.25 each held after the Par Value Reduction, together with 90,202,000 free detachable warrants ("Warrant (s)") on the basis of one Warrant for every one Rights Share subscribed; and

- bonus issue of 45,101,000 new ordinary shares of RM0.25 each in DTB ("Bonus Share (s)") on the basis of one Bonus Share for every two Rights Shares subscribed pursuant to the Right Share with Warrants by capitalising it from the share premium account.

(e) The Right Issue with Warrants and Bonus Issues were completed on 30 November 2015, following the listing of and quotation for 90,202,000 and 45,101,000 shares and warrants respectively on the Main Market of Bursa Malaysia Securities Berhad.

(f) On 4 July 2016, the Company has offered the options under ESOS to the Directors and employees of the Company and its subsidiaries.

The exercise price of the options offered was RM0.25. The number of options offered was 26,069,500. The market price of the Company's shares on date of offer is RM0.22.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

(B) Entered into Sale and Purchase Agreements to sell Investment Properties

(a) On 15 June 2016, D'nonce (KL) Sdn. Bhd., wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement to dispose all that Property known as Geran No. Hakmilik 12978, Lot 41748, Daerah & Mukim Kuala Lumpur, Wilayah Persekutuan KL bearing address No. 39, 39-1 & 39-2, Jalan 1/119, Taman Bukit Hijau, Off Jalan Cheras, 56000 Kuala Lumpur measuring approximately 143 square meters for a consideration of Ringgit Malaysia Two Million and One Hundred Thousand (RM2,100,000) only.

The disposal was completed on 7 October 2016.

(b) On 29 August 2016, the Board of Directors of the Company announced that the Company's wholly-owned subsidiary, Attractive Venture Sdn. Bhd. ("AVSB") entered into a Sale and Purchase Agreement to dispose of all that piece of leasehold land measuring approximately 8,627.90 square meters held under H.S.(D) 14901, PT 2942, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang together with a two storey detached factory cum office bearing assessment no. PMT 1483 (formerly known as Plot 36), Lorong Perusahaan Maju 7, Kawasan Perusahaan Perai, 13600 Perai, Penang for a total consideration of RM15,400,000 only subject to terms and conditions as stipulated in the Agreement.

The disposal is expected to complete in March 2017.

(C) Extension for private placements with warrants

On 5 May 2016, on behalf of the Board, Inter-Pacific Securities Sdn. Bhd. has made an announcement to Bursa Malaysia Securities Berhad had, vide its letter dated 5 May 2016, resolved to approve the application by DTB for an extension of time of 6 months from 22 May 2016 until 21 November 2016 to complete the implementation of the Private Placement with Warrants.

On 17 October 2016, the Board of Directors of the Company announced that the Inter-Pacific Securities Sdn. Bhd. ("IPS") on behalf of the Board submitted an application to Bursa Securities for an extension of time of 6 months from 22 November 2016 to 21 May 2017 to enable the Company to complete the implementation of the Private Placement with Warrants.

The application has been approved by Bursa Securities on 7 November 2016.

42. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 30 November 2016, an Extraordinary General Meeting ("EGM") has being carried out for the proposal disposal of all that piece of leasehold land measuring approximately 8,627.90 square meters held under H.S.(D) 14901, PT 2942, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang together with a two (2) storey detached factory cum office bearing assessment no. PMT 1483 (formerly known as Plot 36), Lorong Perusahaan Maju 7, Kawasan Perusahaan Perai, 13600 Perai, Penang by Attractive Venture Sdn. Bhd., a wholly-owned subsidiary of the Company for a total consideration of Ringgit Malaysia Fifteen Million And Four Hundred Thousand (RM15,400,000) only. The shareholders have approved it on the same date.

The applications to the relevant authorities are expected to be made within the expected time frame from the date of the announcement made to Bursa Securities. Barring any unforeseen circumstances and subject to the fulfilment of all Conditions Precedent as set out in the SPA, the Board expects the Proposed Disposal to be completed by 3rd Quarter for the financial year ending 31 August 2017. The tentative timetable in relation to the Proposed Disposal is as follows:

Tentative date	Event
30 November 2016	EGM
31 December 2016	Expect to receive approval from Penang State Authority
31 March 2017	Completion of the Proposed Disposal

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2016 (cont'd)

43. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS

The retained earnings as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:				
- Realised	**7,141,457**	(13,101,377)	**(4,927,039)**	(26,227,420)
- Unrealised	**1,053,462**	(117,539)	**(1,573,291)**	(1,687,387)
	8,194,919	(13,218,916)	**(6,500,330)**	(27,914,807)
Less: Consolidation adjustments	**(10,452,167)**	(3,473,147)	**–**	–
Total accumulated losses	**(2,257,248)**	(16,692,063)	**(6,500,330)**	(27,914,807)

LIST OF PROPERTIES OWNED

As at 31 August 2016

Beneficial owner/ Location	Description/ Existing Use	Land/ Built up area (sq.ft.)	Age of building (years) 31.08.2016	Type of land/ tenure (Year of expiry for leasehold)	Net book value as at 31.08.2016 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	7	60 years - leasehold (2045)	153	05.11.1990
51-14 B & C, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Penang	Building/Corporate Head Office	*/ 3,670	22	Freehold	578	14-B: 21.03.1994 14C: 18.04.1994
BAM Villa, Unit 42C-7-5C, Taman Maluri, Cheras, 56000 Kuala Lumpur	Condominium	*/ 975	24	99 years - leasehold (2090)	95	02.01.1992
Attractive Venture Sdn. Bhd.						
Plot 425, Tingkat Perusahaan 6A, Free Trade Zone, 13600 Prai, Penang	Industrial land and building/Factory	46,800 / 29,614	28	60 years - leasehold (2046)	2,579	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	21	Freehold	252	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	21	Freehold	219	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	15	60 years - leasehold (2052)	4,813	27.08.1997
Plot 36, Mukim 11, Lorong Perusahaan Maju 7, Taman Perindustrian Bukit Tengah, Phase IV, 13600 Prai, Penang	Industrial land and building/Factory	96,500 / 66,342	4.4	60 years - leasehold (2052)	8,522	13.06.2002
Plot 314, Penang Science Park, Bukit Minyak, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang	Capital work-in-progress	* / 111,148	0	60 years - leasehold (2072)	1,862	29.04.2011
No. 2733, Tingkat Perusahaan 6A, 13600 Prai, Pulau Pinang	Industrial land and building/Factory	43,706 / 25,649	13	60 years - leasehold (2049)	4,495	01.07.2015
Attractive Venture (JB) Sdn. Bhd.						
1273, Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johore	Building/Factory	2,400 / 2,777	21	Freehold	201	10.09.1999
No.17 1/2, Jalan Ayer Hitam, 81400 Saleng, Senai, Johore	Building/Factory	103,226 / 31,300	20	Freehold	1,801	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	20	Freehold	271	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	20	Freehold	472	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	17	Freehold	11,599	15.03.2007
ISCM Technology (Thailand) Co., Ltd.						
Plot No. 33, Tanuu, U-Thai, Pranakorn Sri Ayuthaya, Thailand	Vacant industrial land	58,211	0	Freehold	1,148	21.01.2011
70/6 Moo9, Rojana Industrial Park, Tambol Tanoo, Amphur U-Thai Ayudhaya province, Thailand	Industrial land and building/Factory	27,900 / 17,943	8	Freehold	3,628	05.02.2016
Total					**42,688**	

* Not applicable

ANALYSIS OF SHAREHOLDINGS

1 December 2016

Authorised Capital	:	RM200,000,000.00
Issued and Fully Paid	:	RM45,101,000.00
Class of Shares	:	Ordinary shares of RM0.25 each fully paid
Total Number of Holders	:	1,873
Voting right	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	Number of holders	%	Number of Shares	%
1 – 99	49	2.62	2,129	0.00
100 – 1,000	405	21.62	373,747	0.21
1,001 – 10,000	612	32.68	3,266,245	1.81
10,001 – 100,000	600	32.03	25,974,450	14.40
100,001 – 9,020,199*	206	11.00	119,866,227	66.44
9,020,200 & above**	1	0.05	30,921,202	17.14
	1,873	100.00	180,404,000	100.00

* Less than 5% of issued shares
** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDER

Name	Direct Interest	%	Deemed Interest	%
Law Kim Choon	30,921,202	17.14	–	–

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest	%	Deemed Interest	%	Options Under ESOS 2015/2020
Law Kim Choon	30,921,202	17.14	–	–	2,500,000
Dato' Seri Lee Kah Choon	1,270,000	0.70	-	–	1,500,000
Roslant bin Abu	49,600	0.03	–	–	1,500,000
Dato' Ahmad Ibnihajar	–	–	–	–	2,500,000
Wong Thai Sun	–	–	–	-	2,000,000
Lena Leong Oy Lin	–	–	–	–	1,500,000

In the Subsidiaries

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

ANALYSIS OF SHAREHOLDINGS
1 December 2016

THIRTY LARGEST HOLDERS
(without aggregating securities from different securities accounts belonging to the same registered holder)

	Name of Shareholders	Number of Shares	%
1.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Law Kim Choon (Margin)	30,921,202	17.14
2.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chong Loong Men	8,927,500	4.95
3.	Sunrise Paper (M) Sdn. Bhd.	8,534,820	4.73
4.	Lim Wan Keong	5,290,000	2.93
5.	Ching Kooi Choo	4,700,000	2.61
6.	Gabriel Lee Ling Ling	4,048,700	2.24
7.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Loo Swee Weng	3,970,900	2.20
8.	Wu Hui Chen	3,348,000	1.86
9.	Shen Chao Ming	3,169,800	1.76
10.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chin Boon Long	3,150,000	1.75
11.	Kenanga Nominees (Tempatan) Sdn. Bhd. Exempt AN for Phillip Securities Pte Ltd (Client Account)	3,100,000	1.72
12.	Chew Kwi Pek @ Chew Kwi Gaik	2,565,400	1.42
13.	HSBC Nominees (Tempatan) Sdn. Bhd. Exempt AN for BNP Paribas Singapore Branch (Local)	2,046,000	1.13
14.	Ervina Tan Ching Yee	1,498,100	0.83
15.	Ng Chee Hwa	1,400,000	0.78
16.	Dato' Seri Lee Kah Choon	1,270,000	0.70
17.	Low Yong Soon	1,200,000	0.67
18.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN for Barclays Capital Securities Ltd (SBL/PB)	1,075,000	0.60
19.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Jega Devan A/L M Nadchatiram	1,000,000	0.55
20.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for OCBC Securities Private Limited (Client A/C-R ES)	1,000,000	0.55
21.	Lew Yok Kee	1,000,000	0.55
22.	Liew Yoke Moy	1,000,000	0.55
23.	Lindawaty Julia	1,000,000	0.55
24.	Ch'ng Theng Gaik	974,000	0.54
25.	George Lee Sang Kian	900,000	0.50
26.	Tam Goon Yee	896,500	0.50
27.	Ervina Tan Ching Yee	878,000	0.49
28.	Lee Gek Choon @ Lee Yok Chua	850,000	0.47
29.	Maybank Nominees (Tempatan) Sdn. Bhd. Chin Pou Yiap	849,800	0.47
30.	Leow Choong San	775,000	0.43
	Total	**101,338,722**	**56.17**

ANALYSIS OF WARRANTHOLDINGS
1 December 2016

Unit of Warrants Issued	:	90,202,000
Total Number of Holders	:	569

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	Number of holders	%	Number of Warrants	%
1 – 99	2	0.35	95	0.00
100 – 1,000	10	1.76	4,295	0.01
1,001 – 10,000	208	36.56	988,305	1.10
10,001 – 100,000	258	45.34	11,060,300	12.26
100,001 – 4,510,099*	87	15.29	40,224,900	44.59
4,510,100 & above**	4	0.70	37,924,105	42.04
	569	100.00	90,202,000	100.00

* Less than 5% of issued warrants
** 5% and above of issued warrants

DIRECTORS' WARRANTHOLDINGS

Name of Directors	Direct Interest	%	Deemed Interest	%
Law Kim Choon	7,524,205	8.34	–	–
Roslant bin Abu	26,400	0.03	–	–

ANALYSIS OF WARRANTHOLDINGS

1 December 2016

THIRTY LARGEST HOLDERS

(without aggregating securities from different securities accounts belonging to the same registered holder)

	Name of Warrantholders	Number of Warrants	%
1.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Koh Boon Poh (008)	11,660,500	12.93
2.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kwong Ming Kwei (08KW032ZQ-008)	10,276,400	11.39
3.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Gan Boon Guat (028)	8,463,000	9.38
4.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Law Kim Choon (Margin)	7,524,205	8.34
5.	Seik Thye Kong	4,266,300	4.73
6.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Chin Hoe (M01)	3,000,000	3.33
7.	Law King Yong	2,000,000	2.22
8.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Julian Cheah Wai Meng	1,910,000	2.12
9.	Kok Hon Seng	1,308,400	1.45
10.	George Lee Sang Kian	1,306,500	1.45
11.	Ho Yu Min	1,000,000	1.11
12.	Lim Soon Guan	1,000,000	1.11
13.	Lee Kok Hoong	795,800	0.88
14.	Low Son Heng	794,100	0.88
15.	Lee Gek Choon @ Lee Yok Chua	720,000	0.80
16.	Maybank Nominees (Tempatan) Sdn. Bhd. Ooi Poh Kheng	700,000	0.78
17.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Hean Chew (MY2152)	640,000	0.71
18.	How Huey Yin	630,000	0.70
19.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yeo See Huey	630,000	0.70
20.	Tay Boon Teck	600,000	0.67
21.	Maybank Nominees (Tempatan) Sdn. Bhd. Fua Kia Pha	598,500	0.66
22.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Kwang Yih (CCTS)	551,000	0.61
23.	Sing Yang	550,000	0.61
24.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Low Sing Chong (MM0750)	500,000	0.55
25.	Gan Boon Guat	500,000	0.55
26.	Laila binti Ismail	500,000	0.55
27.	Lee Cher Keam	500,000	0.55
28.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Gan Chin Seng (Rem 875- Margin)	500,000	0.55
29.	Ooi Lee Peng	490,400	0.54
30.	Lim Ah Neng	475,900	0.53
	Total	**64,391,005**	**71.38**

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 Seventeenth Annual General Meeting of the Company to be held at Hall 3, Level 3, Northam All Suite Penang, 55 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang on Wednesday, 25 January 2017 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 Mr Law Kim Choon		
Resolution 2	–	Re-election of Dato' Seri Lee Kah Choon		
Resolution 3		Re-appointment of Messrs BDO 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 Ibnihajar as an Independent Non-Executive Director		
Resolution 6	–	Continuing in office for Mr Wong Thai Sun as an Independent Non-Executive Director		
Resolution 7	–	Approval for issuance of new ordinary shares		
Resolution 8	–	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 9	–	Proposed authority for share buy-back by the Company of up to ten per centum (10%) of its issued and paid-up share capital		

(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 ………………… 2017

Number of shares held	

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 Appointor

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 A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than 24 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 "√" 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 January 2017 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 A, Level 9, Wawasan Open University
54, Jalan Sultan, Ahmad Shah
10050 Georgetown, Penang
Malaysia

Please fold across the line and close

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