

ANNUAL REPORT 2017

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CONTENTS

PAGE

Notice Of Annual General Meeting	2 – 6
Statement Accompanying Notice Of Annual General Meeting	7
Corporate Structure	8
Corporate Information	9
Corporate Social Responsibility	10
Management Discussion & Analysis	11 – 13
Board Of Directors	14 – 15
Key Senior Management	16
Statement On Risk Management And Internal Control	17 – 18
Statement Of Corporate Governance	19 – 34
Additional Compliance Information	35 – 36
Directors' Responsibility Statement	37
Audit Committee Report	38 – 40
Directors' Report And Audited Financial Statements	41
Directors' Report	42 – 46
Statement By Directors	47
Statutory Declaration	47
Independent Auditors' Report To The Members	48 – 50
Statements Of Financial Position	51 – 52
Statements of Profit Or Loss And Other Comprehensive Income	53 – 54
Consolidated Statement Of Changes In Equity	55 – 56
Statement Of Changes In Equity	57 – 58
Statements Of Cash Flows	59 – 60
Notes To The Financial Statements	61 – 121
List Of Properties Owned	122 – 123
Analysis Of Shareholdings	124 – 125
Analysis Of Warrantholdings	126 – 127
Proxy Form	129

Concept:

The Group takes pride in its continuous progress and is committed in its endeavours. The water element plays a central role in depicting this, becoming a representation of the Group's dynamism as well as its significant contribution to the development of the industry. A globe is reflected in the ripples, signifying the Group's unwavering efforts in consistently expanding its business presence regionally.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth 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 Georgetown, Penang on Tuesday, 30 January 2018 at 11.30 a.m.

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 August 2017 together with the Reports of the Directors and Auditors thereon. **Please refer to Note A**
2. (i) To re-elect Dato' Ahmad Ibnihajar who retires in accordance with Article 95(1) of the Company's Articles of Association. **Resolution 1**
(ii) To re-elect Encik Roslant bin Abu 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 RM351,000 for the financial year ended 31 August 2017. **Resolution 4**
5. To approve the payment of Directors' benefits in accordance with Section 230(1) of the Companies Act 2016 up to an amount of RM225,280 from 31 January 2017 until the next Annual General Meeting of the Company. **Resolution 5**
6. **Continuing in office as Independent Non-Executive Directors**
 - (i) "THAT subject to the passing of Resolution 1, 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 6**
 - (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 7**
7. **Approval for issuance of new ordinary shares pursuant to Sections 75 and 76 of the Companies Act 2016** **Resolution 8**

"THAT, subject to the Companies Act 2016, 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 Sections 75 and 76 of the Companies Act 2016 to issue and allot new 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)

8. Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature Resolution 9

"THAT subject always to the provisions of the Companies Act 2016 ("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 29 December 2017 ("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 by law to be held; 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."

9. Proposed renewal of the authority for the purchase of the Company's own ordinary shares of up to ten per centum (10%) of the Company's issued share capital Resolution 10

"THAT, subject to the Companies Act 2016 ("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 in the Company's issued 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 aggregate number of ordinary shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) 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 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)

9. Proposed renewal of the authority for the purchase of the Company's own ordinary shares of up to ten per centum (10%) of the Company's issued share capital (cont'd) Resolution 10

- (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 MMLR 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 and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company."

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

By Order of the Board

CHEW SIEW CHENG (MAICSA 7019191)
LIM CHOO TAN (LS 0008888)
Company Secretaries

Penang

29 December 2017

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Note A

This Agenda Item is meant for discussion only as the provision of Sections 248(2) and 340(1)(a) of the Companies Act 2016 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, participate, speak 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 48 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 333 of the Companies Act 2016.
8. Only members registered in the Record of Depositors as at 22 January 2018 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 RM351,000 for the financial year ended 31 August 2017**

The proposed Ordinary Resolution 4, if passed, will authorise the payment of the Directors' fees for the financial year ended 31 August 2017 amounting to RM351,000.

2. **Resolution 5 – To approve the payment of Directors' benefits**

The proposed Ordinary Resolution 5, if passed, will authorise the payment of the Directors' benefits in accordance with Section 230(1) of the Companies Act 2016 of up to an amount of RM225,280 from 31 January 2017 until the next Annual General Meeting of the Company.

3. **Resolutions 6 and 7 – Continuing in office as Independent Non-Executive Directors**

The Nomination Committee had assessed the independence of Dato' Ahmad Ibnihajar and Mr Wong Thai Sun who have served on the Board as Independent Non-Executive Directors 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 Ibnihajar and Mr Wong Thai Sun 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.

4. **Resolution 8 – Approval for issuance of new ordinary shares pursuant to Sections 75 and 76 of the Companies Act 2016**

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 30 January 2018, 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 proposed Ordinary Resolution 8, 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.

5. **Resolution 9 - Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed Ordinary Resolution 9, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 29 December 2017 for more information.

6. **Resolution 10 – Proposed renewal of the authority for the purchase of the Company's own ordinary shares of up to ten per centum (10%) of the Company's total number of issued shares**

The proposed Ordinary Resolution 10, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 29 December 2017 for more information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad

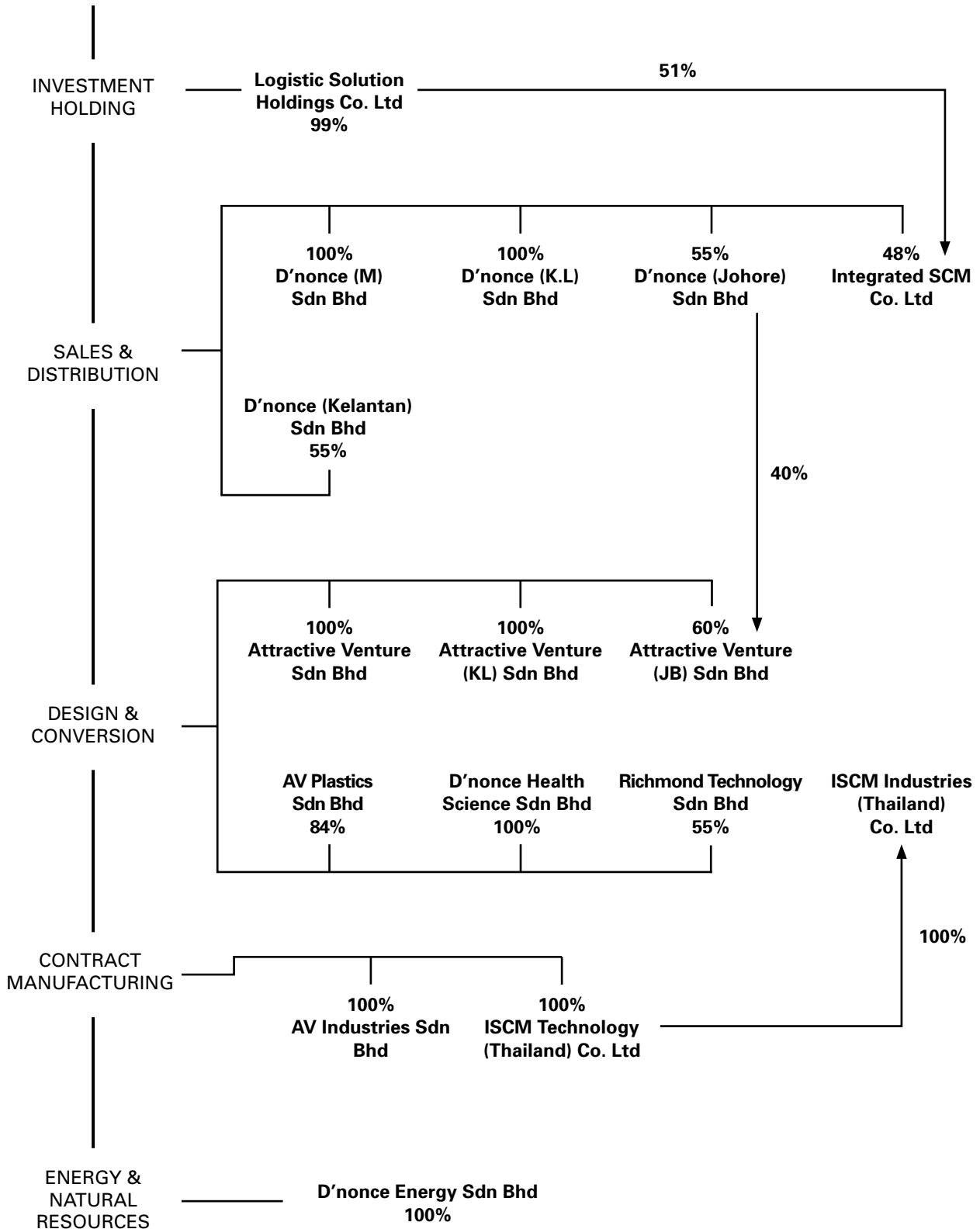
This general mandate for issue of shares ("the Mandate") was sought for in the preceding year and the Board did not carry out the Mandate since the Annual General Meeting ("AGM") of the Company until the latest practicable date before the printing of this Annual Report. This Mandate will expire on 30 January 2018. A renewal of this authority is being sought at the Eighteenth 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



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
Independent Non-Executive Director
- Mr Law Kim Choon
Group Managing Director / Chief Executive Officer
- 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
- 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 Chew Siew Cheng (MAICSA 7019191)
- Ms Lim Choo Tan (LS 0008888)

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 Lebuah Bishop
10200 Georgetown, Penang

Malayan Banking Berhad
Suite 9-03, 9th Floor
Plaza MWE
No. 8 Lebuah 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

In line with the environment, social and governance (ESG) criteria under the Sustainability Framework which was introduced by Bursa Malaysia in October 2015, our CSR programmes, which are mainly centred within Penang, continue to focus on the 3 areas, namely – Social & Community, Our People and the Environment. From our own experience in various forms of engagements with the respective interest groups, we believe that we can create more impact towards the development of positive values via enhanced CSR programmes that can reach out to wider groups of communities. We hope to expand our CSR programmes geographically in the near future to reach the communities in other states as well as in the regions of our operations in Thailand.

ACTIVITIES

In the area of Social & Community, we continue to engage in several sports and outdoor events and activities organised by various sports bodies, clubs and associations. The 3-on-3 Street Challenge Basketball event organised by an affiliate of the Penang Basketball Association which is one of the events that we have supported has gained popularity in Penang and attracted bigger number of teams and participants over the years. It has even attracted many participants outside Penang. 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 important CSR activity that we have initiated is the development of www.penangtrails.com which promotes hiking in the trails around Penang. Our inspiration to develop this website comes from the hiking communities where over the years we have noted more and more of Penang citizens participating in hiking as a form of sports or recreational activity. Although this website provides access to the vast hiking sites in Penang and presents them with factual information and guides on the trails, we still need to improve the site with modern and up-to-date web features and enhanced user interface for the benefit of the visitors. We will continue to provide good and important information in this website to achieve our objective to be an authoritative site, not only for hiking enthusiast but also for those dealing with land utilisation, environment, conservation and tourism.

Following the success of many online portals, we continue to support the development of 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 the latest events and happenings in Penang and many tourist-related information such as travelling arrangements, accommodations, weather, and attractive travel packages.

Another area of focus is the continuous assessment of the welfare of our own staff. Staff welfare and benefits form the bond between the staff and the employer which can build up the sense of loyalty towards the company. We aspire to be a preferred employer who not only provide good and decent employment benefits, but a company that cares for the well beings of the staff. This initiative is a long-term efforts which progressively improves the working environment and conditions to be above industry standards at least within the northern region of Peninsular Malaysia. Amongst the initiatives are the 5-day week, observance of all major public holidays and better healthcare benefits for the staff.

In the area of environment, as a responsible Group, we hope to contribute more into this initiatives in line with the global awareness that has been promoted for so many years. We have fully installed environment-friendly LED lightings in our new plant of 52,000 sq. ft. in the Penang Science Park. We plan to expand this initiative to our other existing facilities in the Northern Region, Kuala Lumpur, Kelantan and Johor by looking at more options that can contribute to the energy reduction programme.

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 stake holders and target groups.

FUTURE CSR PROGRAMMES

There are new programmes that we have conceptualised and already being developed for the benefit of the various communities and with all these on-going activities and the future initiatives, we hope that our contributions, big or small, would pave the way for many more.

THANK YOU

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

D'nonce Technology Bhd. ("D'nonce") is a company listed on the Main Market of Bursa Malaysia Securities Berhad since 2001. The Group has a diverse range of business operations categorised into three (3) segments, namely Supply of packaging and other materials, Integrated supply chain products and services and Contract manufacturing.

Supply of packaging and other materials refers to the end-to-end packaging solutions to the industrial and commercial customers as well as end consumers which entail technical designing, evaluating, quality products and producing various types of packages, ranging from paper to plastics. Amongst the notable developments for this segment are the advancement of the Group into the medical industry with the medical ISO certification which have paved the way for more developments of new plastic injection moulded products and new plastic packaging products to support the medical industry and the investment on new machines to improve the Thermo Vacuum Forming ("TVF") capabilities in forming various products that require higher precision.

The Integrated supply chain products and services segment is supported by more than 25 years of experience in managing supply chain for customers through the provision of vendor-managed inventory services for them to maximise customer value and to achieve a sustainable competitive advantage and alleviate risks associated with purchasing of materials and delivering products and services.

The vertically integrated Contract manufacturing services help our customers to save their cost of capital on facility and equipment. The customers also save on labour costs, which include wages, training and benefits.

FUTURE DIRECTION

The Group's main focus and aim is to enhance shareholders' value through sustainability and stability of its businesses. Having established roots in Malaysia since 1989, today, the Group is proud to have sixteen (16) subsidiaries, both manufacturing and trading under its wings that are, among others, located throughout Malaysia namely Penang, Kedah, Selangor, Kelantan and Johor and beyond the Malaysian shore to Thailand namely Hatyai and Ayutthaya.

Following operational restructuring to enhance production capacity, optimisation of resources and our ability to tailor made our products to suit our customer need, the Group is poised to establish a stronger presence in its industry and market. The Group's primary market is currently in Malaysia and Thailand.

With its nearly three decades of industry experience, the Group's future plan is to become a fully integrated global contract manufacturing company. This is to be achieved by expanding its reach in the local and overseas market and establishing more vertical integration that can enhance the Group's machinery and equipment capabilities. Besides, to prepare for demand increases in the coming years for the new customers and to support the demand ramp-up, D'nonce has secured and going to increase additional factory space and will be investing in more machine over the next few years to improve productivity and optimisation of our manpower. The Group will also be wary of impacts from higher labour costs, competition from other similar companies and unfavorable foreign currency fluctuation and will take proactive measures to minimise the risks. The Group has also initiated steps to enhance its operational efficiencies and effectiveness in parallel with strengthening its plans on risk management and financial prudence.

REVIEW OF FINANCIAL RESULTS

For the financial year ended 31 August 2017 ("FY2017"), the Group delivered an increase in performance with top and bottom line growth.

Revenue for the period has achieved a growth of 9.0% to RM192.2 million from RM176.0 million mainly from the increase in revenue from our Southern Thailand subsidiary. The profit before tax ("PBT") has a strong turnaround from a loss before tax ("LBT") of RM10.2 million reported in FY2016 to a PBT of RM3.7 million. There are however a RM8.5 million one-off gains on disposal of investment properties. Profit after tax ("PAT") registered at RM2.5 million compared with loss after tax ("LAT") of RM10.8 million in the last financial year. The performance was reflective of the business strategies through economies of scale and cost optimisation whereby the Group has managed to further reduce its operating expenditure and presented a much improved bottom line.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

REVIEW OF FINANCIAL RESULTS (cont'd)

The Group's borrowings has decreased from RM90.8 million to RM79.5 million in FY2017 following the gradual settlement of the current facilities netted by new facilities obtained in the year while the Group shareholders' equity rose to RM70.2 million from RM65.7 million previously on higher retained earnings. The Group's efforts in reducing the reliance on borrowings has shown positive results whereby the net gearing ratio was lower at 0.56 for FY2017 from 0.59 over comparative period.

The Group's basic earnings per share as at FY2017 was a healthy 1.28 sen (FY2016: -6.66 sen) and its net assets per share also improved to RM0.38 from RM0.36 in FY2016.

To prepare for demand increases in the coming years for the new customers and to support the demand ramp-up, D'nonce has secured additional factory space and will be investing in more machines over the next few years to improve productivity and optimisation of manpower resources.

REVIEW OF OPERATIONS

The performance of the Group's three (3) major segments are as follows:

Supply of Packaging and Other Materials

This segment has continued to excel in FY2017 mainly from the gradual recovery of our Southern Thailand subsidiary. This segment achieved a revenue of RM119.6 million, overtaking the revenue for FY2016 by RM13 million. On the other hand, the result has also turnaround accordingly with a profit of RM9.3 million (including the one-off gains on disposal of investment properties of RM8.5 million in FY2017) as compared to a loss of RM1.2 million in FY2016.

The improved performance is due to the approach on providing better quality products and timely services to our customers.

Integrated Supply Chain Products and Services

This segment has achieved a sales growth of RM2.4 million in FY2017. However, the result was lower by RM2.0 million mainly due to the lower margin earned from the effect of stiff competition in the industry. We need to achieve the price competitiveness advantage and source for alternative replacement in order to compete with other competitors.

Contract Manufacturing

This segment has experienced an unfavourable year in FY2017. Sales has maintained at around RM17.8 million but the results has further dropped from a loss of RM0.3 million in FY2016 to a higher loss of RM2.40 million in FY2017. We will manage this situation with a better pricing strategy in tandem with the recovery of the Hard Disk Drive Industry. We have taken action plans to minimise this negative impact such as entering into components washing to complement the tray washing business under this segment.

RISK MANAGEMENT

Competition Risk

The Group's business is facing intense market competition on the emergence of new players penetrating into the market coupled with challenges on the local front from intense competition.

To remain competitive in the market and to meet the expectation to be a market leader in this segment of business, the Group will reinforce its positioning in the industrial packaging sector by focussing on increasing the production capacity, innovating to fit customers' requirements and applying new technology for products improvements. Quality and services are the key focus to ensure that as production ramps up, the end product continues to meet or exceed industry's specifications.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

RISK MANAGEMENT (cont'd)

Price and Foreign Currency Risks

The Group's manufacturing activities and performance are very much depending on the movements of the United States Dollar ("USD") whereby the Group is exposed to foreign currency risk on such transactions and balances that are denominated in USD. Unfavourable fluctuations will affect our cost competitiveness, financial results and financial commitments. In FY2017, the Ringgit Malaysia ("RM") continued its slide against the USD. This prompted the Central Bank of Malaysia (Bank Negara Malaysia) to introduce foreign exchange controls which limited the benefits gained by exporters from the depreciation of the RM.

For the Group, the foreign currency risk is partially managed through a natural hedge between the sales and purchases in the same currencies, and the remaining being monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

FUTURE OUTLOOK AND PROSPECTS

In view of the industrial challenges such as the intense competition from the existing and new players and the volatile prices of raw materials, D'nonce will continue to embark on the development of new and innovative products and giving emphasis on product quality in order to stay competitive in the market.

The Group will continue to improve its core capabilities and competencies in line with the technological advancement in this demanding sector which emphasise on quality products and timely services.

Moving forward, with the positive outlook on industrial packaging industry supported with a forecasted gross domestic product ("GDP") growth of 4.9% for Malaysia in 2018, the Group is optimistic and ready for any challenging opportunities. D'nonce strongly believes that the market sector it is operating in is still on the growing path and the Group can expect a healthy growth in financial year 2018 and beyond.

DIVIDEND POLICY

The Board of Directors has not approve any dividend payout policy as at the date of this Annual Report.

BOARD OF DIRECTORS

Dato' Ahmad Ibnihajar

Aged 67, 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 the 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 to Malaysian Resources Corporation Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past 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 57, 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 subsequently was 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 currently a board member of various state government linked companies and corporations as well as private companies involving in electronic manufacturing, tourism, food production, property development and other businesses.

Dato' Seri Lee Kah Choon is also a Director of Island Golf Properties Berhad.

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 substantial 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 60, Malaysian, Male

Group Managing Director/Chief Executive Officer

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 has Diploma in Management from the Malaysian Institute of Management. He started his career working in a bank in 1977 before leaving in 1991 to join the D'nonce Group.

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

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

BOARD OF DIRECTORS (cont'd)

Wong Thai Sun

Aged 62, 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 subsequently was redesignated as Chairman of the Audit and Remuneration Committees on 16 April 2007.

He holds a Bachelor Degree in Economics and Accountancy from Australian National University. He is a member of the Malaysian Institute of Accountants and the Certified Public Accountants, Australia. He has public practice experience in accountancy for over 20 years in Malaysia and overseas and currently has his own public practice firm, Wong Thai Sun & Associates. He is also a Director of Suiwah Corporation Bhd. and Emico Holdings Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad.

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

Roslant bin Abu

Aged 60, Malaysian, Male

Executive Director/Group General Manager, Chairman of the Employees' Share Option Scheme

Roslant bin Abu was appointed to the Board of D'nonce Technology Bhd on 1 March 2015.

He graduated with an 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 has 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 substantial 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 46, 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 respects 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 substantial 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, Member of the Employees' Share Option Scheme

Lam Kim Goon is the Chief Financial Officer and has overall charge of the Group's finance and accounting matters. He joined our Group in 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 where he was in charge of the financial matters for Texchem Resources Berhad's Group of companies, a Company listed on Bursa Malaysia.

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, Lam 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 has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past five (5) years 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 2017 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 systems of internal control, the systems of internal control are designed to manage risk within tolerable levels rather than eliminate the risk of failure to achieve business objectives. Hence, such system by its nature can only provide reasonable and not absolute assurance against material misstatement, error or losses.

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

RISK MANAGEMENT

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

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has outsourced its internal audit function to an independent professional accounting and consulting firm, 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 areas to ensure that an adequate action plan has been put in place to address the risks. 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 2017. 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 29 November 2017.

STATEMENT OF CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance 2017 (“the Code”) which took effect on 26 April 2017, takes on a new approach to promote greater internalisation of corporate governance culture.

The Board of Directors (“the Board”) of D’nonce Technology Bhd. 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 three (3) main principles known as Board Leadership and Effectiveness (Principle A), Effective Audit and Risk Management (Principle B) and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principle C) throughout the financial year ended 31 August 2017.

Principle A: Board Leadership and Effectiveness

Board Responsibilities

1.0 Every company is headed by a Board, which assumes responsibility for the Company’s leadership and is collectively responsible for meeting the objectives and goals of the Company.

- (i) 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 (4) main committees namely the Audit, Remuneration, Nomination and Employees’ Share Option (“ESOS”) 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 Board, amongst others:

- together with Senior Management, promotes good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- reviews, challenges and decides on management’s proposals for the Company, and monitors its implementation by management;
- ensures that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- supervises and assesses management performance to determine whether the business is being properly managed;
- ensures there is a sound framework for internal controls and risk management;
- understands the principal risks of the Company’s business and recognises that business decisions involve the taking of appropriate risks;
- sets the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- ensures that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and Senior Management;
- ensures that the Company has in place procedures to enable effective communication with stakeholders; and
- ensures the integrity of the Company’s financial and non-financial reporting.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Board Responsibilities (cont'd)

1.0 Every company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company. (cont'd)

- (ii) The roles of the Chairman and the Group Managing Director are mentioned in detail in the Board Charter which is made available in the Company's website www.dnoncetech.com.

Key responsibilities of the Chairman include:

- providing leadership for the Board so that the Board can perform its responsibilities effectively;
 - setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
 - leading Board meetings and discussions;
 - encouraging active participation and allowing dissenting views to be freely expressed;
 - managing the interface between Board and management;
 - ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
 - leading the Board in establishing and monitoring good corporate governance practices in the Company.
- (iii) 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 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 Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

The Chairman and the 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 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.

The 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 Group Managing Director are mentioned in details in the Board Charter which is made available in the Company's website www.dnoncetech.com.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Board Responsibilities (cont'd)

1.0 Every company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company. (cont'd)

- (iv) The Board is supported by qualified and experienced named company secretaries who facilitate overall compliance with the Main Market Listing Requirements of Bursa Securities ("MMLR") and other relevant laws and regulations.

The Company Secretaries are the members of the Malaysian Institute of Chartered Secretaries and Administrators.

The Company 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 Malaysia and Securities Commission on a timely basis;
 - Ensure that deliberations at the meetings are well captured and minuted, and subsequently communicated to the relevant Management personnel for necessary actions;
 - Ensure that the Company complies with the Main Market Listing Requirements 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.
- (v) The Board meets on a quarterly basis and additionally as and when required. All Directors are provided with an agenda and a set of board papers issued at least 5 business days from the date of Board Meetings so as 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.

The Board also ensures that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. Upon conclusion of the meeting, the Board also ensures the minutes are circulated in a timely manner.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Board Responsibilities (cont'd)

2.0 There is demarcation of responsibilities between the Board, Board Committees and Management. There is clarity in the authority of the Board, its Committees and individual Directors.

The Board has on 29 July 2016 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 Company's website: www.dnoncetech.com.

The Board appropriately delegates its authority to Board Committees or Management. Despite the delegation of authority, the Board does not abdicate its responsibility and at all times exercise collective oversight of the Board Committees and Management. The Board does not delegate matters to a Committee or Management to an extent that would significantly hinder or reduce its ability to discharge its functions. Regular review of the division of responsibilities is conducted to ensure that the Company is able to adapt to changing business circumstances.

The Board has appointed Dato' Seri Lee Kah Choon as a Senior Independent Director (SID). The SID acts as:

- a sounding board for the Chairman;
- an intermediary for other directors when necessary; and
- the point of contact for shareholders and other stakeholders.

3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board, Management, Employees and other Stakeholders are clear on what is considered acceptable behaviour and practice in the Company.

- (i) The Board has formalised a Code of Conduct and Ethics for Directors and Employees of the Company and its subsidiaries (D'nonce Group of Companies). The Board would periodically review the said Code of Conduct. The Code of Conduct and Ethics is published on the Company's website: www.dnoncetech.com.
- (ii) The Board encourages employees to report genuine concerns in relation to unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements without fear of reprisal.

The Group has established a Whistleblowing Policy underlining its protection and reporting channels. The Whistleblowing Policy is published on the Company's website: www.dnoncetech.com.

Board Composition

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights.

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

The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. There is a clear division of responsibility between the Chairman and the 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 Independent 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 four (4) main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

The Board will take steps to ensure their compliance with the code requirements to have at least half of the Board comprises of the Independent Directors.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Board Composition (cont'd)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. (cont'd)

- (ii) The Board is aware of the tenure of an Independent Director which should not exceed a cumulative term of nine (9) years and upon completion of the nine years, an Independent Director may continue to serve on the board as a Non-Independent Director.

If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval.

If the Board continues to retain the Independent Director after the twelfth (12) year, the Board should seek annual shareholders' approval through a two-tier voting process. For resolution(s) requiring 'two-tier voting' process, the effective date will be for resolution(s) to be tabled at general meetings after 1 January 2018.

Presently, there are two Independent Directors of the Company, namely Dato' Ahmad Ibnihajar and Mr Wong Thai Sun whose tenure have exceeded a cumulative term of twelve (12) years and ten (10) years respectively.

Letter of support from the Managing Director recommending Dato' Ahmad Ibnihajar and Mr Wong Thai Sun who have served on the Board as Independent Non-Executive Directors of the Company to be retained as Independent Non-Executive Directors of the Company were tabled and noted at the Nomination Committee Meeting held on 30 November 2016. The Nomination Committee members reviewed the letters of support and were satisfied that Dato' Ahmad Ibnihajar and Mr Wong Thai Sun still maintain their independency despite their long service extended to the Company and recommended to the Board to seek for shareholders' approval at the Annual General Meeting held on 25 January 2017.

- (iii) The Board also recognises the importance of independence and objectivity in the decision-making process. 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.

The Independent Directors of the Company fulfill 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 Board, via Nomination Committee has developed the criteria to assess independence and formalised the current independence assessment practice.

Each independent director completed their own Independent Director checklist. The Nomination Committee carried out the assessment of the Independent Directors at its meeting on 30 November 2016. Each Independent Director abstained from deliberation on his own assessment. The Nomination Committee was satisfied that the Independent Directors still maintain their independence.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Board Composition (cont'd)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. (cont'd)

- (iv) 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 Group 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.
- (v) The re-election of the Board also done 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) with minimum of one (1), 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.

The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of Annual General Meeting ("AGM").

The Nomination Committee is also responsible for recommending to the Board those Directors who are eligible to stand for re-election/re-appointment. The Nomination Committee assessed and was satisfied and made recommendations to the Board for their re-election/re-appointment with regards to the re-election of the two (2) directors, namely Mr Law Kim Choon and Dato' Seri Lee Kah Choon who are due for retirement but shall be eligible for re-election pursuant to Article 95(1) of the Company's Articles of Association at the AGM held on 25 January 2017.

The profiles of these Directors are set out on pages 14 to 15 of the Annual Report.

- (vi) The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017. The Board currently has one female director.

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 at least one woman director 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.

- (vii) All Directors of the Company do not hold more than 5 directorships under paragraph 15.06 of the Main Market Listing Requirements.

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.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Board Composition (cont'd)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. (cont'd)

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 signed and approved resolution by all the Directors who may be present in Malaysia and who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting of the Directors.

During the financial year ended 31 August 2017, five (5) Board Meetings were held. The attendance record of each Director is as follows:

Board of Directors' Meeting		Oct' 16	Nov' 16	Jan' 17	Apr' 17	July' 17		
Directors	Position	Attendance					Total	%
Dato' Ahmad Ibnihajar	Chairman	•	•	•	•	•	5/5	100
Dato' Seri Lee Kah Choon	Director	•	•	•	•	•	5/5	100
Law Kim Choon	Chief Executive Officer/ Group Managing Director	•	•	•	•	•	5/5	100
Wong Thai Sun	Director	•	•	•	•	•	5/5	100
Roslant Bin Abu	Director	•	•	•	•	•	5/5	100
Lena Leong Oy Lin	Director	•	•	•	•	•	5/5	100
Total number of meetings held:							5	

- (viii) As required under the Main Market Listing Requirements 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 2017, the Directors have evaluated their own training needs on a continuous basis and attended the following:

Dato' Ahmad Ibnihajar

- The New Malaysian Code on Corporate Governance 2016 18 August 2017
- "How to walk the talk"
- The Companies Act 2016
- Key changes and Implications to Directors and Management

Dato' Seri Lee Kah Choon

- Designing Directors' Performance Assessment for Director's Independence and Effectiveness 18 November 2016

Law Kim Choon

- Companies Act 2016 Briefing Session 1 November 2016

Wong Thai Sun

- Seminar Percukaian Kebangsaan 2016 8 November 2016
- Illustration and Implementation of MPERS in practice 3 March 2017
- Corporate Tax Issues for 2017 20 April 2017
- Risk-Based Core Audit Training Programmes – Module D: Audit Reporting 19 May 2017
- New Public Rulings in 2016 and Guidelines in 2017 14 June 2017

Roslant Bin Abu

- Employment Act 1955 Incorporating Employment (Amendment) 2012 for New and Non HR-Practitioners 28 August 2017

Lena Leong Oy Lin

- Companies Act 2016 Briefing Session 1 November 2016

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Board Composition (cont'd)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. (cont'd)

- (ix) The Nomination Committee of the Company consists of not less than three (3) members and all members are Non-Executive Directors 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 Director), Mr Wong Thai Sun (Independent Non-Executive Director) and Ms Lena Leong Oy Lin (Non-Independent and Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

- (1) to review regularly, and at least not less than once a year, the structure, size and composition of the Board and make recommendation to the Board as regards any changes that may, in their view, be beneficial to the Company as well as review on its compositions;
- (2) to review the required mix of skills, experience and core competencies which Non-Executive Directors bring to the Board;
- (3) to implement a process, to be carried out annually, to assess the effectiveness of the Board as a whole, committees of the Board and the contribution of individual Directors. Every Board member carried out self-assessment on their respective evaluation;
- (4) to be responsible for identifying and recommending to the Board candidates to fill Board vacancies;
- (5) to recommend to the Board Directors who are retiring by rotation to be put forward for re-election;
- (6) to do an annual assessment of independence of its Independent Directors and also ensure that the tenure of the Independent Directors do not exceed a cumulative term of nine (9) years and to recommend to the Board to seek shareholders' approval at the forthcoming AGM for a Director 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 be an Independent Non-Executive Director;
- (7) to conduct annual review on the Board members and Executive Directors on the required mix of skills, character, experience, integrity, competence and time to effectively discharge their roles;
- (8) to conduct an annual review on the term of office and performance of the Audit Committee and each of its members to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

The Chairman of the Nomination Committee:

- leads the succession planning and appointment of Board members, including the future Chairman and CEO; and
- leads the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed.

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual Directors.

The Company conducts an Annual Assessment to evaluate the board effectiveness as well as the Committees and each individual Director.

The annual assessment on individual Directors includes an evaluation of their:

- will and ability to critically challenge and ask the right questions;
 - character and integrity in dealing with potential conflict of interest situations;
 - commitment to serve the company, due diligence and integrity; and
 - confidence to stand up for a point of view.
- (1) Every Board member carried out his/her own self-assessment by completing a Director's Performance Evaluation Self-Assessment Form to assess their own level of competencies in integrity, commitment and ethics, governance, business acumen, judgement and decision making, communication, strategic perspective, teamwork and leadership. The Board member would give positive feedback and comment which could assist the Board as a whole and its members in their performance in the areas of competencies, conformance and/or compliance and improve effectiveness. The Board member would identify their key industry knowledge or skills which they could contribute to the Company. The Nomination Committee evaluated the Director's Self-Assessment Forms at the Nomination Committee Meeting held on 30 November 2016.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Board Composition (cont'd)

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual Directors. (cont'd)

- (2) The Audit Committee and the Remuneration Committee each carried out its evaluation with the view to maximize the performance of the individual committees in the interest of the Company. Each Chairman of the committee completed the assessment forms which cover the purpose, composition and process of the respective committees. The Nomination Committee evaluated both committees at the Nomination Committee Meeting held on 30 November 2016.
- (3) The Nomination Committee reviewed the terms of office and performance of the Audit Committee and each of its members at its meeting held on 30 November 2016. As the members of the Nomination Committee and Audit Committee comprise the same members, each member abstained from their own deliberation as members of the Audit Committee. The Nomination Committee was satisfied with the performance of the Audit Committee and hence, all the existing Audit Committee remains status quo.

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 made recommendation to the Board as regards 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 to seek shareholders' approval at the forthcoming AGM for Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years to continue to be Independent Non-Executive Directors;
- (6) assessed the independence of each of the existing Independent Directors with each Director abstaining from deliberation on his own assessment; and
- (7) conducted an annual review on the term of office and performance of the Audit Committee and each of its members to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

During the financial year ended 31 August 2017, the Nomination Committee had one (1) meeting:

Nomination Committee Meeting		Nov'16		
Directors	Position	Attendance	Total	%
Dato' Seri Lee Kah Choon	Chairman	•	1/1	100
Dato' Ahmad Ibnihajar	Director	•	1/1	100
Wong Thai Sun	Director	•	1/1	100
Lena Leong Oy Lin	Director	•	1/1	100
Total number of meetings held:			1	

Remuneration

6.0 The level and composition of remuneration of Directors and Senior Management take into account the Company's desire to attract and retain the right talent in the Board and Senior Management to drive the Company's long-term objectives. The Remuneration policies and decisions are made through a transparent and independent process.

The Board recognised that fair remuneration is critical to attract, retain and motivate Directors and Senior Management. The remuneration package takes into account the complexity of the Company's business and the individual's responsibilities. In addition, the remuneration also aligned with the business strategy and long-term objectives of the Company. The Board also ensure that the remuneration and incentives for Independent Directors do not conflict with their obligation to bring objectivity and independent judgment on matters discussed at Board meetings.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Remuneration (cont'd)

6.0 The level and composition of remuneration of Directors and Senior Management take into account the company's desire to attract and retain the right talent in the Board and Senior Management to drive the company's long-term objectives. The Remuneration policies and decisions are made through a transparent and independent process. (cont'd)

(i) Remuneration Committee

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

The Board recognised that the Remuneration Committee should only consist of Non-Executive Directors and a majority of them must be Independent Directors. Therefore, Mr Law Kim Choon and Encik Roslant bin Abu, the Executive Directors had on 26 October 2017 resigned as members of Remuneration Committee. The Remuneration Committee may draw advice from experts, if necessary.

During the financial year ended 31 August 2017, the Remuneration Committee had two (2) meetings:

Remuneration Committee Meeting		Nov'16	Jan'17		
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
Lena Leong Oy Lin	Member	•	•	2/2	100
Law Kim Choon	Member	•	•	2/2	100
Roslant Bin Abu	Member	•	•	2/2	100
Total number of meetings held:				2	

(ii) Remuneration Policy

The Remuneration Committee determines and agrees with the Board the broad policy for remuneration of the Company's Group Managing Director, Executive Director and senior members of the Company as the Committee is directed to consider. The Remuneration Committee also determines and recommends to the Board any performance related pay schemes for Executive Directors.

7.0 Stakeholders are able to assess whether the remuneration of Directors and Senior Management is commensurate with their individual performance, taking into consideration the Company's performance.

(i) Directors' Remuneration

The aggregate remuneration of individual Directors received from the Group and the Company levels for the financial year ended 31 August 2017 is set out below:

A. Aggregate Remuneration

	Group		Company	
	Executive Directors RM	Non-Executive Directors RM	Executive Directors RM	Non-Executive Directors RM
Salary	954,852	–	954,852	–
Fees	117,000	234,000	112,000	234,000
Bonus	326,857	–	326,857	–
Benefits in kind	15,600	–	15,600	–
Other emoluments	511,703	51,360	511,703	51,360
Total	1,926,012	285,360	1,921,012	285,360

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle A: Board Leadership and Effectiveness (cont'd)

Remuneration (cont'd)

7.0 Stakeholders are able to assess whether the remuneration of Directors and Senior Management is commensurate with their individual performance, taking into consideration the Company's performance. (cont'd)

(i) Directors' Remuneration (cont'd)

B. Band (RM)

Band (RM)	Group		Company	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM50,001 - RM100,000	–	4	–	4
RM250,001 - RM300,000	1	–	1	–
RM1,600,000 - RM1,650,000	1	–	1	–
Total	2	4	2	4

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

(ii) Senior Management's Remuneration

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

Principle B: Effective Audit and Risk Management

Audit Committee

8.0 There is an effective and independent Audit Committee. The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement is a reliable source of information.

- (i) The Audit Committee comprises Mr Wong Thai Sun (Independent Non-Executive Director) who is the Chairman, Dato' Ahmad Ibnihajar (Independent Non-Executive Director), Dato' Seri Lee Kah Choon (Independent Non-Executive Director), Ms Lena Leong Oy Lin (Non-Independent and Non-Executive Director). The Audit Committee consists of four (4) members and all members are Non-Executive Directors with the majority being independent.

The Chairman of the Audit Committee is responsible for ensuring the overall effectiveness and independence of the Committee.

The Chairman of the Audit Committee together with other members of the Audit Committee ensures amongst others that:

- the Audit Committee is fully informed about significant matters related to the Company's audit and its financial statements and addresses these matters;
- the Audit Committee appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
- Audit Committee's concerns on matters that may have an effect on the financial or audit of the Company are communicated to the external auditor; and
- there is co-ordination between internal and external auditors.

The Audit Committee members are financially literate and have sufficient understanding of the Company's business. The Audit Committee members are able to continuously apply a critical and probing view on the Company's financial reporting process, transaction and other financial information and effectively challenge management's assertions on the Company's financials.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle B: Effective Audit and Risk Management (cont'd)

Audit Committee (cont'd)

8.0 There is an effective and independent Audit Committee. The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement are a reliable source of information. (cont'd)

- (ii) The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.
- (iii) The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that Applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 2016 and the Listing Requirements of the Bursa Securities have been applied.

In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgments and estimates where applicable.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and comprehensive assessment of the Company's position and prospects in the Directors' Report and the Financial Statements of this Annual Report.

- (iv) An internal compliance framework exists to ensure that the Group meets its obligations relating to related party transactions under the Listing Requirements. The Board through its Audit Committee, reviews and reports to the Board any related party transactions (including recurrent related party transactions) and conflict of interest situations that may arise within the Group or the Company. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and any general meeting convened to consider such matters.
- (v) The Group has established the following review procedures to supplement existing internal procedures for general transactions to ensure that RRPTs are undertaken on an arm's length basis and on normal commercial terms that are not more favourable to the Related Parties than those normally available to the public and not to the detriment of the minority shareholders of the Company:
 - (a) All companies within the Group have been and will be kept informed of Related Parties and the review procedures applicable to all RRPTs with such Related Parties.
 - (b) All RRPTs above RM100,000 per transaction will be approved by any two Directors of the Company who have no interest in these transactions before these transactions are entered into. All transactions of RM100,000 and below will be approved by any one of the Executive Directors who has no interest in these transactions before these transactions are entered into. All transactions in aggregate will subsequently be tabled for notation by the Audit Committee and the Board.
 - (c) Proper records will be maintained to capture all RRPTs entered into pursuant to the Shareholders' Mandate to ensure accurate disclosure thereof.
 - (d) The annual internal audit plan shall incorporate a review of all RRPTs entered into pursuant to the Shareholders' Mandate to ensure that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to.
 - (e) The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor RRPTs are complied with.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle B: Effective Audit and Risk Management (cont'd)

Audit Committee (cont'd)

8.0 There is an effective and independent Audit Committee. The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement is a reliable source of information. (cont'd)

- (f) The Audit Committee shall have overall responsibility for the determination of the review procedures. If a member of the Audit Committee of the Company has an interest in any particular transaction, as the case may be, he will abstain from any deliberation and decision-making by the Audit Committee in respect of that transaction. Such review methods and procedures may be modified, supplemented or replaced from time to time by the Audit Committee.
- (g) If during the reviews, the Audit Committee is of the view that the guidelines or procedures are not adhered to or are not sufficient to ensure normal commercial terms and/or the transaction is detrimental to the minority shareholders, the Audit Committee will:
- Firstly, discuss and ascertain whether it is the guideline or procedure which is at fault or whether it is the fault of the person(s) delegated with the task of ensuring compliance or otherwise; and
 - Secondly, if the fault is the person rather than the guideline or procedure, appropriate action will be taken against the person concerned. If the defect lies with the guideline or procedure, then the Audit Committee will modify, supplement or replace as may be required the relevant guideline or procedure and report such modification, supplement or replacement to the Board.
- (h) Any member of the Audit Committee may, as he deems fit, request for additional information pertaining to the RRPTs from independent sources.
- (vi) The Audit Committee assesses the suitability and independence of the external auditors on an annual basis. The areas of assessment including amongst others, the external auditors' objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditor.

The Audit Committee establishes policies and procedures that consider amongst others:

- the competence, audit quality and resource capacity of the external auditor in relation to the audit;
- the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
- obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The current Group's Auditors are Messrs BDO who were appointed on 29 February 2016 whereas the component auditors for the subsidiaries in Thailand are Messrs Bhrabhabhad Audit & Consulting Co., Ltd.

The External Auditors, in supporting their independence, provided the Audit Committee with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The External Auditors have provided such declaration in their annual audit plan presented to the Audit Committee of the Company during the financial year.

The external auditors of the Company fulfill an essential role on behalf of Company's shareholders in giving an assurance to the shareholders on the reliability of the financial statements of the Group and of the Company.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle B: Effective Audit and Risk Management (cont'd)

Audit Committee (cont'd)

8.0 There is an effective and independent Audit Committee. The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement is a reliable source of information. (cont'd)

The external auditors have an obligation to bring to the attention of the Board of Directors, the Audit Committee and Company management any significant defects in the Group's systems of reporting, internal control and compliance with Applicable Approved Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The external auditors of the Company are invited to attend at least two (2) meetings with the Audit Committee a year to discuss their audit plan and audit findings on the Company's yearly financial statements. In addition, the Audit Committee will also have private sessions with the external auditors without the presence of the management to enable exchange of views on issues requiring attention.

During the financial year, the amount of audit fee and non-audit fee paid to the External Auditors by the Company and the Group for the financial year ended 31 August 2017 were as follows:

	Group (RM)	Company (RM)
Audit Fees	256,640	19,000
Non-Audit Fees	40,000	40,000

The non-audit fees were in respect of audit review work for Thailand's subsidiaries for financial year ended 31 August 2017.

In considering the nature and scope of non-audit fees, the Audit Committee was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

The Audit Committee and the Board are satisfied with the performance, competence and independence of the external auditors and the Board had recommended their re-appointment for shareholders' approval at the forthcoming Annual General Meeting.

The key features underlying the relationship of the Audit Committee with external auditors are included in the Audit Committee's terms of reference as detailed in Audit Committee section of this Annual Report.

Risk Management and Internal Control Framework

9.0 Company makes informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.

- (i) The Board of Directors is responsible for the Company's risk management and internal control systems. The Board sets appropriate policies on internal control and seek assurance that the systems are functioning effectively. The Board also ensure that the system of internal control manages risks and forms part of its corporate culture. The Board determines the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets. The Board recognises the importance of internal controls for risk management and be committed to articulating, implementing and reviewing the Company's internal control framework.
- (ii) 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.
- (iii) 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.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Risk Management and Internal Control Framework (cont'd)

10.0 Company has an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

- (i) 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 internal control is presented in the Statement on Risk Management & Internal Control set out on pages 17 to 18 of this Annual Report.

- (ii) The Audit Committee decides on, amongst others, the appointment and removal, scope of work, performance evaluation and budget for the internal audit function.
- (iii) 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 Main Market Listing Requirements 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.
- (iv) 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.dnncetech.com and Bursa Securities website at www.bursamalaysia.com to obtain the latest information on the Group.

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Communication with Stakeholders

11.0 There is continuous communication between the Company and Stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

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 query and concern 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

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (cont'd)

Conduct of General Meetings

12.0 Shareholders are able to participate, engage the Board and Senior Management effectively and make informed voting decisions at General Meetings.

- (i) The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report 28 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.

- (ii) All resolutions set out in the notice of general meetings will be carried out by poll voting. The Board makes an announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings for shareholders' information.

This Statement was approved by the Board of Directors on 25 October 2017.

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.

On 26 October 2017, the Company made an announcement to further extend the time for the utilisation of the remaining unutilised proceeds to 36 months from the Listing Date. Details are as follows:

Purpose	Proceeds Utilisation RM'000	Actual Utilisation RM'000	Balance yet to be utilised RM'000	Intended 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 36 months
Construction of clean room facility and purchase of 3 lines of tray cleaning systems in Thailand ⁽³⁾	4,400	646	3,754	Within 12 months	Within 36 months
Construction of new factory building in Thailand ⁽⁴⁾	2,200	–	2,200	Within 12 months	Within 36 months
Total	11,600	646	10,954		

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.

b) Material contracts

There were no material contracts of the Company and its subsidiaries involving the interests of the Directors, Chief Executive Officer or major shareholders, which were still subsisting at the end of the financial year or entered into since the end of the previous financial year.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

c) 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 2017 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	4,017,186
Ferummas Precision Engineering (M) Sdn. Bhd. ("Ferummas")	Ferummas is a wholly-owned subsidiary of Jaguh Asiana Sdn. Bhd. Mr Law Kim Choon and Mr Law Kim Aik are Directors in Ferummas. Mr Law Kim Choon and Mr Law Kim Aik are Directors and Major Shareholders in Jaguh Asiana Sdn. Bhd. Mr Law Kim Aik is brother of Mr Law Kim Choon.	Sales of raw material consisting of metal coils by D'nonce (M) Sdn. Bhd. to Ferummas	Nil

* actual value from 1 September 2016 to 31 August 2017

d) Employees' Share Option Scheme

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

As at 31 August 2016, the Company had granted share options of 26,069,500 ordinary shares to eligible employees and Directors. The total share options granted to the Directors and chief executive was 11,500,000. There were no share options granted during the financial year ended 31 August 2017.

A total of 1,770,000 options were exercised during the financial year ended 31 August 2017. The total options outstanding was 24,299,500 as at 31 August 2017.

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%.

As at 31 August 2017, the share options granted and exercised by the Non-Executive Directors were as follows:

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

DIRECTORS' RESPONSIBILITY STATEMENT

(PURSUANT TO PARAGRAPH 15.26(A) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

The Directors are required to prepare financial statements for the financial year to give a true and fair view of the state of affairs of the Group and the Company in accordance with the Malaysian Financial Reporting Standards and the requirement of the Companies Act 2016. 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 appropriate accounting estimates where applicable that are prudent, just and reasonable; and
- ensured that the Group and the Company have taken reasonable and appropriate steps to detect and/or prevent fraud and other irregularities.

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 2017, there were five (5) Audit Committee Meetings held. The details of the attendance of each member are as follows:

Audit Committee Meeting		Oct'16	Nov'16	Jan'17	Apr'17	Jul'17		
Committee Members	Position	Attendance					Total	%
Wong Thai Sun	Chairman	•	•	•	•	•	5/5	100
Dato' Ahmad Ibnihajar	Member	•	•	•	•	•	5/5	100
Dato' Seri Lee Kah Choon	Member	•	•	•	•	•	5/5	100
Lena Leong Oy Lin	Member	•	•	•	•	•	5/5	100
Total number of meetings held:							5	

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 2017:

1. At their meetings held on 30 November 2016 and 26 April 2017, 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 ("MFRS") 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 2016, first quarter ended 30 November 2016, second quarter ended 28 February 2017 and third quarter ended 31 May 2017 were reviewed by the AC at their meetings held on 26 October 2016, 25 January 2017, 26 April 2017 and 26 July 2017 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 26 October 2016, 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 2016.
 - b. The Internal Audit Plan for the year 2017 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 2016.
 - d. The circular to shareholders on the proposed renewal of shareholders' mandate for recurrent related party transactions ("RRPTs") of a revenue or trading nature and the proposed authority to buy back its own shares by the Company. 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 of the Group 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 30 November 2016, the AC reviewed and discussed the following:
 - a. The Directors' Report and Audited Financial Statements for the financial year ended 31 August 2016 with external auditors.
 - 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.
 - c. The re-appointment of the external auditors. The AC agreed to recommend the re-appointment of the external auditors at a remuneration to be negotiated and agreed upon by the management.
7. At their meeting held on 26 April 2017, the AC reviewed and discussed the Group's matter in relation to the Transfer Pricing ("TP") Legislative Requirements and agreed to appoint the Group's tax agent to assist the Group in the preparation of the TP documentation.
8. At their meeting held on 26 July 2017, the AC reviewed and approved the Audit Plan and audit scope for the financial year ended 31 August 2017 presented by the external auditors. As at the date of the planning presentation, BDO reported that they have complied with the relevant ethical requirements regarding professional independence.

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 2017. The total cost incurred for the outsourced internal audit function of the Group for the financial year ended 31 August 2017 amounted to RM36,000.

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 2017, the Internal Auditors carried out the internal audit work for the Group as follows:

- a. The Internal Audit Report on 26 October 2016 in relation to the review of the internal control systems on the Sales & Marketing Review and Procurement Review of Attractive Venture Sdn. Bhd., a subsidiary of the Company.
- b. The Internal Audit Report on 25 January 2017 in relation to the review of the internal control systems on Sales & Marketing and Cash Management of D'nonce (KL) Sdn. Bhd., a subsidiary of the Company.
- c. The Internal Audit Report on 26 April 2017 in relation to the review of the internal control systems on the Sales & Marketing and Cash Management of D'nonce (M) Sdn. Bhd., a subsidiary of the Company.
- d. The Internal Audit Report on 26 July 2017 in relation to the review of the internal control systems on the Sales & Marketing and Procurement of ISCM Technology (Thailand) 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.

**CONTENTS**

	PAGE
DIRECTORS' REPORT	42 – 46
STATEMENT BY DIRECTORS	47
STATUTORY DECLARATION	47
INDEPENDENT AUDITORS' REPORT TO THE MEMBER	48 – 50
STATEMENTS OF FINANCIAL POSITION	51 – 52
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	53 – 54
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	55 – 56
STATEMENT OF CHANGES IN EQUITY	57 – 58
STATEMENTS OF CASH FLOWS	59 – 60
NOTES TO THE FINANCIAL STATEMENTS	61 – 121

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 August 2017.

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 8 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
Profit for the financial year	<u>2,484,179</u>	<u>1,401,177</u>
Attributable to:		
Owners of the parent	2,304,794	1,401,177
Non-controlling interests	<u>179,385</u>	<u>–</u>
	<u>2,484,179</u>	<u>1,401,177</u>

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 final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act, 2016 as disclosed in Note 16 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and fully paid-up share capital from RM45,101,000 to RM46,179,518 by way of:

- (i) the issuance of 1,770,000 ordinary shares pursuant to the exercise of the ESOS at an option price of RM0.25 per ordinary share; and
- (ii) the inclusion of the credit balance of share premium account of RM393,882 as part of the paid-up share capital pursuant to Section 618(2) of the Companies Act, 2016.

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

DIRECTORS' REPORT (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

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 18 May 2016 and is to be in force for a period of five (5) years until 17 May 2021 ('the option period').

The salient features and other terms of the ESOS are disclosed in Note 28 to the financial statements.

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

Date of offer	Option price RM	Number of options over ordinary shares			Outstanding as at 31.8.2017	Exercisable as at 31.8.2017
		Outstanding as at 1.9.2016	Movement during the financial year			
			Granted	Exercised		
2016 options	0.25	26,069,500	–	(1,770,000)	24,299,500	24,299,500

DIRECTORS

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

D'nonce Technology Bhd.

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

The Directors of subsidiaries who have held office since the date of the last report at the date of this report, not including those Directors listed above are:

Lim Oon Jin
Ang Oon Ling
Teo Tin Jien (appointed on 7 August 2017)
Suriya Muangrod (resigned on 11 July 2017)
Tan Cheng See (appointed on 17 August 2017)
Dato' Syed Mohamad bin Syed Murtaza

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares, warrants and options over the ordinary shares in the Company and of its related corporations during the financial year ended 31 August 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia were as follows:

Shares in the Company	Number of ordinary shares			Balance as at 31.8.2017
	Balance as at 1.9.2016	Bought	Sold	
<u>Direct interests:</u>				
Dato' Seri Lee Kah Choon	1,270,000	266,000	–	1,536,000
Law Kim Choon	30,921,202	12,174,820	–	43,096,022
Roslant Bin Abu	49,600	–	–	49,600
Wong Thai Sun	–	1,000,000	(1,000,000)	–

Warrants in the Company	Number of warrants over ordinary shares			Balance as at 31.8.2017
	Balance as at 1.9.2016	Bought	Sold	
<u>Direct interests:</u>				
Law Kim Choon	7,524,205	–	–	7,524,205
Roslant Bin Abu	26,400	–	–	26,400

Shares options in the Company	Number of options over ordinary shares			Balance as at 31.8.2017
	Balance as at 1.9.2016	Granted	Exercised	
<u>Direct interests:</u>				
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	–	(1,000,000)	1,000,000
Roslant Bin Abu	1,500,000	–	–	1,500,000
Lena Leong Oy Lin	1,500,000	–	–	1,500,000

By virtue of Section 8(4) of the Companies Act, 2016 in Malaysia, Law Kim Choon is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that 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 a benefit included in the aggregate amount of remuneration 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 transactions entered into in the ordinary course of business with companies in which the Directors of the Company have substantial financial interests as disclosed in Note 33 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 28 to the financial statements.

DIRECTORS' REPORT (cont'd)

DIRECTORS' REMUNERATION

Fees and other benefits of the Directors who held office during the financial years ended 31 August 2017 and 31 August 2016 are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fees	773,840	639,616	346,000	327,055
Salaries	1,617,776	1,521,338	954,852	893,766
Bonus	486,940	463,224	326,857	278,058
Others	767,924	3,325,306	578,663	2,708,233
	3,646,480	5,949,484	2,206,372	4,207,112

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, 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.

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (cont'd)

(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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 37 to the financial statements.

AUDITORS

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

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 August 2017 amounted to RM59,000 and RM296,640 respectively.

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

Dato' Ahmad Ibnihajar

Director

Law Kim Choon

Director

Penang

29 November 2017

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 51 to 120 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2017 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 39 to the financial statements on page 121 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
29 November 2017

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 51 to 121 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 29
November 2017

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of D'nonce Technology Bhd., which comprise the statements of financial position as at 31 August 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 120.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2017 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Recoverability of trade receivables

As at 31 August 2017, trade receivables that were past due and not impaired amounted to RM14,892,458. The details of trade receivables and its credit risk have been disclosed in Note 12 and Note 35 to the financial statements respectively.

Management recognised impairment on trade receivables based on specific known facts or circumstances on customers' abilities to pay.

The determination of whether trade receivables are recoverable involves significant management judgement.

Audit response

Our audit procedures included the following:

- (a) evaluated the credit process operated by management over the recoverability of trade receivables of the Group;
- (b) critically assessed recoverability of receivables that were past due but not impaired with reference to their historical bad debt, ageing profiles of the counter parties and past historical repayment trends; and
- (c) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

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

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

(Company No. 503292-K)

(Incorporated in Malaysia)

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

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 39 to the financial statements is disclosed to meet the requirement 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 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO

AF: 0206

Chartered Accountants

Koay Theam Hock

02141/04/2019 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 AUGUST 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	51,321,259	53,944,322	582,324	677,595
Investment properties	6	11,622,066	2,773,125	-	-
Intangible asset	7	289,128	289,128	-	-
Investments in subsidiaries	8	-	-	44,996,218	44,719,067
Other investments	9	-	-	-	-
Deferred tax assets	10	51,022	92,155	-	-
Trade receivables	12	13,517,870	23,081,731	-	-
		76,801,345	80,180,461	45,578,542	45,396,662
Current assets					
Inventories	11	21,079,033	18,158,859	-	-
Trade and other receivables	12	64,728,351	56,401,916	21,399,614	21,488,187
Current tax assets		1,230,118	1,223,281	-	-
Cash and bank balances	13	29,272,213	33,328,687	64,222	5,798,330
		116,309,715	109,112,743	21,463,836	27,286,517
Assets of disposal group classified as held for sale	14	-	8,994,347	-	-
TOTAL ASSETS		193,111,060	198,287,551	67,042,378	72,683,179

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 AUGUST 2017 (cont'd)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	46,179,518	45,101,000	46,179,518	45,101,000
Reserves	16	23,952,659	22,903,555	12,100,827	12,736,844
Retained earnings/(Accumulated losses)		47,546	(2,257,248)	(5,099,153)	(6,500,330)
		70,179,723	65,747,307	53,181,192	51,337,514
Non-controlling interests		4,741,671	4,562,286	-	-
TOTAL EQUITY		74,921,394	70,309,593	53,181,192	51,337,514
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	17	779,836	580,286	-	-
Borrowings	18	21,829,802	30,281,306	250,265	395,282
Deferred tax liabilities	10	281,122	422,587	-	-
		22,890,760	31,284,179	250,265	395,282
Current liabilities					
Trade and other payables	21	37,396,678	35,476,439	13,279,179	20,653,566
Derivative liabilities	22	-	49,924	-	-
Retirement benefit obligations	17	186,725	89,710	186,725	89,710
Borrowings	18	57,615,959	60,470,619	145,017	134,907
Current tax liabilities		99,544	607,087	-	72,200
		95,298,906	96,693,779	13,610,921	20,950,383
TOTAL LIABILITIES		118,189,666	127,977,958	13,861,186	21,345,665
TOTAL EQUITY AND LIABILITIES		193,111,060	198,287,551	67,042,378	72,683,179

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	25	192,244,310	176,016,446	9,010,427	6,249,679
Other income	26	15,618,658	8,542,590	1,297,777	608,893
Changes in inventories of work-in-progress and finished goods		800,500	(1,035,290)	-	-
Raw materials and consumables used		(56,817,472)	(48,631,118)	-	-
Trading goods		(70,847,703)	(66,927,041)	-	-
Cost of equipment, sub-contractor and other installation costs		(291,554)	(620,713)	-	-
Employee benefits expense	27	(37,288,474)	(37,161,371)	(4,952,895)	(6,804,334)
Depreciation of property, plant and equipment and investment properties		(6,886,546)	(6,845,933)	(115,741)	(110,877)
Operating leases - minimum lease		(2,319,677)	(2,357,242)	(44,400)	(50,700)
Utilities		(4,314,498)	(4,006,257)	(46,135)	(28,970)
Other expenses		(20,744,491)	(21,685,400)	(2,651,333)	(2,562,275)
Operating profit/(loss)		9,153,053	(4,711,329)	2,497,700	(2,698,584)
Finance costs	29	(5,483,794)	(5,477,309)	(1,168,723)	(901,165)
Profit/(Loss) before tax		3,669,259	(10,188,638)	1,328,977	(3,599,749)
Taxation	30	(1,185,080)	(603,170)	72,200	(34,869)
Profit/(Loss) for the financial year		2,484,179	(10,791,808)	1,401,177	(3,634,618)

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 2017 (cont'd)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		<u>1,685,121</u>	<u>(266,656)</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>4,169,300</u>	<u>(11,058,464)</u>	<u>1,401,177</u>	<u>(3,634,618)</u>
Profit/(Loss) attributable to:					
Owners of the parent		<u>2,304,794</u>	<u>(10,614,280)</u>	<u>1,401,177</u>	<u>(3,634,618)</u>
Non-controlling interests		<u>179,385</u>	<u>(177,528)</u>	<u>-</u>	<u>-</u>
		<u>2,484,179</u>	<u>(10,791,808)</u>	<u>1,401,177</u>	<u>(3,634,618)</u>
Total comprehensive income/(loss) attributable to:					
Owners of the parent		<u>3,989,915</u>	<u>(10,880,936)</u>	<u>1,401,177</u>	<u>(3,634,618)</u>
Non-controlling interests		<u>179,385</u>	<u>(177,528)</u>	<u>-</u>	<u>-</u>
		<u>4,169,300</u>	<u>(11,058,464)</u>	<u>1,401,177</u>	<u>(3,634,618)</u>
Earnings/(Loss) per ordinary share attributable to equity holders of the Company (sen):					
Basic	31(a)	<u>1.28</u>	<u>(6.66)</u>		
Diluted	31(b)	<u>1.20</u>	<u>(6.66)</u>		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

Group	Non-distributable							Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM	
	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)/ Retained earnings RM
Balance as at 1 September 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
Profit for the financial year	-	-	-	-	-	-	-	2,304,794	2,304,794	179,385	2,484,179
Foreign currency translations	-	-	-	1,685,121	-	-	-	-	1,685,121	-	1,685,121
Total comprehensive income	-	-	-	1,685,121	-	-	-	2,304,794	3,989,915	179,385	4,169,300
Transactions with owners											
Ordinary shares issued pursuant to ESOS (Note 15)	684,636	-	-	-	-	(242,135)	-	-	442,501	-	442,501
Effects of the new Companies Act, 2016 (Note 15)	393,882	(393,882)	-	-	-	-	-	-	-	-	-
Balance as at 31 August 2017	46,179,518	-	5,120,000	6,699,322	32,510	3,324,172	8,776,655	47,546	70,179,723	4,741,671	74,921,394

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017 (cont'd)

Group	Non-distributable										Total equity RM
	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	
Balance as at 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 15)	(33,825,750)	-	-	-	-	-	-	33,825,750	-	-	-
Issuance of rights issue with warrants (Note 15 and 16)	22,550,500	-	-	-	-	-	8,776,655	(8,776,655)	22,550,500	-	22,550,500
Issuance of bonus shares (Note 15)	11,275,250	(11,275,250)	-	-	-	-	-	-	-	-	-
Share options granted under ESOS (Note 16)	-	-	-	-	-	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.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

Company	Non-distributable				Accumulated losses RM	Total equity RM
	Share capital RM	Share premium RM	Share options reserve RM	Warrant reserve RM		
Balance as at 1 September 2016	45,101,000	393,882	3,566,307	8,776,655	(6,500,330)	51,337,514
Profit for the financial year	-	-	-	-	1,401,177	1,401,177
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,401,177	1,401,177
Transactions with owners						
Ordinary shares issued pursuant to ESOS (Note 15)	684,636	-	(242,135)	-	-	442,501
Effects of the new Companies Act, 2016 (Note 15)	393,882	(393,882)	-	-	-	-
Balance as at 31 August 2017	46,179,518	-	3,324,172	8,776,655	(5,099,153)	53,181,192

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017 (cont'd)

Company	Non-distributable				Accumulated losses RM	Total equity RM
	Share capital RM	Share premium RM	Share options reserve RM	Warrant reserve 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 15)	(33,825,750)	–	–	–	33,825,750	–
Issuance of rights issue with warrants (Note 15 and 16)	22,550,500	–	–	8,776,655	(8,776,655)	22,550,500
Issuance of bonus shares (Note 15)	11,275,250	(11,275,250)	–	–	–	–
Share options granted under ESOS (Note 16)	–	–	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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		3,669,259	(10,188,638)	1,328,977	(3,599,749)
Adjustments for:					
Allowance of slow moving inventories	11	95,435	208,659	-	-
Depreciation on:					
- property, plant and equipment	5	6,798,396	6,507,817	115,741	110,877
- investment properties	6	88,150	338,116	-	-
Dividend income	25	-	-	(4,000,000)	-
Fair value changes in derivatives	22	(49,924)	(138,026)	-	-
(Gain)/Loss on disposal of:					
- property, plant and equipment	26	(259,477)	(15,047)	(47,000)	-
- assets of disposal group classified as held for sale	26	(8,505,653)	-	-	-
- other investments		-	(32,479)	-	-
- a subsidiary	32	-	78,137	-	38,383
Interest expense	29	5,483,794	5,477,309	1,168,723	901,165
Interest income	26	(2,448,740)	(3,479,342)	(119,636)	(190,753)
(Gain)/Loss on unrealised foreign exchange		(2,044,375)	993,504	(828,595)	(114,096)
Increase in retirement benefit obligations	17(c)	261,347	202,709	97,015	89,710
Provision for Directors' leave passage	33(c)	64,571	64,571	64,571	64,571
Reversal of slow moving inventories	11	(155,509)	(50,752)	-	-
(Reversal of impairment losses)/ Impairment losses on:					
- property, plant and equipment	5	(27,353)	-	-	-
- investments in subsidiaries	8	-	-	-	7,464
- trade and other receivables	12	840,794	640,561	-	85,024
- trade and other receivables	12	(114,944)	(6,154)	-	(50,000)
Share options granted under ESOS	27	-	3,566,307	-	2,060,755
Short term accumulating compensated absences	33(c)	69,538	74,505	69,538	74,505
Inventories written down	11	1,140	3,489	-	-
Written off of:					
- bad debts		11,799	720,855	-	810,157
- property, plant and equipment	5	3,519	12,515	-	-
- inventories	11	298,229	54,947	-	-
Operating profit/(loss) before changes in working capital		4,079,996	5,033,563	(2,150,666)	288,013
Increase in inventories		(2,410,564)	(944,404)	-	-
Decrease/(Increase) in trade and other receivables		3,160,594	6,710,221	(106,575)	1,611,032
Increase/(Decrease) in trade and other payables		1,239,525	(4,355,193)	12,010	(1,728,731)
Cash generated from/(used in) operations		6,069,551	6,444,187	(2,245,231)	170,314
Contribution paid for retirement benefit obligations	17(d)	(25,100)	(437,128)	-	(430,518)
Tax paid		(1,790,741)	(1,823,817)	-	-
Interest paid		(5,483,794)	(5,477,309)	(1,168,723)	(901,165)
Net cash used in operating activities		(1,230,084)	(1,294,067)	(3,413,954)	(1,161,369)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017 (cont'd)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Subscription of additional shares in a wholly owned subsidiary	8	–	–	(277,151)	(1,147,375)
Interest received		2,448,740	3,479,342	119,636	190,753
Dividend received from a subsidiary		–	–	4,000,000	–
Proceeds from disposal of:					
- property, plant and equipment		598,033	15,047	47,000	–
- a subsidiary	32	–	(3,618)	–	1
- other investment		–	46,479	–	–
- assets of disposal group classified as held for sale	14	17,500,000	–	–	–
Net changes in deposits pledged with licensed banks		(1,493,552)	(14,414,023)	5,158,240	(5,158,240)
Purchase of property, plant and equipment	5(e)	(8,447,927)	(5,184,390)	(22,018)	(23,983)
Subsequent expenditure incurred on investment properties	6	(622,627)	(7,000)	–	–
Net cash from/(used in) investing activities		9,982,667	(16,068,163)	9,025,707	(6,138,844)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of rights issue	15	–	22,550,500	–	22,550,500
Proceeds from ESOS exercised		442,501	–	442,501	–
Net changes in short term borrowings		(2,054,213)	12,325,051	–	–
Net changes in subsidiaries' balances		–	–	(6,495,215)	(14,753,003)
Repayment of:					
- hire purchase and lease creditors		(2,332,784)	(2,129,536)	(134,907)	(124,796)
- term loans		(8,182,885)	(7,669,743)	–	–
Net cash (used in)/from financing activities		(12,127,381)	25,076,272	(6,187,621)	7,672,701
Net (decrease)/increase in cash and cash equivalents		(3,374,798)	7,714,042	(575,868)	372,488
Effects of exchange rate changes on cash and cash equivalents		399,951	(268,615)	–	–
Cash and cash equivalents at beginning of financial year		(2,875,651)	(10,321,078)	640,090	267,602
Cash and cash equivalents at end of financial year	13(b)	(5,850,498)	(2,875,651)	64,222	640,090

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017

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 A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 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 2017 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 29 November 2017.

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 8 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 51 to 120 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 2016 in Malaysia.

However, Note 39 to the financial statements as set out on page 121 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.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 36 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

4. OPERATING SEGMENTS

D'nonce Technology Bhd. ('The Group') 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.

The Group 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 materials

Manufacture, sales and distribution of advanced packaging materials, electronics products, food related products and consumables.

Performance is measured based on segment operating profit as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment.

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 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 2017 (cont'd)

4. OPERATING SEGMENTS (cont'd)

	Integrated supply chain products and services RM	Contract manufacturing RM	Supply of packaging materials RM	Eliminations RM	Total RM
2017					
Revenue					
Sales to external customers	54,788,059	17,812,608	119,643,643	–	192,244,310
Inter-segments sales	81,637	755,370	21,704,160	(22,541,167)	–
Total revenue	<u>54,869,696</u>	<u>18,567,978</u>	<u>141,347,803</u>	<u>(22,541,167)</u>	<u>192,244,310</u>
Results					
Segment results	3,667,300	(2,371,468)	9,283,636	–	10,579,468
Unallocated expenses					(1,426,415)
Operating profit					<u>9,153,053</u>
Finance costs					(5,483,794)
Profit before tax					<u>3,669,259</u>
Income tax expense					(1,185,080)
Profit for the financial year					<u>2,484,179</u>
Assets					
Segment assets	11,394,321	29,167,100	149,706,665	–	190,268,086
Unallocated assets					1,561,834
Tax assets					1,281,140
Total assets					<u>193,111,060</u>
Liabilities					
Segment liabilities	3,970,684	3,188,218	29,584,794	–	36,743,696
Unallocated liabilities					1,619,543
Borrowings					79,445,761
Tax liabilities					380,666
Total liabilities					<u>118,189,666</u>
Other information					
Depreciation	52,894	2,579,491	4,254,161	–	6,886,546
Other significant non-cash expenses	(162,879)	33,863	(9,515,956)	–	(9,644,972)
Additions to non-current assets other than financial instruments and deferred tax assets	<u>12,772</u>	<u>1,480,334</u>	<u>9,139,865</u>	<u>–</u>	<u>10,632,971</u>

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

4. OPERATING SEGMENTS (cont'd)

	Integrated supply chain products and services RM	Contract manufacturing RM	Supply of packaging 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	<u>52,548,385</u>	<u>17,708,275</u>	<u>124,713,735</u>	<u>(18,953,949)</u>	<u>176,016,446</u>
Results					
Segment results	5,628,894	(312,136)	(1,168,673)	–	4,148,085
Unallocated expenses					<u>(8,859,414)</u>
Operating loss					(4,711,329)
Finance costs					<u>(5,477,309)</u>
Loss before tax					(10,188,638)
Income tax expense					<u>(603,170)</u>
Loss for the financial year					<u>(10,791,808)</u>
Assets					
Segment assets	11,830,009	22,366,612	155,624,957	–	189,821,578
Unallocated assets					7,150,537
Tax assets					<u>1,315,436</u>
Total assets					<u>198,287,551</u>
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					<u>1,029,674</u>
Total liabilities					<u>127,977,958</u>
Other information					
Depreciation	35,996	2,545,431	4,264,506	–	6,845,933
Other significant non-cash expenses	1,303	68,297	3,097,524	–	3,167,124
Additions to non-current assets other than financial instruments and deferred tax assets	<u>2,931</u>	<u>3,738,312</u>	<u>3,475,552</u>	<u>–</u>	<u>7,216,795</u>

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

4. 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:

	2017	2016
	RM	RM
Revenue		
Total revenue for reportable segments	214,785,477	194,970,395
Elimination of inter-segmental revenues	(22,541,167)	(18,953,949)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	192,244,310	176,016,446
Profit/(Loss) for the financial year		
Total profit for reportable segments	10,579,468	4,148,085
Finance costs	(5,483,794)	(5,477,309)
Unallocated amounts	(1,426,415)	(8,859,414)
Profit/(Loss) before tax	3,669,259	(10,188,638)
Tax expense	(1,185,080)	(603,170)
Profit/(Loss) for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	2,484,179	(10,791,808)
Assets		
Total assets for reportable segments	190,268,086	189,821,578
Tax assets	1,281,140	1,315,436
Unallocated assets	1,561,834	7,150,537
Assets of the Group per consolidated statement of financial position	193,111,060	198,287,551
Liabilities		
Total liabilities for reportable segments	36,743,696	34,834,718
Tax liabilities	380,666	1,029,674
Borrowings	79,445,761	90,751,925
Unallocated liabilities	1,619,543	1,361,641
Liabilities of the Group per consolidated statement of financial position	118,189,666	127,977,958

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

4. 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.

	2017	2016
	RM	RM
Revenue from external customers		
Malaysia	108,408,258	111,862,760
Thailand	83,836,052	64,153,686
Consolidated	192,244,310	176,016,446
Non-current assets		
Malaysia	47,161,459	50,369,477
Thailand	29,057,561	28,844,260
Consolidated	76,219,020	79,213,737

Major customers

Revenue from five (5) customers in the supply of packaging material segment represent RM42,136,820 (2016: RM27,396,438) of the Group revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group	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
At 31 August 2017									
Cost									
Balance as at 1 September 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
Additions	-	-	-	1,197,222	1,047,825	1,049,768	173,162	6,542,367	10,010,344
Reclassification	-	-	-	1,269,653	-	-	76,222	(1,345,875)	-
Transfer to investment properties (Note 6)	-	(2,021,572)	-	-	-	-	-	(6,483,631)	(8,505,203)
Disposals	-	-	-	(612,856)	(36,590)	(139,306)	-	-	(788,752)
Written off	-	-	-	-	(5,396)	-	-	-	(5,396)
Exchange differences	620,497	-	1,210,668	2,108,934	191,051	166,911	624,771	68,747	4,991,579
Balance as at 31 August 2017	8,466,534	2,808,643	25,994,834	45,932,286	11,786,075	5,966,980	12,128,662	15,500	113,099,514
Accumulated depreciation and impairment losses									
Balance as at 1 September 2016	-	605,393	5,933,576	28,730,619	8,381,675	3,908,118	5,893,239	-	53,452,620
Depreciation charge for the financial year	-	103,486	593,429	4,121,335	603,538	486,845	889,763	-	6,798,396
Reversal of impairment loss	-	-	-	(27,353)	-	-	-	-	(27,353)
Transfer to investment properties (Note 6)	-	(190,739)	-	-	-	-	-	-	(190,739)
Disposals	-	-	-	(275,905)	(34,985)	(139,306)	-	-	(450,196)
Written off	-	-	-	-	(1,877)	-	-	-	(1,877)
Exchange differences	-	-	446,125	1,166,537	166,077	146,365	272,300	-	2,197,404
Balance as at 31 August 2017	-	518,140	6,973,130	33,715,233	9,114,428	4,402,022	7,055,302	-	61,778,255
Analysed as:									
Accumulated depreciation	-	518,140	6,973,130	32,146,415	9,101,862	4,402,022	6,850,391	-	59,991,960
Accumulated impairment losses	-	-	-	1,568,818	12,566	-	204,911	-	1,786,295
Balance as at 31 August 2017	-	518,140	6,973,130	33,715,233	9,114,428	4,402,022	7,055,302	-	61,778,255
Net carrying amount									
Balance as at 31 August 2017	8,466,534	2,290,503	19,021,704	12,217,053	2,671,647	1,564,958	5,073,360	15,500	51,321,259

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

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

Group	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
At 31 August 2016									
Cost									
Balance as 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 32)	-	-	-	-	(57,251)	(134,388)	(297,098)	-	(488,737)
Balance as 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									
Balance as 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	-	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 32)	-	-	-	-	(55,556)	(134,388)	(268,666)	-	(458,610)
Balance as 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
Balance as 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									
Balance as 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

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

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

Company	Motor vehicles RM	Office furniture, fittings and computer equipment RM	Renovation RM	Capital work-in- progress RM	Total RM
At 31 August 2017					
Cost					
Balance as at 1 September 2016	143,856	1,570,709	33,428	15,500	1,763,493
Additions	–	22,018	–	–	22,018
Transfer in from subsidiaries	–	990	–	–	990
Transfer out to subsidiaries	–	(3,840)	–	–	(3,840)
Disposal	(139,306)	–	–	–	(139,306)
Balance as at 31 August 2017	4,550	1,589,877	33,428	15,500	1,643,355
Accumulated depreciation					
Balance as at 1 September 2016	141,733	935,417	8,748	–	1,085,898
Depreciation charge for the financial year	910	111,488	3,343	–	115,741
Transfer in from subsidiaries	–	50	–	–	50
Transfer out to subsidiaries	–	(1,352)	–	–	(1,352)
Disposal	(139,306)	–	–	–	(139,306)
Balance as at 31 August 2017	3,337	1,045,603	12,091	–	1,061,031
Net carrying amount					
Balance as at 31 August 2017	1,213	544,274	21,337	15,500	582,324

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

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

- (a) 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.
- (b) After initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.
- (c) 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 - 60 years
Buildings	2% - 5%
Plant and machinery	10% - 20%
Office furniture, fittings and computer equipment	10% - 33.33%
Motor vehicles	20%
Renovation	2% - 10%

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Purchase of property, plant and equipment	10,010,344	7,209,795	22,018	23,983
Financed by hire purchase arrangements	(1,562,417)	(2,025,405)	–	–
Cash payments on purchase of property, plant and equipment	8,447,927	5,184,390	22,018	23,983

- (f) 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Plant and machinery	5,455,985	5,515,524	–	–
Office furniture, fittings and computer equipment	350,454	1,258,305	458,328	545,599
Motor vehicles	1,301,006	1,056,056	–	–
Capital work-in-progress	15,500	15,500	15,500	15,500
	7,122,945	7,845,385	473,828	561,099

Details of the terms and conditions and information on financial risks of the hire purchase or finance leases arrangements are disclosed in Note 19 and Note 35 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

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

- (g) 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	
	2017	2016
	RM	RM
Land and buildings	23,676,833	26,591,568
Plant and machinery	5,386,215	12,959,320
Renovation	257,938	281,872
	<u>29,320,986</u>	<u>39,832,760</u>

Details of the terms and conditions of the borrowings are disclosed in Note 18 to the financial statements.

6. INVESTMENT PROPERTIES

	Group	
	2017	2016
	RM	RM
Land, buildings and renovation, at cost		
Balance as at 1 September 2016/2015	4,560,644	14,985,743
Additions	622,627	7,000
Transfer from property, plant and equipment (Note 5)	8,505,203	-
Transfer to assets of disposal group classified as held for sale (Note 14)	-	(10,432,099)
Balance as at 31 August	<u>13,688,474</u>	<u>4,560,644</u>
Accumulated depreciation		
Balance as at 1 September 2016/2015	1,787,519	2,887,155
Depreciation charge for the financial year	88,150	338,116
Transfer from property, plant and equipment (Note 5)	190,739	-
Transfer to assets of disposal group classified as held for sale (Note 14)	-	(1,437,752)
Balance as at 31 August	<u>2,066,408</u>	<u>1,787,519</u>
Net carrying amount		
Balance as at 31 August	<u>11,622,066</u>	<u>2,773,125</u>

- (a) Investment properties are initially measured at cost, including transaction costs.
- (b) After initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.
- (c) 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	51 - 60 years
Buildings	2%
Renovation	10%

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

6. INVESTMENT PROPERTIES (cont'd)

- (d) Freehold land has an unlimited life and therefore is not depreciated.
- (e) Investment properties with an aggregate carrying amount of RM11,530,022 (2016: RM2,677,906) are charged to a financial institution for banking facilities granted to the Group as disclosed in Note 18 to the financial statements.
- (f) Direct operating expenses arising from investment properties generating rental income during the financial year amounted to RM99,600 (2016: RM55,655).
- (g) 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:

	2017	Group	2016
	RM		RM
Land and building	18,280,000		5,280,000

- (h) There were no transfer between Level 1, 2 and 3 fair value measurement during the financial years ended 31 August 2017 and 31 August 2016.

7. INTANGIBLE ASSET

	2017	Group	2016
	RM		RM
Goodwill, at cost			
Balance as at 31 August	413,371		413,371
Accumulated impairment losses			
Balance as at 31 August	124,243		124,243
Net carrying amount			
Balance as 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:

	2017	Group	2016
	RM		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.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

7. INTANGIBLE ASSET (cont'd)

(a) Key assumptions used in value-in-use calculations

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

(i) Selling price

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

(ii) Exchange rate

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

(iii) Discount rate

The discount rate applied to the cash flow projections is 10% p.a. (2016: 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.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
At cost		
Unquoted shares	56,207,489	55,930,338
Accumulated impairment losses	(12,716,823)	(12,716,823)
	<u>43,490,666</u>	<u>43,213,515</u>
Share options granted to employees of subsidiaries	1,505,552	1,505,552
	<u>44,996,218</u>	<u>44,719,067</u>

Movement in accumulated impairment losses:

	Company	
	2017 RM	2016 RM
Balance as at 1 September 2016/2015	12,716,823	13,280,975
Disposal of a subsidiary (Note 32)	-	(571,616)
Impairment loss recognised in profit or loss	-	7,464
Balance as at 31 August	<u>12,716,823</u>	<u>12,716,823</u>

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) Investments in subsidiaries are measured at cost. Non-controlling interest are measured at their proportionate share of the net assets of subsidiaries, unless another measurement basis is required by MFRS.

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

Name of company	Country of incorporation	Effective interest held		Principal activities
		2017 %	2016 %	
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.
Attractive Venture Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials and contract manufacturing of electronic components.
Attractive Venture (KL) Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials.
Attractive Venture (JB) Sdn. Bhd.	Malaysia	* 82	* 82	Design and conversion of advanced packaging materials 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.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

Name of company	Country of incorporation	Effective interest held		Principal activities
		2017 %	2016 %	
D'nonce Energy Sdn. Bhd.	Malaysia	100	100	Dormant.
Logistic Solution Holdings Co., Ltd. ^	Thailand	99	99	Investment holding.
ISCM Technology (Thailand) Co., Ltd. ^	Thailand	~ 100	~ 100	Contract manufacturing of electronic components.
ISCM Industries (Thailand) Co., Ltd. ^ #	Thailand	100	100	Printing of packaging materials and contract manufacturing of consumable electronic products.

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

** The Company has a direct interest of 48% and an indirect interest of 51% via another subsidiary, Logistic Solution 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 17,500 shares for RM224,000.

(c) The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment.

The recoverable amounts of the investments in subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

- (d) In the previous financial year,
- (i) the Company increased its investment in ISCM Technology (Thailand) Co., Ltd. by subscribing for 92,500 shares for RM1,147,375.
 - (ii) an impairment loss on investment in a subsidiary amounting to RM7,464 relating to a subsidiary, D'nonce Energy Sdn. Bhd., had been recognised due to declining business operations.
 - (iii) the Company had disposed off its entire 100% interest in a subsidiary, D'nonce Biofoods Sdn. Bhd., for cash consideration of RM1.
- (e) 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
2017							
NCI percentage of ownership interest and voting interest	45%	45%	18%	16%	45%		
Carrying amount of NCI (RM)	<u>940,571</u>	<u>1,757,450</u>	<u>2,037,447</u>	<u>(779,761)</u>	<u>805,510</u>	<u>(19,546)</u>	<u>4,741,671</u>
Profit/(Loss) allocated to NCI (RM)	<u>114,507</u>	<u>115,518</u>	<u>128,789</u>	<u>(167,577)</u>	<u>(12,880)</u>	<u>1,028</u>	<u>179,385</u>
2016							
NCI percentage of ownership interest and voting interest	45%	45%	18%	16%	45%		
Carrying amount of NCI (RM)	<u>826,066</u>	<u>1,641,932</u>	<u>1,908,658</u>	<u>(612,184)</u>	<u>818,391</u>	<u>(20,577)</u>	<u>4,562,286</u>
Profit/(Loss) allocated to NCI (RM)	<u>44,348</u>	<u>(161,595)</u>	<u>93,586</u>	<u>(180,642)</u>	<u>26,268</u>	<u>507</u>	<u>(177,528)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

- (f) 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
2017					
Assets and liabilities					
Non-current assets	69,261	517,086	17,276,135	772,595	1,504,931
Current assets	5,682,624	5,746,089	28,403,226	4,070,561	3,618,237
Non-current liabilities	(13,810)	(534,004)	(6,024,865)	(45,861)	(856,277)
Current liabilities	(3,623,223)	(1,683,304)	(27,955,038)	(9,598,503)	(2,299,094)
Net assets/(liabilities)	<u>2,114,852</u>	<u>4,045,867</u>	<u>11,699,458</u>	<u>(4,801,208)</u>	<u>1,967,797</u>
Results					
Revenue	15,071,658	1,306,351	20,856,079	4,142,613	10,077,800
Profit/(Loss) for the financial year	254,459	256,707	715,497	(1,047,355)	(28,622)
Total comprehensive income/ (loss)	<u>254,459</u>	<u>256,707</u>	<u>715,497</u>	<u>(1,047,355)</u>	<u>(28,622)</u>
Cash flows from/(used in) operating activities	58,286	(190,382)	6,379,037	120,473	381,179
Cash flows (used in)/from investing activities	(45,234)	363,244	1,132,310	(312,858)	(81,480)
Cash flows from/(used in) financing activities	50,320	(520,336)	(9,162,367)	129,547	(3,500)
Net increase/(decrease) in cash and cash equivalents	<u>63,372</u>	<u>(347,474)</u>	<u>(1,651,020)</u>	<u>(62,838)</u>	<u>296,199</u>
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)	<u>1,860,394</u>	<u>3,789,162</u>	<u>10,983,961</u>	<u>(3,753,853)</u>	<u>1,996,419</u>
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)	<u>98,551</u>	<u>(359,100)</u>	<u>519,921</u>	<u>(1,129,010)</u>	<u>58,373</u>
Cash flows from 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	<u>496,086</u>	<u>(1,079,924)</u>	<u>(3,063,859)</u>	<u>(250,593)</u>	<u>148,824</u>
Net increase/(decrease) in cash and cash equivalents	<u>496,457</u>	<u>(70,654)</u>	<u>125,712</u>	<u>212,026</u>	<u>420,972</u>

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

9. OTHER INVESTMENTS

	Group 2016 RM
Golf club memberships, at cost	
Balance as at 1 September 2015	80,000
Disposal	(80,000)
Balance as at 31 August	<u>–</u>
Accumulated depreciation	
Balance as at 1 September 2015	66,000
Disposal	(66,000)
Balance as at 31 August	<u>–</u>
Net carrying amount	
Balance as at 31 August	<u>–</u>

10. DEFERRED TAX

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

	Group	
	2017 RM	2016 RM
Balance as at 1 September 2016/2015	330,432	519,350
Recognised in profit or loss (Note 30)	(91,281)	(189,243)
Exchange differences	(9,051)	325
Balance as at 31 August	<u>230,100</u>	<u>330,432</u>
Presented after appropriate offsetting:		
Deferred tax assets, net	(51,022)	(92,155)
Deferred tax liabilities, net	<u>281,122</u>	<u>422,587</u>
	<u>230,100</u>	<u>330,432</u>

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

10. 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 2016	(50,444)	(41,711)	(92,155)
Recognised in profit or loss	50,444	(260)	50,184
Exchange differences	–	(9,051)	(9,051)
Balance as at 31 August 2017	<u>–</u>	<u>(51,022)</u>	<u>(51,022)</u>
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	<u>(50,444)</u>	<u>(41,711)</u>	<u>(92,155)</u>

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Others RM	Total RM
Balance as at 1 September 2016	482,362	(59,775)	422,587
Recognised in profit or loss	(181,267)	39,802	(141,465)
Balance as at 31 August 2017	<u>301,095</u>	<u>(19,973)</u>	<u>281,122</u>
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	<u>482,362</u>	<u>(59,775)</u>	<u>422,587</u>

- (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	
	2017 RM	2016 RM	2017 RM	2016 RM
Unused tax losses	16,854,000	14,212,000	328,000	208,000
Unabsorbed capital allowances	10,243,000	8,732,000	151,000	72,000
Unutilised reinvestment allowances	9,346,000	9,224,000	–	–
Other deductible temporary differences	2,000	3,000	–	–
	<u>36,445,000</u>	<u>32,171,000</u>	<u>479,000</u>	<u>280,000</u>

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 2017 (cont'd)

11. INVENTORIES

	Group	
	2017	2016
	RM	RM
At cost		
Raw materials	6,564,794	5,221,294
Work-in-progress	1,125,950	873,318
Finished goods	3,101,149	2,363,055
Trading goods	9,716,466	9,302,232
	20,508,359	17,759,899
At net realisable value		
Raw materials	56,488	26,945
Work-in-progress	23,519	25,211
Finished goods	477,803	334,659
Trading goods	12,864	12,145
	570,674	398,960
	21,079,033	18,158,859

- (a) Inventories are stated at the lower of cost and net realisable value.
- (b) Cost is determined using the first-in, first-out basis.
- (c) During the financial year, inventories of the Group recognised as cost of sales amounted to RM126,864,675 (2016: RM116,593,449). In addition, the amounts recognised in the cost of sales include:

	Group	
	2017	2016
	RM	RM
Allowance of slow moving inventories	95,435	208,659
Reversal of slow moving inventories	(155,509)	(50,752)
Inventories written down	1,140	3,489
Inventories written off	298,229	54,947
	239,295	216,343

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current				
Trade receivables				
Third party - interest bearing at 3.25% p.a. (2016: 3.25% p.a.)	13,517,870	23,081,731	-	-
Current				
Trade receivables				
Third party - interest bearing at 3.25% p.a. (2016: 3.25% p.a.)	14,862,606	8,974,385	-	-
Third party - non-interest bearing	37,622,074	37,599,508	-	-
	52,484,680	46,573,893	-	-
Less: Impairment losses - Third parties	(1,513,012)	(767,387)	-	-
	50,971,668	45,806,506	-	-
Other receivables				
Amount owing by subsidiaries	-	-	25,812,093	26,007,241
Less: Impairment losses	-	-	(4,889,942)	(4,889,942)
	-	-	20,922,151	21,117,299
Other receivables	6,481,147	4,730,755	431,315	332,340
Deposits	3,237,414	2,543,644	12,880	12,550
	9,718,561	7,274,399	21,366,346	21,462,189
Loans and receivables	60,690,229	53,080,905	21,366,346	21,462,189
Prepayments	4,038,122	3,321,011	33,268	25,998
	64,728,351	56,401,916	21,399,614	21,488,187

- (a) Trade and other receivables are classified as loans and receivables, and measured at amortised cost using the effective interest method.
- (b) The normal trade credit terms granted by the Group range from 30 to 120 days (2016: 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.
- (c) The amount owing by subsidiaries are unsecured, interest-free, payable upon demand and to be settled in cash.
- (d) The currency exposure profile of loans and receivables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	51,724,254	55,812,679	20,150,226	18,998,809
United States Dollar	8,312,110	7,938,998	1,208,935	1,819,330
Thai Baht	13,465,435	11,897,531	2,592	644,050
Others	706,300	513,428	4,593	-
	74,208,099	76,162,636	21,366,346	21,462,189

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

12. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group	
	2017	2016
	RM	RM
Neither past due nor impaired	49,597,080	54,734,238
Past due, but not impaired		
1 to 30 days	6,770,156	5,295,680
31 to 60 days	2,533,275	2,921,261
61 to 90 days	2,024,935	2,250,156
More than 91 days	3,564,092	3,686,902
	14,892,458	14,153,999
Past due and impaired	1,513,012	767,387
	66,002,550	69,655,624

Trade 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.

Trade receivables that are past due but not impaired

Trade receivables that are past due but not impaired amounting to RM14,892,458 (2016: RM14,153,999) 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.

Trade receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

	Individually impaired	
	Group	
	2017	2016
	RM	RM
Trade receivables, gross	1,513,012	767,387
Less: Impairment losses	(1,513,012)	(767,387)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

12. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables				
At 1 September 2016/2015	767,387	236,716	-	-
Charge during the financial year	840,794	640,561	-	-
Written off	-	(103,559)	-	-
Reversal of impairment losses	(114,944)	(6,154)	-	-
Exchange differences	19,775	(177)	-	-
At 31 August	1,513,012	767,387	-	-
Other receivables				
At 1 September 2016/2015	-	-	4,889,942	10,074,367
Charge during the financial year	-	-	-	85,024
Written off	-	-	-	(5,219,449)
Reversal of impairment losses	-	-	-	(50,000)
At 31 August	-	-	4,889,942	4,889,942
	1,513,012	767,387	4,889,942	4,889,942

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.

The Group and the Company recognise impairment of receivables based on an assessment of the recoverability of receivables. The determination of whether trade receivables are recoverable involves significant management judgement. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to measure impairment of receivables.

(g) Information on financial risks of trade and other receivables is disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

13. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	7,778,560	11,785,866	64,222	640,090
Deposits with licensed banks	21,493,653	21,542,821	–	5,158,240
	29,272,213	33,328,687	64,222	5,798,330

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	24,988,147	25,789,478	58,988	5,789,425
United States Dollar	1,328,537	3,944,298	2,562	2,430
Thai Baht	2,862,987	3,208,710	1,543	–
Others	92,542	386,201	1,129	6,475
	29,272,213	33,328,687	64,222	5,798,330

(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	7,778,560	11,785,866	64,222	640,090
Deposits with licensed banks	21,493,653	21,542,821	–	5,158,240
Bank overdrafts (Note 18)	(13,638,730)	(16,213,909)	–	–
	15,633,483	17,114,778	64,222	5,798,330
Less:				
Deposits pledged with licensed banks	(21,483,981)	(19,990,429)	–	(5,158,240)
	(5,850,498)	(2,875,651)	64,222	640,090

(c) The deposits with licensed banks are pledged as security for the Group's borrowings and banking facilities as disclosed in Note 18 to the financial statements.

(d) Information on financial risks of cash and bank balances is disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

14. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In the previous financial year, D'nonce (K.L) Sdn. Bhd. and Attractive Venture Sdn. Bhd., both wholly owned subsidiaries of D'nonce Technology Bhd. had 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 sale of investment properties were completed in October 2016 and July 2017 respectively. In the previous financial year, the assets of the non-current asset were as follows:

	Group 2016 RM
Assets of disposal group classified as held for sale	
Investment properties	<u>8,994,347</u>

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:

	Group 2016 RM
Cost	10,432,099
Accumulated depreciation	<u>(1,437,752)</u>
	<u>8,994,347</u>

In the previous financial year, the carrying amount amounting to RM8,994,347 of the Group's assets of disposal group classified as held for sale had been charged to a bank for credit facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

15. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of ordinary shares	Amount RM	Number of ordinary shares	Amount RM
Issued and fully paid-up ordinary shares				
Balance as at 1 September 2016/2015	180,404,000	45,101,000	45,101,000	45,101,000
Par value reduction to RM0.25 each	–	–	–	(33,825,750)
Issued for cash pursuant to:				
- employee share options scheme (Note 28)	1,770,000	684,636	–	–
- rights issue	–	–	90,202,000	22,550,500
- bonus issue	–	–	45,101,000	11,275,250
Transfer from share premium account pursuant to the new Companies Act, 2016	–	393,882	–	–
Balance as at 31 August	182,174,000	46,179,518	180,404,000	45,101,000

- (a) During the financial year, the Company increased its issued and fully paid-up share capital from RM45,101,000 to RM46,179,518 by way of:
- (i) the issuance of 1,770,000 ordinary shares pursuant to the exercise of the ESOS at an option price of RM0.25 per ordinary share; and
 - (ii) the inclusion of the credit balance of share premium account of RM393,882 as part of the paid-up share capital pursuant to Section 618(2) of the Companies Act, 2016.
- (b) Owners of the parent of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meeting of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.
- (c) With the introduction of the new Companies Act, 2016 (the 'Act') effective 31 January 2017, the concept of authorised share capital and par value of share capital has been abolished. Consequently, balances within the share premium account have been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the new Act.
- (d) In the previous financial year,
- (i) 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.
 - (ii) 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.
 - (iii) 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:
 - 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; and
 - 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.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

16. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>Non-distributable:</u>				
Exchange translation reserve	6,699,322	5,014,201	–	–
Other capital reserve	5,120,000	5,120,000	–	–
Legal reserve	32,510	32,510	–	–
Warrant reserve	8,776,655	8,776,655	8,776,655	8,776,655
Share options reserve	3,324,172	3,566,307	3,324,172	3,566,307
Share premium	–	393,882	–	393,882
	23,952,659	22,903,555	12,100,827	12,736,844

(a) 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.

(b) Other capital reserve

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

(c) 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.

(d) 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 2015 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; and

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

16. RESERVES (cont'd)

(d) Warrant reserve (cont'd)

The salient features of the Warrants as stated in the Deed Poll are as follows (cont'd):

- (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 (2016: 90,202,000) warrants remained unexercised.

(e) 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.

(f) Share premium

Share premium balances have been transferred to share capital pursuant to the transitional provisions in Section 618(2) of the new Companies Act, 2016.

17. RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current liabilities				
Retirement benefit obligations	<u>186,725</u>	<u>89,710</u>	<u>186,725</u>	<u>89,710</u>
Non-current liabilities				
Retirement benefit obligations	<u>779,836</u>	<u>580,286</u>	<u>-</u>	<u>-</u>
Total				
Retirement benefit obligations	<u>966,561</u>	<u>669,996</u>	<u>186,725</u>	<u>89,710</u>

- (a) The Group and the Company operate an unfunded, defined benefit Retirement Benefit Scheme ('the Scheme') for their 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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Present value of unfunded defined benefit obligations being net liability	<u>966,561</u>	<u>669,996</u>	<u>186,725</u>	<u>89,710</u>
Analysed as:				
Current	<u>186,725</u>	<u>89,710</u>	<u>186,725</u>	<u>89,710</u>
Non-current	<u>779,836</u>	<u>580,286</u>	<u>-</u>	<u>-</u>
	<u>966,561</u>	<u>669,996</u>	<u>186,725</u>	<u>89,710</u>

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

17. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current service cost	235,231	195,208	91,441	87,754
Interest cost	26,447	13,721	5,905	1,842
Past service cost	–	(6,334)	–	–
(Over)/Underprovision in prior year	(331)	114	(331)	114
	261,347	202,709	97,015	89,710

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 September 2016/2015	669,996	878,047	89,710	430,518
Recognised in the profit or loss:				
- Employee benefit expense (Note 27)	261,347	202,709	97,015	89,710
Exchange differences	60,318	26,368	–	–
Contributions paid to the plans by the Group/Company	(25,100)	(437,128)	–	(430,518)
At 31 August	966,561	669,996	186,725	89,710

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

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Discount rate	3.3 – 4.5	3.3 – 4.3	4.5	4.3
Expected rate of salary increases	5.0	5.0	5.0	5.0

(f) The following tables demonstrate the sensitivity analysis of the Group and of the Company 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			
	2017		2016	
	Increase/ (decrease) %	RM	Increase/ (decrease) %	RM
Discount rate increase	1	(56,457)	1	(51,484)
Discount rate decrease	(1)	67,051	(1)	61,133
Expected rate of salary increase	1	66,929	1	61,175
Expected rate of salary decrease	(1)	(57,799)	(1)	(52,857)

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

17. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

- (f) The following tables demonstrate the sensitivity analysis of the Group and of the Company 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			
	2017		2016	
	Increase/ (decrease) %	RM	Increase/ (decrease) %	RM
Discount rate increase	1	808	1	(851)
Discount rate decrease	(1)	(832)	(1)	867
Expected rate of salary increase	1	2,806	1	2,583
Expected rate of salary decrease	(1)	(2,756)	(1)	(2,536)

18. BORROWINGS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>Non-current liabilities</u>				
Secured				
Term loans	18,457,177	26,185,074	-	-
Hire purchase and lease creditors (Note 19)	3,372,625	4,096,232	250,265	395,282
	21,829,802	30,281,306	250,265	395,282
<u>Current liabilities</u>				
Secured				
Bank overdrafts (Note 13(b))	13,638,730	16,213,909	-	-
Short term bank loans (Note 20)	31,707,573	32,363,618	-	-
Term loans	9,964,467	9,777,970	-	-
Hire purchase and lease creditors (Note 19)	2,305,189	2,115,122	145,017	134,907
	57,615,959	60,470,619	145,017	134,907
Total borrowings				
Bank overdrafts (Note 13(b))	13,638,730	16,213,909	-	-
Short term bank loans (Note 20)	31,707,573	32,363,618	-	-
Term loans	28,421,644	35,963,044	-	-
Hire purchase and lease creditors (Note 19)	5,677,814	6,211,354	395,282	530,189
	79,445,761	90,751,925	395,282	530,189

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

18. BORROWINGS (cont'd)

- (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 5, Note 6 and Note 14 to the financial statements respectively;
 - (ii) deposits with licensed banks amounting to RM21,483,981 (2016: RM19,990,429) of the Group as disclosed in Note 13 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.
- (b) The currency exposure profile of borrowings are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	57,611,123	69,329,355	395,282	530,189
Thai Baht	21,834,638	21,422,570	–	–
	79,445,761	90,751,925	395,282	530,189

- (c) Information on financial risks of borrowings is disclosed in Note 35 to the financial statements.

19. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Minimum hire purchase and lease payments:				
- not later than one (1) year	2,588,383	2,455,874	166,500	166,500
- later than one (1) year but not later than five (5) years	3,577,507	4,423,972	263,605	430,105
Total minimum hire purchase and lease payments	6,165,890	6,879,846	430,105	596,605
Less: Future interest charges	(488,076)	(668,492)	(34,823)	(66,416)
Present value of hire purchase and lease payments	5,677,814	6,211,354	395,282	530,189

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

19. HIRE PURCHASE AND LEASE CREDITORS (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Repayable as follows:				
Current liabilities				
- not later than one (1) year	2,305,189	2,115,122	145,017	134,907
Non-current liabilities				
- later than one (1) year but not later than five (5) years	3,372,625	4,096,232	250,265	395,282
	5,677,814	6,211,354	395,282	530,189

Hire purchase and lease creditors are effectively secured as the rights to the assets under hire purchase in the event of default as disclosed in Note 5 to the financial statements.

Information on financial risks of hire purchase and lease creditors is disclosed in Note 35 to the financial statements.

20. SHORT TERM BANK LOANS

	Group	
	2017 RM	2016 RM
Bankers' acceptance	11,552,717	15,611,674
Promissory notes	2,572,000	2,342,000
Revolving credits	14,850,967	12,712,932
Trust receipts	989,542	1,697,012
Factoring of trade receivables	1,742,347	–
	31,707,573	32,363,618

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

Information on financial risks of short term bank loans is disclosed in Note 35 to the financial statements.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Trade payables				
Third parties	25,178,704	25,071,783	–	–
Other payables				
Amount owing to subsidiaries	–	–	11,834,905	19,355,411
Other payables	6,644,797	5,119,277	584,869	327,061
Amount owing to Directors	308,505	99,410	–	99,410
Accruals	5,264,672	5,185,969	859,405	871,684
	12,217,974	10,404,656	13,279,179	20,653,566
	37,396,678	35,476,439	13,279,179	20,653,566

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

21. TRADE AND OTHER PAYABLES (cont'd)

- (a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2016: 30 to 90 days).
- (c) The amount owing to subsidiaries is unsecured, interest-free, payable upon demand and to be settled in cash except for amount owing to subsidiaries amounting to RM9,984,880 (2016: RM10,425,740) on which interest is charged at 6.13% - 8.55% (2016: 5.75% - 7.85%) per annum.
- (d) The amount owing to Directors is unsecured, interest-free and payable upon demand in cash and cash equivalent.
- (e) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	22,279,329	21,491,255	7,401,642	7,885,253
United States Dollar	5,315,237	3,990,881	2,475,288	2,457,437
Thai Baht	9,564,698	9,624,675	3,402,249	10,310,876
Others	237,414	369,628	-	-
	37,396,678	35,476,439	13,279,179	20,653,566

- (f) Information on financial risks of trade and other payables is disclosed in Note 35 to the financial statements.

22. DERIVATIVE LIABILITIES

	Group			
	2017 Contract/ Notional amount RM	Liabilities RM	2016 Contract/ Notional amount RM	Liabilities RM
Forward currency contracts	-	-	1,550,340	(49,924)

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.

In the previous financial year, 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 were expected to occur at various dates within three (3) months from the end of the reporting period.

The Group recognised a gain of RM49,924 (2016: RM138,026) arising from fair value changes of its forward currency contracts. The fair value changes were 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 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

23. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Not later than one (1) year	1,719,948	1,637,629	47,280	38,940
Later than one (1) year but not later than five (5) years	1,947,134	1,713,863	73,500	–
	3,667,082	3,351,492	120,780	38,940

(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	
	2017 RM	2016 RM
Not later than one (1) year	907,200	1,242,150
Later than one (1) year but not later than five (5) years	2,025,000	510,000
	2,932,200	1,752,150

(b) Capital commitments

	Group	
	2017 RM	2016 RM
Capital expenditure:		
Approved and contracted for:		
Building	–	6,700,000
Motor vehicles	–	395,957
Plant and machinery	1,753,951	507,719
	1,753,951	7,603,676

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

24. CONTINGENT LIABILITIES

	Group	
	2017	2016
	RM	RM
Unsecured		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries (Note 18)	77,429,724	89,679,554

- (a) The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*.
- (b) 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.

25. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Sale of goods	177,809,276	164,156,207	-	-
Revenue from services rendered	13,364,354	10,552,239	-	-
Management fees	-	-	5,010,427	6,249,679
Rental income from investment properties	1,070,680	1,308,000	-	-
Dividend income	-	-	4,000,000	-
	192,244,310	176,016,446	9,010,427	6,249,679

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 rendered

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

(c) Management fees

Management fees are recognised when services are rendered.

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

25. REVENUE (cont'd)

(e) Dividend income

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

26. OTHER INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from loans and receivables	2,448,740	3,479,342	119,636	190,753
Rental income	52,200	85,000	–	–
Scrap sales	1,219,963	619,140	–	–
Insurance claims	–	1,614,200	–	–
Maintenance income	2,226,750	2,226,750	–	–
Sub leasing fee from:				
- related parties	–	–	243,873	249,634
- companies related to a Director	46,992	45,992	46,992	45,992
- external parties	8,136	8,136	8,136	8,136
Gain on disposal of:				
- property, plant and equipment	259,477	15,047	47,000	–
- assets of disposal group classified as held for sale	8,505,653	–	–	–
Fair value changes in derivatives	49,924	138,026	–	–
Others	800,823	310,957	832,140	114,378
	15,618,658	8,542,590	1,297,777	608,893

(a) Interest income

Interest income is recognised using the effective interest method.

(b) Maintenance income

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

27. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages, bonus and allowances	31,652,383	28,755,575	3,821,695	3,689,538
Social security contributions	555,754	446,491	20,619	14,943
Contributions to defined contribution plan	2,017,049	2,021,594	458,479	486,452
Defined benefit plan (Note 17)	261,347	202,709	97,015	89,710
Termination benefit	17,975	–	–	–
Share options granted under ESOS	–	3,566,307	–	2,060,755
Other benefits	2,783,966	2,168,695	555,087	462,936
	37,288,474	37,161,371	4,952,895	6,804,334

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

28. EMPLOYEE SHARE OPTION SCHEME ('ESOS')

The ESOS is governed by the ESOS By-Laws and was approved by shareholders on 3 July 2015. The ESOS was to be in force for a period of five (5) years effective from 18 May 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 undercharged 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 2017 (cont'd)

28. 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				Exercisable as at 31.8.2017
	Outstanding as at 1.9.2016	Movement during the financial year		Outstanding as at 31.8.2017	
		Granted	Exercised		
2017					
2016 options	26,069,500	–	(1,770,000)	24,299,500	24,299,500
Exercise price (RM)	0.25	0.25	0.25	0.25	0.25
Remaining contractual life (months)	59				47

	Number of options over ordinary shares				Exercisable as at 31.8.2016
	Outstanding as at 1.9.2015	Movement during the financial year		Outstanding as at 31.8.2016	
		Granted	Exercised		
2016					
2016 options	–	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		Exercise period
	2017 RM	2016 RM	
2016 options	0.25	0.25	18.5.2016 - 17.5.2021

The fair values of share options granted in the previous financial year was estimated by using the Black-Scholes-Merton 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
Fair value of share options at grant date at 18 May 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 2017 (cont'd)

29. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense on:				
- bank borrowings	2,847,410	2,517,078	35,812	54,299
- amounts owing to subsidiaries	-	-	1,101,317	805,163
- term loans	2,241,175	2,617,881	-	-
- hire purchase and lease creditors	395,209	342,350	31,594	41,703
	5,483,794	5,477,309	1,168,723	901,165

30. TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense based on profit/(loss) for the financial year	880,459	901,333	-	72,200
Under/(Over)provision of income tax in prior years	145,875	(108,920)	(72,200)	(37,331)
	1,026,334	792,413	(72,200)	34,869
Deferred tax (Note 10):				
- Relating to origination and reversal of temporary differences	28,134	(174,829)	-	-
- Overprovision in prior years	(119,415)	(14,414)	-	-
	(91,281)	(189,243)	-	-
Real Property Gain Tax	250,027	-	-	-
	1,185,080	603,170	(72,200)	34,869

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

30. TAXATION (cont'd)

The numerical reconciliations between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before tax	3,669,259	(10,188,638)	1,328,977	(3,599,749)
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	880,622	(2,445,273)	318,954	(863,940)
Tax effects in respect of:				
Non-allowable expenses	2,767,314	1,641,080	795,332	963,523
Non-taxable income	(3,871,166)	(248,970)	(1,162,046)	(27,383)
Deferred tax assets not recognised during the financial year	1,046,640	1,687,680	47,760	–
Different tax rates in another country	143,526	91,987	–	–
Double deduction	(16,673)	–	–	–
Tax incentive	(41,670)	–	–	–
Real Property Gain Tax	250,027	–	–	–
	1,158,620	726,504	–	72,200
Under/(Over)provision in prior years				
- tax expense	145,875	(108,920)	(72,200)	(37,331)
- deferred tax	(119,415)	(14,414)	–	–
	1,185,080	603,170	(72,200)	34,869

31. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit/(loss) 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	
	2017 RM	2016 RM
Profit/(Loss) for the financial year attributable to equity holders of the parent	2,304,794	(10,614,280)

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

31. EARNINGS/(LOSS) PER SHARE (cont'd)

(a) Basic (cont'd)

	Group	
	Number of ordinary shares	
	2017	2016
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	180,404,000	45,101,000
Effects of:		
- bonus issue	-	45,101,000
- rights issue	-	69,196,055
ESOS exercised	190,000	-
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	180,594,000	159,398,055
	2017	2016
	sen	sen
Basic earnings/(loss) per ordinary share	1.28	(6.66)

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit/(loss) 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.

	Group	
	2017	2016
	RM	RM
Profit/(Loss) for the financial year attributable to equity holders of the parent	2,304,794	(10,614,280)
	2017	2016
	Number of ordinary shares	Number of ordinary shares
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	180,594,000	159,398,055
Effects of dilution:		
- ESOS	2,603,518	-
- warrant	9,664,500	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	192,862,018	159,398,055

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

31. EARNINGS/(LOSS) PER SHARE (cont'd)

(b) Diluted (cont'd)

	Group	
	2017	2016
	sen	sen
Diluted earnings/(loss) per ordinary share	1.20	(6.66)

In the previous financial year, 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 was the same as the basic earnings per ordinary share.

32. DISPOSAL OF A SUBSIDIARY

In the previous financial year, 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 in the previous financial year is as follows:

	Group	Company
	2016	2016
	RM	RM
Cost of investment	–	610,000
Impairment in cost of investment (Note 8)	–	(571,616)
Property, plant and equipment (Note 5)	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

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

33. 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.

(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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Subsidiaries:				
Advances from	–	–	4,725,000	3,846,000
Advances to	–	–	2,897,200	10,795,501
Interest charged from	–	–	1,101,317	805,163
Management and advisory fees	–	–	5,010,427	6,249,679
Sub-leasing fee	–	–	243,873	249,634
Legal fee paid to a firm which a Director is a partner	69,450	67,084	–	15,000
Purchase of goods from a shareholder of a subsidiary	4,017,186	4,188,103	–	–
Advance from a Director of a subsidiary	160,000	405,000	–	–
Sub-leasing fee charged to companies connected to a Director	46,992	45,992	46,992	45,992

The related party transactions described above were undertaken on mutually agreed and negotiated terms.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

33. RELATED PARTY DISCLOSURES (cont'd)

(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 Directors of the Group and the Company.

There are no other key management personnel having the authority and responsibility for planning, directing and controlling the activities of the Group other than the Directors.

The remuneration of Directors during the financial year is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors of the Company				
Salaries and other emoluments	1,470,894	1,813,523	1,470,894	1,813,523
Fees	351,000	327,055	346,000	327,055
Defined contribution plan	158,354	264,548	158,354	264,548
Defined benefit plan	97,015	89,710	97,015	89,710
Provision for leave passage	64,571	64,571	64,571	64,571
Share options granted under ESOS	–	1,573,200	–	1,573,200
Short term accumulating compensated absences	69,538	74,505	69,538	74,505
	2,211,372	4,207,112	2,206,372	4,207,112
Directors of subsidiaries				
Salaries and other emoluments	928,300	933,569	–	–
Fees	422,840	312,561	–	–
Defined contribution plan	83,968	85,842	–	–
Share options granted under ESOS	–	410,400	–	–
	1,435,108	1,742,372	–	–
Total	3,646,480	5,949,484	2,206,372	4,207,112

Directors of the Group and the Company and other key management personnel have been granted the following number of options under the ESOS:

	Group		Company	
	2017	2016	2017	2016
As at 1 September 2016/2015	14,600,000	–	11,500,000	–
Granted	–	14,600,000	–	11,500,000
Exercised	(1,000,000)	–	(1,000,000)	–
As at 31 August	13,600,000	14,600,000	10,500,000	11,500,000

The terms and conditions of the share options are detailed in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

34. 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 2017 and 31 August 2016.

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.

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Borrowings	18	79,445,761	90,751,925	395,282	530,189
Trade and other payables	21	37,396,678	35,476,439	13,279,179	20,653,566
		116,842,439	126,228,364	13,674,461	21,183,755
Less:					
Cash and bank balances	13	(29,272,213)	(33,328,687)	(64,222)	(5,798,330)
Net debt		87,570,226	92,899,677	13,610,239	15,385,425
Total capital		70,179,723	65,747,307	53,181,192	51,337,514
Net debt		87,570,226	92,899,677	13,610,239	15,385,425
		157,749,949	158,646,984	66,791,431	66,722,939
Gearing ratio (%)		56	59	20	23

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 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Financial assets					
Loans and receivables					
Trade and other receivables (exclude prepayments) (current and non-current)	12	74,208,099	76,162,636	21,366,346	21,462,189
Cash and bank balances	13	29,272,213	33,328,687	64,222	5,798,330
		103,480,312	109,491,323	21,430,568	27,260,519
Financial liabilities					
Other financial liabilities					
Trade and other payables	21	37,396,678	35,476,439	13,279,179	20,653,566
Borrowings (current and non-current)	18	79,445,761	90,751,925	395,282	530,189
		116,842,439	126,228,364	13,674,461	21,183,755
Fair value through profit or loss					
Derivative liabilities	22	–	49,924	–	–

(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 borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

(c) Methods and assumptions used to estimate fair value (cont'd)

The fair values of financial assets and financial liabilities are determined as follows (cont'd):

(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 2017 (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

(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			Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM		
Group 2017								
Financial liability								
Other financial liability								
- Hire purchase and lease creditors	-	-	-	-	-	5,206,273	5,206,273	5,677,814
2016								
Financial liabilities								
Financial liability at fair value through profit or loss								
- Forward currency contracts	-	49,924	-	49,924	-	-	-	49,924
Other financial liability								
- Hire purchase and lease creditors	-	-	-	-	-	5,634,672	5,634,672	6,211,354

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

34. FINANCIAL INSTRUMENTS (cont'd)

(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	Level 1 RM	Level 2 RM	Level 3 RM		
Company								
2017								
Financial liability								
Other financial liability								
- Hire purchase and lease creditors	-	-	-	-	369,741	-	369,741	395,282
2016								
Financial liability								
Other financial liability								
- Hire purchase and lease creditors	-	-	-	-	486,877	-	486,877	530,189

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 2017 (cont'd)

35. 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 and cash flow 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 RM77,429,724 (2016: RM89,679,554) relating to corporate guarantees provided by the Company as securities to licensed 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 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

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:

	2017		2016	
	RM	%	RM	%
By country				
Malaysia	47,001,622	72	54,637,377	79
Thailand	13,265,155	21	10,903,257	16
Singapore	1,661,224	3	607,380	1
Others	2,561,537	4	2,740,223	4
	64,489,538	100	68,888,237	100
By industry sectors				
Electronics and electrical	16,150,976	25	11,761,284	17
Security and surveillance system	28,610,320	44	38,136,429	56
Medical and medical related	11,674,323	18	10,654,723	15
Packaging	1,764,196	3	2,292,297	3
Foods	1,345,400	2	1,493,564	2
Others	4,944,323	8	4,549,940	7
	64,489,538	100	68,888,237	100

At the end of each reporting period, approximately 62.85% (2016: 68.28%) of the trade receivables of the Group were due from 10 (2016: 5) 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 12 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.

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity and cash flow risk

Liquidity and cash flow 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 73% (2016: 67%) and 37% (2016: 25%) of the Group's and the Company's borrowings as disclosed in Note 18 to the financial statements will mature in less than one year.

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 2017				
Group				
Financial liabilities				
Trade and other payables	37,396,678	-	-	37,396,678
Borrowings	59,221,151	17,034,674	8,478,714	84,734,539
Total undiscounted financial liabilities	96,617,829	17,034,674	8,478,714	122,131,217
Company				
Financial liabilities				
Trade and other payables	13,279,179	-	-	13,279,179
Borrowings	166,500	263,605	-	430,105
Total undiscounted financial liabilities	13,445,679	263,605	-	13,709,284

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity and cash flow risk (cont'd)

	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
Derivative liabilities	49,924	–	–	49,924
Borrowings	62,428,437	20,633,591	11,113,150	94,175,178
Total undiscounted financial liabilities	<u>97,954,800</u>	<u>20,633,591</u>	<u>11,113,150</u>	<u>129,701,541</u>
Company				
Financial liabilities				
Trade and other payables	20,653,566	–	–	20,653,566
Borrowings	166,500	430,105	–	596,605
Total undiscounted financial liabilities	<u>20,820,066</u>	<u>430,105</u>	<u>–</u>	<u>21,250,171</u>

(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 borrowings. Borrowings at floating rates expose the Group and the Company to cash flow interest rate risk.

Sensitivity analysis for interest rate risk

A sensitivity analysis has been performed based on the outstanding floating rate bank borrowings of the Group as at 31 August 2017. 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 RM112,127 (2016: RM128,502), as a result of higher or lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

35. 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 2017							
Fixed rates							
Deposits with licensed banks	13	2.61	21,493,653	-	-	-	21,493,653
Hire purchase and lease creditors	19	4.69	2,305,189	1,662,734	1,709,891	-	5,677,814
Trade receivables	12	3.25	14,862,606	10,153,336	3,364,534	-	28,380,476
Floating rates							
Cash and bank balances	13	1.00	7,778,560	-	-	-	7,778,560
Bank overdrafts	18	7.48	13,638,730	-	-	-	13,638,730
Short term bank loans	20	5.31	31,707,573	-	-	-	31,707,573
Term loans	18	5.86	9,964,467	7,639,461	3,766,269	7,051,447	28,421,644
At 31 August 2016							
Fixed rates							
Deposits with licensed banks	13	6.14	21,542,821	-	-	-	21,542,821
Hire purchase and lease creditors	19	4.87	2,115,122	2,014,258	2,081,974	-	6,211,354
Trade receivables	12	3.25	8,974,385	9,563,861	13,517,870	-	32,056,116
Floating rates							
Cash and bank balances	13	1.00	11,785,866	-	-	-	11,785,866
Bank overdrafts	18	7.38	16,213,909	-	-	-	16,213,909
Short term bank loans	20	5.09	32,363,618	-	-	-	32,363,618
Term loans	18	5.84	9,777,970	9,786,865	9,689,106	6,709,103	35,963,044

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

35. 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 2017						
Fixed rates						
Hire purchase and lease creditors	19	3.65	145,017	155,126	95,139	395,282
Amount owing to subsidiaries	21	6.94	<u>9,984,880</u>	<u>-</u>	<u>-</u>	<u>9,984,880</u>
Floating rates						
Cash and bank balances	13	1.00	<u>64,222</u>	<u>-</u>	<u>-</u>	<u>64,222</u>
At 31 August 2016						
Fixed rates						
Deposits with licensed banks	13	4.09	5,158,240	-	-	5,158,240
Hire purchase and lease creditors	19	3.65	134,907	145,017	250,265	530,189
Amount owing to subsidiaries	21	5.27	<u>10,425,740</u>	<u>-</u>	<u>-</u>	<u>10,425,740</u>
Floating rates						
Cash and bank balances	13	1.00	<u>640,090</u>	<u>-</u>	<u>-</u>	<u>640,090</u>

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(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 11.5% and 5.7% (2016: 10.6% and 11.5%) of the Group's and Company's receivables respectively is denominated in foreign currencies whilst 14.8% and 44.3% (2016: 12.3% and 61.8%) 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 RM1,328,537 (2016: RM3,944,298).

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.

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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit/(Loss) net of tax				
USD/MYR				
- strengthen by 5%	297,814	435,552	(63,190)	(31,784)
- weaken by 5%	(297,814)	(435,552)	63,190	31,784
THB/MYR				
- strengthen by 5%	338,186	1,066,230	(169,983)	(483,341)
- weaken by 5%	(338,186)	(1,066,230)	169,983	483,341
USD/THB				
- strengthen by 5%	19,977	(59,054)	-	-
- weaken by 5%	(19,977)	59,054	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

36. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

36.1 New MFRSs adopted during the financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year:

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company, other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the following:

- (a) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, in the order in which each statement and each line item is presented.
- (b) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

36. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (cont'd)

36.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

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
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred
MFRS 17 <i>Insurance Contracts</i>	1 January 2021

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

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Extension for private placements 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 six months from 22 November 2016 to 21 May 2017 to enable the Company to complete the implementation of the Private Placement with Warrants.

On 8 November 2016, on behalf of the Board, IPS has made an announcement to Bursa Malaysia Securities Berhad had, vide its letter dated 7 November 2016, resolved to approve the application by D'nonce Technology Bhd. for an extension of time of 6 months from 22 November 2016 until 21 May 2017 to complete the implementation of the Private Placement with Warrants.

On 4 May 2017, the Board of Directors of the Company announced that the IPS on behalf of the Board submitted an application to Bursa Securities for an extension of time of six months from 22 May 2017 to 21 November 2017 to enable the Company to complete the implementation of the Private Placement with Warrants.

On 12 May 2017, the Board of Directors of the Company announced that the IPS on behalf of the Board has decided to withdraw the application to seek Bursa Securities' approval for an extension of time of six months from 22 May 2017 to 21 November 2017 to implement and complete the Private Placement with Warrants.

In view of the Company has decided not to proceed to apply for an extension of time from Bursa Securities and to implement the Private Placement with Warrants, IPS wishes to inform that all the proposals announced on 2 March 2015 are completed (except the Private Placement with Warrants).

38. COMPANIES ACT, 2016

Companies Act, 2016 ('CA2016') was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016 to replace the Companies Act, 1965. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which CA2016 comes into operation except Section 241 and Division 8 of Part III of CA2016.

Consequently, the Group and the Company effected the following changes as at 31 January 2017:

- (a) Authorised share capital has been removed;
- (b) Par or nominal value of ordinary shares have been removed; and
- (c) Balances in the share premium account have been transferred into the share capital account.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017 (cont'd)

39. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS

The retained earnings/(accumulated losses) as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries:				
- Realised	11,355,689	7,141,457	(4,354,457)	(4,927,039)
- Unrealised	(803,508)	1,053,462	(744,696)	(1,573,291)
	10,552,181	8,194,919	(5,099,153)	(6,500,330)
Less: Consolidation adjustments	(10,504,635)	(10,452,167)	-	-
Total retained earnings/ (accumulated losses)	47,546	(2,257,248)	(5,099,153)	(6,500,330)

LIST OF PROPERTIES OWNED

As at 31 August 2017

Beneficial owner / Location	Description / Existing Use	Land / Built in area (sq.ft.)	Age of building (years) as at 31.08.2017	Type of land / tenure (Year of expiry for leasehold)	Net book value as at 31.08.2017 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	8	60 years - leasehold (2045)	148	05.11.1990
51-14 B & C, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Penang.	Building / Corporate Head Office	* / 3,670	23	Freehold	559	14-B: 21.03.1994 14-C: 18.04.1994
BAM Villa, Unit 42C-7-5C, Taman Maluri, Cheras, 56000 Kuala Lumpur.	Condominium	* / 975	25	99 years - leasehold (2090)	92	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	29	60 years - leasehold (2046)	2,495	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	22	Freehold	247	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	22	Freehold	213	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	16	60 years - leasehold (2052)	4,659	27.08.1997
Plot 314, Penang Science Park, Bukit Minyak, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang.	Industrial land and building / Factory	111,148 / 51,955	1	60 years - leasehold (2072)	8,934	29.04.2011
No. 2733, Tingkat Perusahaan 6A, 13600 Prai, Pulau Pinang.	Industrial land and building / Factory	43,706 / 25,649	14	60 years - leasehold (2049)	4,359	01.07.2015
Attractive Venture (JB) Sdn.Bhd.						
1273, Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johor.	Building / Factory	2,400 / 2,777	22	Freehold	198	10.09.1999
No. 17 1/2, Jalan Ayer Hitam, 81400 Saleng, Senai, Johore.	Building / Factory	103,226 / 31,300	21	Freehold	1,790	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	21	Freehold	266	05.08.1996

LIST OF PROPERTIES OWNED

As at 31 August 2017 (cont'd)

Beneficial owner / Location	Description / Existing Use	Land / Built in area (sq.ft.)	Age of building (years) as at 31.08.2017	Type of land / tenure (Year of expiry for leasehold)	Net book value as at 31.08.2017 RM'000	Date of acquisition
ISCM Industries (Thailand) Co., Ltd. 188 Moo 1, Kanchanavanich Road, Tambol Samnakkam, Sadao, Songkhla Thailand.	Industrial land and building / Factory	876,169 / 270,695	18	Freehold	11,755	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	1,261	21.01.2011
70/6 Moo 9, Rojana Industrial Park, Tambol Tanoo, Amphur U-Thai Ayuthaya Province.	Industrial land and building / Factory	27,900 / 17,943	9	Freehold	3,831	05.02.2016
Total					40,807	

* Not applicable

ANALYSIS OF SHAREHOLDINGS

4 December 2017

Issued Share Capital	:	RM46,591,533.800 comprising 184,257,500 ordinary shares
Class of Shares	:	Ordinary shares
Total Number of Holders	:	1,903
Voting right	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	Number of holders	%	Number of Shares	%
1 – 99	53	2.785	2,283	0.001
100 – 1,000	394	20.704	360,929	0.196
1,001 – 10,000	632	33.211	3,466,309	1.881
10,001 – 100,000	638	33.526	24,714,650	13.413
100,001 – 9,212,874*	185	9.721	110,667,307	60.061
9,212,875 & above**	1	0.053	45,046,022	24.448
	<u>1,903</u>	<u>100.000</u>	<u>184,257,500</u>	<u>100.000</u>

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDER

Name	Direct Interest	%	Deemed Interest	%
Law Kim Choon	45,046,022	24.448	-	-

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest	%	Deemed Interest	%	ESOS 2016/2021
Law Kim Choon	45,046,022	24.448	-	-	2,500,000
Dato' Seri Lee Kah Choon	1,536,000	0.834	-	-	1,500,000
Roslant bin Abu	49,600	0.027	-	-	1,500,000
Dato' Ahmad Ibnihajar	-	-	-	-	2,500,000
Wong Thai Sun	-	-	-	-	-
Lena Leong Oy Lin	-	-	-	-	1,500,000

In the Subsidiaries

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

ANALYSIS OF SHAREHOLDINGS

4 December 2017

THIRTY LARGEST HOLDERS

(without aggregating securities from different securities accounts belonging to the same registered holder)

	Number of Shares	%
1. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Law Kim Choon (Margin)	45,046,022	24.448
2. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for TCY Global Sdn. Bhd. (Margin)	8,976,600	4.872
3. Teoh Boon Wei	4,700,000	2.551
4. Lim Wan Keong	4,420,000	2.399
5. Ching Kooi Choo	4,100,000	2.225
6. Chin Chin Seong	3,654,800	1.984
7. Chin Chin Seong	3,453,600	1.874
8. Kenanga Nominees (Tempatan) Sdn. Bhd. Exempt AN for Phillip Securities Pte. Ltd. (Client Account)	3,100,000	1.682
9. Chew Kwi Pek @ Chew Kwi Gaik	2,565,400	1.392
10. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Say Kheong (Margin)	2,300,000	1.248
11. RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Han Keong (201074)	2,200,000	1.194
12. Grace Cheah Yeong Sen	2,188,000	1.188
13. Goh Siew May	2,000,000	1.085
14. Lam Mei Pheng	1,858,600	1.009
15. Ng Chee Hwa	1,800,000	0.977
16. Lai Tai Cheang	1,760,000	0.955
17. Wong Han Keong	1,750,000	0.950
18. Lee Kah Choon	1,536,000	0.834
19. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Kae Wen (Margin)	1,500,000	0.814
20. Low Yong Soon	1,330,000	0.722
21. Ervina Tan Ching Yee	1,295,100	0.703
22. Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for OCBC Securities Private Limited (Client A/C-R ES)	1,000,000	0.542
23. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Goo Hwa (STA 1)	1,000,000	0.542
24. Lew Yok Kee	1,000,000	0.542
25. Loo Lee Lian	1,000,000	0.542
26. Shen Chao Ming	981,400	0.533
27. Lindawaty Julia	950,000	0.516
28. Liew Yoke Moy	875,000	0.475
29. HLIB Nominees (Tempatan) Sdn. Bhd. Hong Leong Bank Bhd for Lau Nian Choon	761,000	0.413
30. Lee Kok Hoong	740,000	0.402
Total	109,841,522	59.613

ANALYSIS OF WARRANTHOLDINGS

4 December 2017

Unit of Warrants Issued : 90,202,000
Total Number of Holders : 797

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	Number of holders	%	Number of Warrants	%
1 – 99	2	0.251	95	0.000
100 – 1,000	16	2.008	8,195	0.009
1,001 – 10,000	245	30.740	1,338,205	1.484
10,001 – 100,000	364	45.671	17,486,200	19.386
100,001 – 4,510,099*	169	21.205	63,845,100	70.780
4,510,100 & above**	1	0.125	7,524,205	8.341
	<u>797</u>	<u>100.00</u>	<u>90,202,000</u>	<u>100.00</u>

* 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	–	–
Dato' Seri Lee Kah Choon	–	–	–	–
Dato' Ahmad Ibnihajar	–	–	–	–
Wong Thai Sun	–	–	–	–
Lena Leong Oy Lin	–	–	–	–

ANALYSIS OF WARRANTHOLDINGS

4 December 2017

THIRTY LARGEST HOLDERS

(without aggregating securities from different securities accounts belonging to the same registered holder)

	Number of Warrants	%
1. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Law Kim Choon (Margin)	7,524,205	8.342
2. Chin Chin Seong	3,168,000	3.512
3. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Kae Wen (Margin)	3,100,000	3.437
4. CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Gaik Ai (Penang-Cl)	1,800,000	1.996
5. Grace Cheah Yeong Sen	1,738,000	1.927
6. Lam Mei Pheng	1,425,500	1.580
7. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Say Kheong (Margin)	1,400,000	1.552
8. Cimsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Oon Hock Teck (The Curve-CL)	1,312,000	1.455
9. Loo Lee Lian	1,270,000	1.408
10. Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chea Jian Kai (E-TAI/STW)	1,250,000	1.386
11. Kenanga Nominees (Tempatan) Sdn. Bhd. Yoong Siew Kuen	1,210,000	1.341
12. Lim Kwon Heng	1,100,000	1.219
13. Lew Siow Wah	1,050,000	1.164
14. Nam Shoon Hong Sdn. Bhd.	981,700	1.088
15. Chin Chin Seong	980,200	1.087
16. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Say Kheong (STA1)	800,000	0.887
17. Lai Tai Cheang	800,000	0.887
18. JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Ke-Xun Genevieve (Margin)	798,000	0.885
19. Khor Lian Yan	730,000	0.809
20. Sunny Tan Kah Wei	722,600	0.801
21. Yee Choon Fatt	700,000	0.776
22. Lee Kok Hoong	665,300	0.738
23. Khor Heng Tien	650,000	0.721
24. Ganesh a/l Kalimuthu	550,000	0.609
25. Yeoh Kar Siew	550,000	0.609
26. Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	500,000	0.554
27. Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teah Bee Fong (E-TAI)	500,000	0.554
28. Law Kim Ean	460,000	0.510
29. Gan Yuk Wah	454,400	0.504
30. Kuan Si Woei	450,000	0.499
Total	38,639,905	42.837

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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 Eighteenth 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 Tuesday, 30 January 2018 at 11.30 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

Resolutions		For	Against
Resolution 1	- Re-election of Dato' Ahmad Ibhijajar		
Resolution 2	- Re-election of Encik Roslant bin Abu		
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	- Approval of Directors' benefits		
Resolution 6	- Continuing in office for Dato' Ahmad Ibhijajar as an Independent Non-Executive Director		
Resolution 7	- Continuing in office for Mr Wong Thai Sun as an Independent Non-Executive Director		
Resolution 8	- Approval for issuance of new ordinary shares		
Resolution 9	- Proposed Renewal Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 10	- Proposed renewal of the authority for the purchase of the Company's own ordinary shares of up to ten per centum (10%) of the Company's issued 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 2018

Number of shares held	
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For appointment of two proxies, number of shares and percentage of shareholdings to be represented by the proxies:-		
	<u>No. of shares</u>	<u>Percentage</u>
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 at least one proxy but not more than two (who need not be members of the Company) to attend, participate, speak 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 48 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 333 of the Companies Act 2016.
8. 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.
9. Those proxy forms which are indicated with "v" in the spaces provided to show how the votes are to be cast will also be accepted.
10. Only members registered in the Record of Depositors as at 22 January 2018 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.

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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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