

Annual Report 2018

GROWING GREATER

Positioned to Succeed

Continuously striving to develop, deliver and maintain an equitable balance between increasing value for shareholders and responsible development.

Welcoming a Brighter Tomorrow

Always aspiring to stretch the horizons of growth for ourselves and our businesses through unwavering ambition to achieve outstanding personal and business results.

Venturing into New Horizons

Seeking and seizing opportunities with speed and agility as we challenge set boundaries.

EMBRACING LIMITLESS OPPORTUNITIES



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CONCEPT:

Laid out to resemble a magazine cover, this concept exudes elegance and sophistication. It consequently provides a canvas that showcases the Company's highlights at a glance. A monochrome colour scheme accentuates the significance of this Annual Report as D'nonce moves into a new chapter. The silhouette of a man's profile looking upward and forward is superimposed with visuals of the Company's primary business activities. This becomes a representation of how D'nonce and its people are geared up and ready to tap into the advantages of a new stage of growth.

NOTICE OF 19TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at 9.00a.m. on 17 June 2019 at Emerald 2, Level 1, Crown Garden Hotel, PT 302 & 303 Jalan Kebun Sultan, 15300 Kota Bharu, Kelantan for the transaction of the following businesses:

AGENDA

A. Ordinary Business

1. To receive the Audited Financial Statements for the financial period ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire in accordance with Article 102 of the Company's Articles of Association and being eligible, have offered themselves for re-election:
 - a) YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP **Ordinary Resolution 1**
 - b) Lim Teck Seng **Ordinary Resolution 2**
 - c) Dato' Yeo Boon Leong, JP **Ordinary Resolution 3**
 - d) Ng Kok Wah **Ordinary Resolution 4**
3. To approve the payment of Directors' fees of totaling RM998,000 to the Directors of the Company for the period from 1 September 2017 up to the conclusion of the 20th Annual General Meeting ("AGM") to be held in 2020; **Ordinary Resolution 5**
4. To approve the payment of Directors' benefits of up to RM254,560 for the period from the 19th AGM to the 20th AGM to be held in 2020; **Ordinary Resolution 6**
5. To re-appoint Messrs BDO as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

B. Special Business

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

6. Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act 2016 **Ordinary Resolution 8**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time 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 issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company".

NOTICE OF 19TH ANNUAL GENERAL MEETING

(CONT'D)

7. Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. ("Proposed Renewal of Mandate for RRPT")

Ordinary 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 30 April 2019 ("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 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."

NOTICE OF 19TH ANNUAL GENERAL MEETING

(CONT'D)

8. 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 ("Proposed Renewal of Share Buy-Back")

Ordinary 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 maximum 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);
- (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 of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the MMLR of Bursa Securities or any other relevant authority; and
- (iv) upon completion of the purchase(s) of the D'nonce Shares by the Company, the Directors of the Company be hereby authorised to deal with the D'nonce Shares in the following manner:
 - (a) cancel the D'nonce Shares so purchased; or
 - (b) retain the D'nonce Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
 - (c) retain part of the D'nonce Shares so purchased as treasury shares and cancel the remainder;

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

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

NOTICE OF 19TH ANNUAL GENERAL MEETING

(CONT'D)

9. Proposed Adoption of the New Constitution of the Company

Special Resolution 1

“THAT approval be and is hereby given for the Company to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 30 April 2019 accompanying the Company’s Annual Report 2018 for the financial period ended 31 December 2018 be and is hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

10. Proposed Change of Name of the Company from “D’nonce Technology Bhd” to “D’nonce Group Berhad” (“Proposed Change of Name”)

Special Resolution 2

“THAT the name of the Company be changed from “D’nonce Technology Bhd” to “D’nonce Group Berhad” with effect from the date of the Notice of Registration of New Name issued by the Companies Commission of Malaysia and the Constitution of the Company be hereby amended accordingly, wherever the name of the Company appears.

AND THAT the Board of Directors of the Company be and is hereby authorised to carry out all the necessary steps and formalities in affecting the Proposed Change of Name.”

11. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482)
VIMALRAJ A/L SHANMUGAM (MAICSA 7068140)
Company Secretaries

Kuala Lumpur
Date: 30 April 2019

Proxy:

- (a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company.
- (b) Where a member appoints two (2) proxies or more proxies, the appointment shall be invalid unless the proportions of shareholdings to be represented by each proxy are specified.
- (c) The Form of Proxy shall be signed by the appointor or his (her) attorney duly authorised in writing or, if the member is a corporation, either under its common seal or under the hand of an officer or attorney so authorised.
- (d) The instrument appointing a proxy must be deposited at the Share Registrar’s office at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for the meeting or any adjournment thereof.
- (e) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. 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.
- (f) For the purpose of determining a member who shall be entitled to attend the Nineteenth AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 10 June 2019. Only a depositor whose name appears on the Record of the Depositor as at 10 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF 19TH ANNUAL GENERAL MEETING

(CONT'D)

EXPLANATORY NOTES

1. Audited Financial Statements for the Financial Period Ended 31 December 2018

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act 2016 provide that the audited financial statements are to be laid in the general meeting and do not require a formal approval of the shareholders. Therefore, this Agenda item is not put forward for voting.

2. Resolutions 5 to 6: To Approve the Payment of Directors' Fees and Benefits

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the Directors and any benefits payable to the directors shall be approved at a general meeting.

The Directors' benefits of up to RM254,560 comprises meeting allowances which calculated based on the current Board size and the number of scheduled Board and Board Committee meetings for the period from the 19th AGM to 20th AGM to be held in 2020.

In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for the shortfall.

3. Resolution 8: Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 8 is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 30 January 2018 ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised. The proposed resolution, if passed, will provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investments projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next Annual General Meeting of the Company.

4. Ordinary Resolution 9: Proposed Renewal of Mandate for RRPT

The Ordinary Resolution 9, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting of the Company.

5. Ordinary Resolution 10: Proposed Renewal of Share Buy-Back

The proposed Ordinary Resolution 10 is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 30 January 2018 ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised. The proposed resolution, if passed, will provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investments projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next Annual General Meeting of the Company.

The proposed Ordinary Resolution 10 if passed, will provide a mandate for the Company to purchase its own shares up to ten percent (10%) of the total number of issued share of the Company and shall lapse at the conclusion of the next AGM unless authority for the renewal is obtained from the shareholders of the Company at a general meeting. Please refer to the Share Buy-Back Statement which is dispatched together with the Company's Annual Report 2018.

6. Special Resolution 1: Proposed Adoption of New Constitution

The proposed Special Resolution 1, if passed, will ensure the Company's Constitution be consistent with the new Companies Act 2016. The proposed new Constitution is set out in the Circular to Shareholders dated 30 April 2019.

7. Special Resolution 2: Proposed Change of Name

The proposed Change of Name is to reflect current business activity of the Company. The proposed name is subject to approval of the Companies Commission of Malaysia. This Special Resolution 2, if passed, will allow the Company to change its name from "D'nonce Technology Bhd" to "D'nonce Group Berhad", with effect from the date of the issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia.



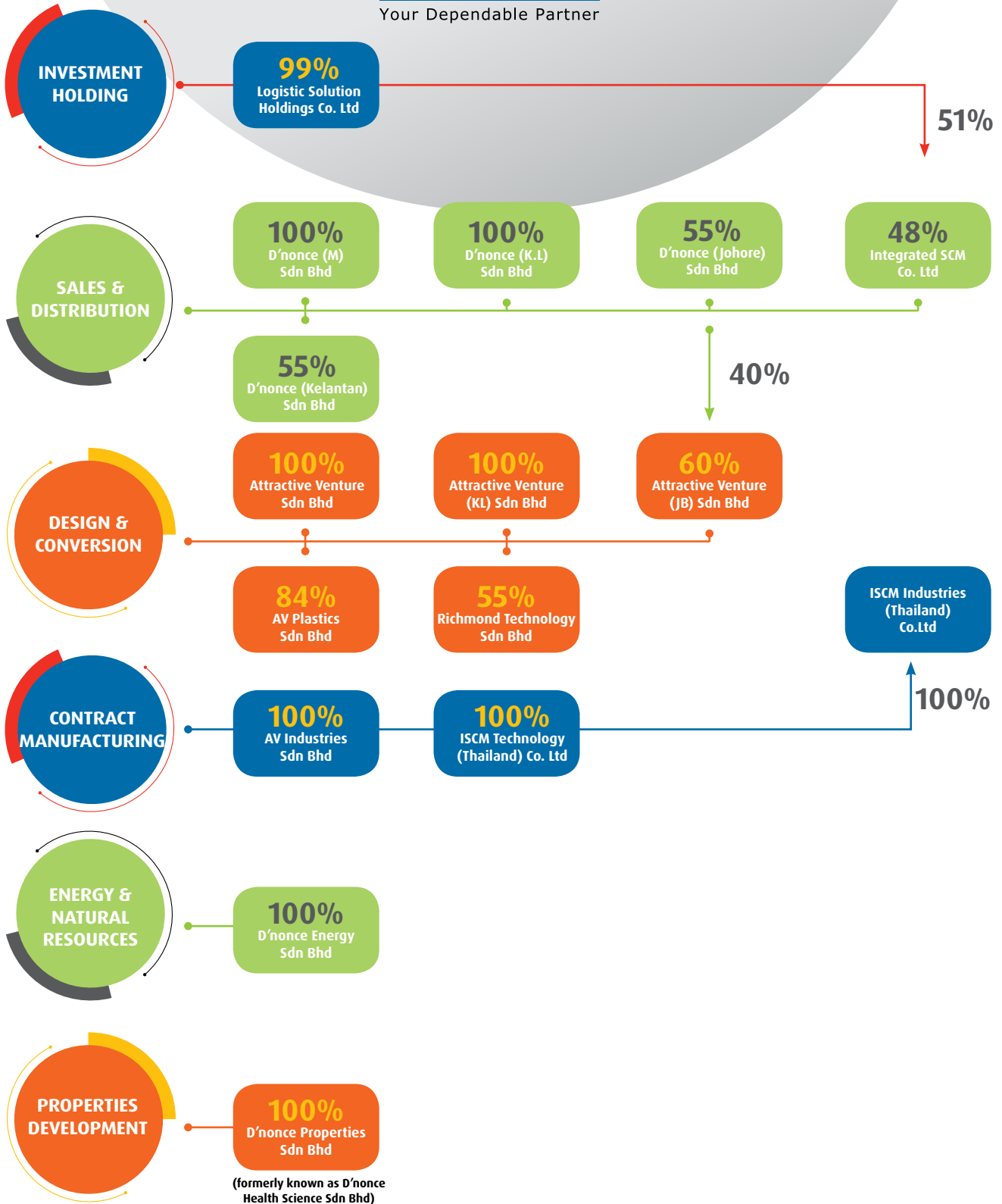
In our commitment to ensuring quality and timely delivery, we offer vertically integrated contract manufacturing services to assist our customers in saving capital and labour costs.

CONTRACT MANUFACTURING

CORPORATE STRUCTURE



Your Dependable Partner



CORPORATE INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman

YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP

Executive Director / Chief Executive Director

Lim Teck Seng

Non-Independent Non-Executive Director

Dato' Yeo Boon Leong, JP

Independent Non-Executive Director

Ng Kok Wah

AUDIT COMMITTEE

YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP (*Chairman*)

Dato' Yeo Boon Leong, JP (*Member*)

Ng Kok Wah (*Member*)

NOMINATION COMMITTEE

Dato' Yeo Boon Leong, JP (*Chairman*)

Ng Kok Wah (*Member*)

YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP (*Member*)

REMUNERATION COMMITTEE

Dato' Yeo Boon Leong, JP (*Chairman*)

Ng Kok Wah (*Member*)

YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP (*Member*)

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

Lim Teck Seng (*Chairman*)

Teoh Mei Poa

Gan Siok Hoy

COMPANY SECRETARIES

Tan Tong Lang (*MAICSA 7045482*)

Vimalraj A/L Shanmugam (*MAICSA 7068140*)

PRINCIPAL PLACE OF BUSINESS

51-14-B&C Menara BHL

Jalan Sultan Ahmad Shah

10050 Georgetown, Penang

Tel No.: (604) 228 1198

Fax No.: (604) 228 3016

Website: www.dnoncetech.com

REGISTERED OFFICE

Suite 10.02, Level 10

The Gardens South Tower

Mid Valley City, Lingkaran Syed Putra

59200 Kuala Lumpur

Tel No.: (603) 2298 0263

Fax No.: (603) 2298 0268

SHARE REGISTRAR

Boardroom.com Sdn Bhd

Suite 10.02, Level 10

The Gardens South Tower

Mid Valley City, Lingkaran Syed Putra

59200 Kuala Lumpur

Tel No.: (603) 2298 0263

Fax No.: (603) 2298 0268

PRINCIPAL BANKERS

Public Bank Berhad

87 Lebuhr Bishop

10200 Georgetown, Penang

Malayan Banking Berhad

Suite 9-03, 9th Floor

Plaza MWE

No. 8 Lebuhr Farquhar

10200 Georgetown, Penang

CIMB Thai Bank Public Company Limited

239/8, Niphat-Uthit 3 Road

Hatyai, Songkhla 90110

Thailand

AUDITORS

BDO PLT (LLP0018825-LCA & AF 0206)

Chartered Accountants

51-21-F Menara BHL

Jalan Sultan Ahmad Shah

10050 Georgetown, Penang

SOLICITORS

Zaid Ibrahim & Co

Advocates and Solicitors

51-22B&C Menara BHL

Jalan Sultan Ahmad Shah

10050 Georgetown, Penang

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name: DNONCE

Stock Code: 7114

Warrant: DNONCE WA

Stock Code: 7114WA

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. Traditionally 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 as well as saving of their 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. 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, efficiency and optimisation of our manpower. The Group will also be wary of impacts from higher labour costs, competition from other similar companies and unfavourable 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.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

REVIEW OF FINANCIAL RESULTS

For the financial period from 1 September 2017 to 31 December 2018 ("FY2018") a tenure of 16 months, the Group delivered an increase in performance with top and bottom line growth. Revenue for the period has achieved a growth of 38.8% to RM266.7 million from RM192.2 million mainly from the increase in revenue from supply of packaging business division. The profit before tax ("PBT") has a strong increase from RM3.7 million in FY2017 to RM5.1 million in FY2018 while the profit after tax ("PAT") has slightly increase from RM2.5 million to RM2.8 million for the same corresponding period. The performance was reflective of the business strategies through higher revenue and reducing its operating expenditure. The improvement in the performance is also a result of focussing on certain specialization in the thermo-forming capabilities with the support of advanced and more efficient machines and equipments.

The Group's borrowings has further decreased from RM79.5 million to RM65.1 million in FY2018 following the gradual settlement of the term loan facilities netted by new facilities obtained in the year while the Group shareholders' equity rose to RM89.4 million from RM70.2 million previously on higher retained earnings, the issuance of shares pursuant to ESOS, conversion of warrants and private placement. The Group's efforts in reducing the reliance on borrowings has shown positive results whereby the gearing ratio was lower at 0.73 for FY2018 from 1.13 over comparative period.

The Group's basic earnings per share as at FY2018 was a healthy 1.32 sen (FY2017: 1.28 sen).

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 dominate the performance of the Group in FY2018 mainly from new businesses and also the gradual recovery of our Southern Thailand subsidiary. This segment achieved a revenue of RM187.8 million, overtaking the revenue for FY2017 by RM68.1 million. The revenue contribution from this segment to the total revenue of the Group has also increased to 70% from 62% in FY2017. In tandem with the higher revenue, the result has also increased accordingly with a profit of RM16.3 million as compared to RM9.3 million (including the one-off gains on disposal of investment properties of RM8.5 million) in FY2017. The improved performance is due to the approach on providing the quality of products required and timely services and response to our customers.

Integrated Supply Chain Products and Services

The revenue for this segment has declined from RM54.8 million in FY 2017 to RM49.2 million in FY2018 mainly due to the cessation of a major JIT-hub business in one of the subsidiaries in Thailand. The result however has increased from RM3.7 million to RM3.9 million due to longer tenure of 16 months for the current period us 12 months in the previous period. The subsidiary affected by this cessation of business has adopted various strategies to recover the revenue including stepping up the business development into other non-JIT-hub businesses especially those with higher margin.

Contract Manufacturing

This segment has improved its performance with an increase of revenue in FY2018 at RM29.8 million as against RM17.8 million in FY2017, and has also incur loss of RM0.1 million as against a loss of RM2.40 million in FY2017. We have managed to take advantage of this situation with a better pricing strategy in tandem with the recovery of the hard disk drive Industry to minimise the loss.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

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.

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 FY2018, 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 is currently in the midst of setting up a new business opportunity venture of the fourth segment known as Properties Development which is expected to provide an additional revenue stream to the Group.

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 growth of 4.7% for Malaysia in 2019, 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 ending 2019 and beyond.

DIVIDEND POLICY

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

A background image of a packaging design studio. It features a green cutting mat with a grid pattern, a white ruler, a black marker, a pair of scissors, and a piece of white paper with a complex, multi-faceted geometric shape cut out of it. The scene is lit with soft, even light, creating a professional and creative atmosphere.

PACKAGING DESIGN SOLUTIONS

Equipped with advanced machineries, trained designers and high-end graphic software, we have the capabilities to provide seamless end-to-end packaging solutions for industrial and commercial customers as well as end consumers.

SUSTAINABILITY STATEMENT

Sustainability is at the core of D'nonce Technology Bhd's vision (D'nonce Technology Bhd is hereinafter referred to as "DTB" or "D'nonce" or "Company"). DTB has always adhered to the three pillars of sustainable development, namely, economic, environmental and social considerations, while committed to maintaining the high standard of corporate governance in its effort to build a strong and vibrant business community for long term.

Governance Structure

Sustainability in D'nonce is driven by the Group's highest decision making bodies, beginning with the Board of Directors, which is accountable for sustainability strategy and performance.

The operation of DTB Group as a whole is under the supervision of the Board of Directors and Group Chief Executive Officer. DTB Group is made up of three main segments, namely the Integrated supply chain products and services, Contract manufacturing and Supply of packaging and other materials headed by the respective Divisional Heads. DTB is currently in the midst of setting up a new business opportunity venture of the fourth division known as Properties development which is expected to provide an additional revenue stream to the Group. As for the individual company within DTB Group, each company is under the leadership of the respective Heads.

Aside from the management team, the Group Internal Control & Risk Management Committee is formed to conduct assurance assignments to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system while monitoring compliance with policies and procedures.

In order to assist the management team in the execution of Company policies and business plans in pursuing the Group's vision and objective, Corporate Affairs Department has also been formed to serve as a conduit between the management level and the employee.

Through a systematic governance structure, DTB is driven to enforce its sustainability strategy across the top management till the operational level from the economic, environmental and social perspectives.

SCOPE OF SUSTAINABILITY STATEMENT AND BASIS FOR THE SCOPE

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide, DTB's sustainability framework is premised upon the evaluation of the Economic, Environmental and Social ("EES") risk and opportunities coexistent with the Company's corporate governance framework and corporate social responsibilities.

DTB believes that sustainable corporate success requires the highest standard of corporate behavior including measuring up to the public expectations on economic, environmental and social responsibilities. By applying a good corporate governance framework, environmentally responsible practices and sound social policies, it would enable DTB Group to achieve sustainable growth and enhance long-term value for its shareholders. In 2018, DTB continued with this commitment as a good and responsible corporate citizen.

MATERIAL SUSTAINABILITY MATTERS

1. Economic

Our commitment as well as our aspiration is always to operate to the highest standards of quality and performance, with the support of our capable and credible partners and suppliers. Our continuing mission is to uphold the principles of integrity and responsibility in all our business operations and dealings. Compliance is a must and non-negotiable, and we have policies that dictate consequences for non-adherence to regulatory norms and governance systems. With our key business focus in key sectors, we work to meaningfully contribute to national development agenda of inclusive growth. This means, we understand our responsibility to make sure that our partners and suppliers benefit from our growth, improving their socio-economic status and overall quality of life.

1.1 Understanding the Expectation of Shareholders

Shareholders of any company are a company's lifeline since shareholders are stakeholders who believe in the company and have invested their hard-earned monies to support the company.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (cont'd)

1. Economic (cont'd)

1.1 Understanding the Expectation of Shareholders (cont'd)

As DTB values its shareholders who have invested into DTB, DTB takes its duties and responsibilities to its shareholders seriously by maintaining active dialogues with the shareholders with the intention of giving shareholders as much as possible, a clear and complete pictures of DTB Group's performance and position.

Apart from the Annual General Meetings where the shareholders are invited to raise questions to the management of DTB, DTB'S corporate website serves as an interactive platform for the shareholders to share their opinions and obtain the latest information about the Company. Under the Investor Relations chapter, information beneficial to shareholders such as circulars and notices to shareholders, financial results, listing announcements, change of corporate information, general meetings and other relevant information are uploaded regularly. Besides, there is also a contact channel in DTB's website for the shareholders to air their views and comments to DTB.

1.2 Board Charter

In line with the principles of corporate governance and standards of integrity, ethics and professionalism across the Group, the Board Charter ("BC") stipulates the principal role, responsibilities and duties of the Board of Directors ("the Board") of DTB. This BC sets out the demarcation of the roles, functions, responsibilities and powers of the Board, the Board Committees and the Management of the Company.

With the implementation of this BC, the Board has been entrusted with the objective to increase shareholders' value within an appropriate framework, protects the rights and interests of the Company's shareholders and further ensure that the Company is properly managed.

1.3 Code of Ethics

In an effort to preserve shareholders' interest, DTB strives to maintain high standard of corporate ethics and strict compliance with the laws and regulations. This is because DTB believes that high standard of integrity, honesty and accountability are fundamental keys to sustainable business.

In 2018, DTB Group continued its commitment to abide by ethical business practices, good corporate governance and combat against all forms of corruptions by implementing the Code of Ethics amongst its employees. Pursuant to the Group Chief Executive Officer's direction, D'nonce Code of Ethics are put on the website both on the employee website and the corporate website which is accessible to all employees.

In order to instill this culture into our business dealings and organizations, all employees will be required to agree and declare on their understanding of the Company's policy and procedures, and submit their individual "Disclosure of Conflict of Interest".

This Code of Ethics is driven by our core values, keeping in mind the highest standard of business ethics. DTB will be continuously transmitting this Code of Ethics for the employee to be aware that the Company is serious in handling any misconduct or any unethical behaviours of any employee.

1.4 Whistle-Blowing Policy and Procedures

The whistle-blowing policy which complements the Code of Ethics, provides a non-discriminatory and fair treatment for all reported incidents. The whistle-blowing policy ensures concerns regarding unethical, unlawful or improper conduct relating to mismanagement, malpractices, corrupt practices, fraud, conflict of interest, abuse of authority or breach of any laws and regulations by any member of its staff and management are investigated internally and if a violation is confirmed, appropriate actions will be taken.

This may involve serious consequences, up to and including dismissal or contract termination. Employees are encouraged to file suspected wrongdoings through the proper mode of communications anonymously to the Group Chief Executive Officer, or the Head of Human Resources without facing repercussions. The Whistle-Blowing Committee, will then act and dispose of any reported incidents and investigations.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (cont'd)

2 Environmental

D'nonce is conscious of the environmental impact of its business and operations. All our plants are therefore governed by our stringent policies on environmental protection, including aspects such as environmental standards, emission standards etc. For instance, we conduct routine and scheduled monitoring of the water, noise and humidity level of the factory, as well as record and analyse key parameters to ensure they are within the levels set by regulation. Besides, we also abide by the local environmental regulations and compliance requirements, in addition to our own internal ISO environmental guidelines.

The DTB Group had also taken preventive measures to reduce environmental impact and carbon footprint from various initiatives such as by minimizing the usage of paper and minimizing energy and fuel consumption.

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.

2.1 Environmental Conservation through Internal Control and Compliance

DTB Group recognizes that several of its activities may have an impact on the environment.

Consequently, at all plants, DTB Group continues to ensure strict compliance with the environmental laws governing plant operations and maintenance in areas relating to environmental standards, emission standards, noise level management and treatment of plant effluents and waste of water.

3 Social

Our people are the valuable machinery behind all our growth. We believe that organisations can perform their best, if their people are given sufficient opportunities to tap on their full potential. At DTB, we follow industry practices in term of our equal, fair and growth-oriented human resource policies, which play a critical role in building a performance culture within the organization. Our employee policies, at their best, help maintain healthy levels of communication with the management, high levels of motivation, and the spirit of team work for greater efficiencies and effective delivery at workplace. We also provide a work environment that is conducive to continuous learning and development. Our open-door policies also ensure that employees are free to express and share and pursue their career aspirations with DTB. This section covers various policies governing employee benefits, their welfare and our community involvement.

3.1 Diversity

As business focused on diverse sectors, we believe there is a direct correlation between diversity and performance at workplace. Employees with diverse backgrounds, experience, skill-sets and attitudes tend to power organisations with new ideas, energy and drive to excel. Gender diversity also adds a new dimension to workplace, with high level of emotional intelligence and values such as loyalty, compassion and integrity. Our recruitment policies, which also comply with Malaysian Employment Act 1955, consider diversity as one of the key determinants of talent acquisition and development. We do not discriminate employee on the basis of their ethnicity, gender, age, disability or status.

3.2 Occupational Safety and Health

Establishing a positive safety and health culture is the key to good corporate governance and a requirement under the Occupational Safety and Health Act 1994. DTB is committed to maintaining high safety and health standards within its workforce and visitors within the Group and its subsidiaries.

The Company provides adequate health care such as medical check-ups for workers handling chemicals and etc. Besides protective attire, workers are trained to handle all chemicals and machine in a safe manner.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (cont'd)

3 Social (cont'd)

3.3 Training and Development

At DTB, we encourage continuous learning and development for improving productivity as well as to keep employees equipped with new emerging skills and technologies. We nurture a conducive learning culture for all our employees - from the lowest general worker to the senior manager - equipping them with the knowledge and skills to effectively perform and overcome the challenges in our industry.

Succession planning is also one of the initiatives in which the plan involves attracting and developing talented and skilled people who fit into the Company's culture and business strategy as well as identifying successors for management and senior management positions. The Board is responsible for appointing and dismissing senior management while the Group Chief Executive Officer is responsible for the senior management succession plan.

3.4 Employee Engagement, Benefits and Well-Being

3.4.1 Engagement

DTB place great emphasis on bridging the gap between multi-generational employees by creating various platforms for continuous engagement and team work. Our objective is to facilitate active dialogue to encourage team work as well as to improve understanding amongst employee at various levels and positions in the organization. In the long-run, we believe these platforms, employee engagement activities, intranet, more relevant and applicable benefits and even managerial meetings at individual department-level, will help move the organization towards one vision and mission. Besides, our internal communications team is dedicated to champion various employee-focused activities to promote positive work environment, healthy communications and recognition.

3.4.2 Benefits and Welfare

At DTB, we have a performance-based reward system in place where reward is given based on the employees' performance. Our remuneration policy is strictly designed on meritocracy. All our full time employees enjoy fair competitive compensation benefits at par with the industry standards. The staff benefits are offered taking into consideration individual merit and performance on a year-to-year basis. Our current employees' benefits include:

- Fixed compensation such as salary and fixed allowance
- Variable compensation
- Benefits and prerequisites such as transportation, better medical and insurance coverage and etc.
- Observance of the 5-day work week and observance of all major public holidays.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (cont'd)

3 Social (cont'd)

3.5 Community

Contribution to the community is important in DTB's view. It is a symbiosis between a company and the community in which without the community, a company cannot sustain its businesses. 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 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 packages.

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.

OUR COMMITMENT

As a socially responsible citizen of the business community, D'nonce shall continue to adopt and apply effective economic approach, environmentally responsible practices, sound social policies and good corporate governance framework with the objective of enhancing transparency in its corporate disclosure, strengthening its risk management framework and achieving long term sustainable growth.

BOARD OF DIRECTORS

YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP

Aged 49, Malaysian, Male
Independent Non-Executive
Chairman, Chairman of Audit
Committee, Member of the
Nomination and Remuneration
Committees

1 YM Tengku Ahmad Badli Shah Bin Raja Hussin was appointed to the Board of D'nonce Technology Bhd. on 11 January 2019. Subsequently was appointed as the Chairman of Audit Committee, Member of the Nomination and Remuneration Committees on 29 March 2019.

YM Tengku Ahmad Badli holds Bachelor of Law degree (LLB Hons) degree from University of East Anglia, Norwich, United Kingdom. He also attended Leadership Program at Cornell University in 2012 and Islamic Leadership Development Program at University Of Cambridge, United Kingdom in 2017.

YM Tengku Ahmad Badli has extensive years of exposure in the financial industry sector. He started his career as a Management Trainee in Hong Kong and Shanghai Banking Corporation, Hong Kong (HSBC) in 1994 and continued his stint with HSBC Group in various senior positions covering both corporate and commercial as well as retail & consumer banking division. He later pursued his career with Kuwait Finance House (Malaysia) Berhad in February 2008 as Head of Branch Management prior to joining Pelaburan MARA Group in September 2013.

He is currently the Group Chief Operating Officer of Pelaburan MARA Berhad. He also serves as Independent Non-Executive Director of NetX Holdings Berhad and Fintec Global Berhad and Non-Independent Non-Executive Director of PDZ Holdings Berhad.

YM Tengku Ahmad Badli 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)

2

Dato' Yeo Boon Leong, JP

Aged 52, Malaysian, Male
Non-Independent Non-Executive Director, Chairman of the Nomination Committee and Remuneration Committees

Dato' Yeo Boon Leong was appointed to the Board of D'nonce Technology Bhd. and as Chairman of the Nomination and Remuneration Committees on 11 January 2019. He was appointed as the member of the Audit Committee on 24 January 2019.

Dato' Yeo is a prominent corporate and public figure in Malaysia. He holds a Bachelor of Commerce Degree from Victoria University of Wellington, New Zealand. He is an entrepreneur, started as a Sale Manager in Denko Industrial Bhd in early 1995. From there, he ventured into retail, distribution and manufacturing of household and industrial products, logistics and warehouse management, property development and construction energy & power plan concessionaire and multimedia technology. Presently, he is an Executive Chairman with controlling stakes in Asia Poly Holdings Bhd and Ta Win Holdings Bhd as well as Managing Director in various other private companies in Malaysia.

In addition to his established business background, Dato' Yeo is also an active and vibrant social contributor to the local community services. He was awarded by DYMM Seri Paduka Baginda Yang Di Pertuan Agong Sultan Muhammad V the Justice of Peace and Datoship in 2011 and 2013 respectively.

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

3

Ng Kok Wah

Aged 40, Malaysian, Male
Independent Non-Executive Director, Member of the Nomination, Remuneration and Audit Committees

Mr Ng Kok Wah was appointed to the Board of D'nonce Technology Bhd. and as a member of Nomination, Remuneration and Audit Committees on 9 January 2019.

Mr. Ng is an Accountant by profession, a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of Malaysian Institute of Accountants (MIA). Mr Ng has obtained Capital Market Services Representative License (CMSRL) in "Financial Planning" from the Securities Commission Malaysia pursuant to Capital Markets and Services Act, 2007 on 29 March 2018.

He started his career with a small accounting firm in 1998 followed by an international medium accounting firm, Morison Anuarul Azizan Chew & Co handling various audit and non-audit assignments for both listed and non-listed companies involved in a wide range of business activities include financial institutions like bank and insurance company. He is also an Independent Non-Executive Director of Aturmaju Resources Berhad, Multi-Usage Holdings Berhad and BCM Alliance Berhad.

Mr Ng Kok Wah 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)

4

Lim Teck Seng

Aged 49, Malaysian, Male
Executive Director/Group CEO,
Chairman of the Employees'
Share Option Scheme

Mr Lim Teck Seng was appointed as the Executive Director of the Board of D'nonce Technology Bhd. on 8 January 2019. Subsequently, he was appointed as the Chief Executive Officer on 14 January 2019.

Mr. Lim graduated from University of Nebraska in Lincoln, the United States of America with a Degree in Bachelor of Science of Business Administration (major in Finance).

Some of Mr Lim's previous appointments included Deputy Managing Director of JF Apex Securities Berhad, Chief Operating Officer of JF Apex Securities Berhad, Vice President (Dealing- Equity Market) of MIDF Amanah Investment Bank Berhad, General Manager/Manager (Dealing and Business Development) of MIDF Sisma Securities Sdn. Bhd.

Presently, he sits on the Board of Asia Poly Holdings Berhad, OCR Group Berhad, Lay Hong Berhad, and European Credit Investment Bank Ltd.

Mr Lim Teck Seng 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

1

Abdul Majid Bin Abdul Raffor

Aged 47, Malaysian, Male

General Manager of AV Plastics Sdn. Bhd.

Abdul Majid Bin Abdul Raffor joined D'nonce in November 2017 and subsequently was transferred to AV Plastics Sdn. Bhd. on 1 September 2018.

Prior to joining D'nonce, he was the factory manager for Guppy Plastic Industries (Penang) Sdn. Bhd. in which he oversees all the daily operations of the plant from production and manufacturing to ensuring policies and procedures are followed.

He began his career as Production Supervisor to Process Engineering for Omni Precision Sdn. Bhd. in 1999 in which he provided technical solution for production to run smoothly and achieved goals of efficiency and yield with competitive costing. Subsequently he left and join Entegris Malaysia Sdn. Bhd. as Head of Process Engineer Section in 2009. In 2011, he joined Rapid Growth Technology Sdn. Bhd. as Production and Technical Manager in which he oversees the production molding, production assembly line, technical, tool room and maintenance of the organization.

He has vast experiences in managing total manufacturing environment and with technically-inclined thinking, excellent logical abilities and outstanding organizational skills in multiple areas such as human resources, production, planning, purchasing, warehouse, process engineering, plastic moulding production process, tooling engineering, mould flow, printing process, spray process, reliability test, quality assurance, development and product/project management.

Abdul Majid Bin Abdul Raffor 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.

2

Ang Oon Ling

Aged 58, Malaysian, Male

Director of D'nonce (Kelantan) Sdn. Bhd. and Richmond Technology Sdn. Bhd.

Ang Oon Ling was appointed as the Director of D'nonce (Kelantan) Sdn. Bhd. and Richmond Technology Sdn. Bhd. in 1995.

Ang Oon Ling graduated from Universiti Kebangsaan Malaysia (UKM) in 1985 with a Degree in Bachelor of Arts. After graduating, he started his career working as an Administration Officer in the Eastern Garment Mfg. Sdn. Bhd., a Hong Kong based garment factory situated in Kelantan. His role was to take full charge of the administration work of the said factory.

In 1987, he left the Eastern Garment Mfg. Sdn. Bhd. and join Sri Rampaian Sdn. Bhd. which is also a Hong Kong based garment factor as Administration Officer, in charge of purchasing, material procurement and shipping department. Subsequently in 1989, he left Sri Rampaian Sdn. Bhd. and join Rohm-Wako Electronics (Malaysia) Sdn. Bhd. as Section Chief of Business Division, taking charge of purchasing, material control, shipping and machine shop.

He left Rohm-Wako Electronics (Malaysia) Sdn. Bhd. in 1995 to set up D'nonce (Kelantan) Sdn. Bhd. and Richmond Technology Sdn. Bhd. till now. He oversees the overall smooth running of both of the said companies and managing the marketing and production of the two companies.

Ang Oon Ling 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 (CONT'D)

3

Low Chee Min **Aged 60, Malaysian, Male**

Director of Attractive Venture (KL) Sdn. Bhd. and D'nonce (KL) Sdn. Bhd.

Low Chee Min was appointed as Director of of Attractive Venture (KL) Sdn. Bhd. and D'nonce (KL) Sdn. Bhd. in 30 December 2018. He graduated from La Trobe University in 1981 with a Bachelor Degree in Accounting and a Master in Computer Science.

He started his career working in Coopers & Lybrand in 1982. Subsequently, he joined UMBC Finance Bhd in 1985 and left after 12 years as a Senior Manager. He joined Tri-Wall (M) Sdn. Bhd., a Japanese-owned company providing design and manufacturing solutions to MNCs for niche and customised packaging as their General Manager and subsequently was promoted to Executive Director. He left and joined Texchem-Pack (KL) Sdn. Bhd., a packaging manufacturer in 2001 as their Senior General Manager. He was appointed as the Operations Director of MegaFortris (M) Sdn. Bhd. in 2005. MegaFortris (M) Sdn. Bhd. is a security and RFID seals manufacturer with worldwide operations in all the major continents.

Low Chee Min has extensive experiences in managing manufacturing concerns and an extensive network of business associates worldwide.

Low Chee Min 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.

4

Lim Oon Jin, Peter **Aged 52, Malaysian, Male**

Director of Attractive Venture (JB) Sdn. Bhd. and D'nonce (Johore) Sdn. Bhd.

Lim Oon Jin, Peter was appointed as the Director of Attractive Venture (JB) Sdn. Bhd. and D'nonce (Johore) Sdn. Bhd. in 1992.

He started his career working as a Sales Assistant in Kylin M Sdn. Bhd. in 1986 until 1989. Subsequently, he joined Timol Weaving Sdn. Bhd. as Sales Executive from 1989 to 1991. He started his journey in building up the business for Attractive Venture (JB) Sdn. Bhd. and D'nonce (Johore) Sdn. Bhd. in 1992 up till now. He oversees to the overall development of the business from managing to operational of the business in this 2 companies.

Lim Oon Jin, Peter has a vast experiences in managing packaging and manufacturing concerns and an extensive network of business associates worldwide. He is also the working committee since 2009 for Federation of Malaysian Manufacturers (FMM), Johor branch which is a NGO. He is also the Vice Chairman for SME subcommittee.

Lim Oon Jin, Peter 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 (CONT'D)

5

Quah Boon Sin, Eric **Aged 55, Malaysian, Male**

Director of Attractive Venture Sdn. Bhd.

Quah Boon Sin, Eric is the Director of Attractive Venture Sdn. Bhd. since 30 December 2018. He coordinates himself with the management team to ensure smooth working of the company and production efficiencies. Having a total of 39 years of working experience, he has held several managerial positions in different companies such as a Duty Manager in Singapore Airport Terminal Services (SATS), Sales Manager in American International Assurance (AIA), and as a Regional Sales Manager in Wyeth Malaysia Sdn. Bhd..

His longest career path of 17 years was with South Island Packaging (Penang) Sdn. Bhd. where his last held position was Assistant General Manager of the company. He was not only involved in ensuring the effectiveness and efficiency of the business operation, his job also requires him to maintain a good communication with local and overseas customers.

He graduated with a Bachelor of Management degree with a Second Class Upper Division in 1989 and continued with his pursuance of a Master of Business Administration (MBA) in year 2000 from Universiti Sains Malaysia (USM).

Quah Boon Sin, Eric 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.

6

Soo Beng Chong **Aged 51, Malaysian, Male**

Director of D'nonce Properties Sdn. Bhd. (formerly known as D'nonce Health Science Sdn. Bhd.)

Soo Beng Chong is the General Manager of D'nonce Properties Sdn. Bhd. in November 2018 and subsequently he was appointed as the Director of D'nonce Properties Sdn. Bhd. (formerly known as D'Nonce Health Science Sdn. Bhd.) on 30 December 2018.

He oversees the overall development in project management and development of the properties.

Prior to joining D'nonce, he was an accountant by profession certified by the Association of International Accountants.

He began his career as an auditor with JB Lau & Associate in 1993 where he was exposed to assurance and special assignments for clients in various industries, including property development and construction. In 1998, he joined Bench Win Development Sdn. Bhd. as an operation director and was mainly involved in project development and planning as well as property management.

In 2008, he left Bench Win Development Sdn. Bhd. and ventured into real estate investment where he was involved in the buying and selling of properties and land matters. After that, in 2012, he become an independent development consultant in project management and development, where he provides consultancy services in the area of project development, planning and construction, property management and maintenance works mainly to construction-based players such as real estate contractors and special trade contractors.

For all the property development and construction projects that he was involved in, his responsibilities on the construction and development aspects of the projects include contract negotiation, monitoring contract agreement, formulation and implementing the strategic plan that guides the direction of the projects, financial planning and management of the projects and he was supported by other service providers such as the architects, engineers, surveyors and subcontractors in carrying out the respective property development and construction projects.

Soo Beng Chong 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 (CONT'D)

7

Teoh Mei Poa, Polly **Aged 32, Malaysian, Female**

Financial Controller, Secretary of the Employees' Share Option Scheme

Teoh Mei Poa, Polly is the Financial Controller and is overall in charge of financial and accounting matters of our Group. She joined our Group in August 2018. Prior to joining us, she was the Group General Manager of a group of companies trading commodity trading, where she oversees all aspects with main area of focus being accounting, financial and human resources matters.

She started her career as an auditor with KPMG in 2008. She left KPMG in 2012. During her tenure with KPMG, she was involved in statutory and special audits of several public listed and privately held companies, including subsidiaries of multi-national corporations, thus able to gain a significant amount of experience in auditing and accounting.

She graduated with a Bachelor of Arts in Accounting with Honours from University College Sedaya International in 2008.

Teoh Mei Poa, Polly 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.

8

Teo Tin Jien, Jimmy **Aged 52, Singaporean, Male**

Country Head/Director for Thailand Division

Teo Tin Jien, Jimmy is the Country Head/Director and is overall in charge of our Group's Thailand subsidiaries. He joined our Group in July 2006. Prior to joining us, he was the Senior Technical Consultant for SAN-EI (THAILAND) LTD, a Japan based micro electronic manufacturing company, where he oversaw the products development, quality assurance and new production line investment.

He started his career as a QA engineer with Polymicro Precision (Singapore) in 1988. He left Polymicro as an Operation Director in 2001. During his tenure with Polymicro Precision, he was involved setting up a precision machining joint venture operation in China-DongGuan and later he was tasked to set up another operation in Thailand Navanakorn under the privilege of the BOI (Board of Investment) license, thus able to gain a significant amount of experience in management of production factory and product management.

He graduated with a Diploma in Mechanical Engineering from Ngee Ann Polytechnic in Singapore.

Teo Tin Jien, Jimmy 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.

9

Yew Boon Teik, Daniel

Aged 60, Malaysia, Male

Director of D'nonce (M) Sdn. Bhd.

Yew Boon Teik, Daniel, joined D'nonce (M) Sdn. Bhd. in December 2004 and subsequently was posted to Integrated SCM Co. Ltd as General Manager to manage the supply chain and 'Just In Time Hub' (JIT Hub) for chemical, packaging and spare parts to Kimberly Clark Safekin's (KCS) two glove manufacturing plant in Sadao and Thunglung Hatyai, Songkhla. Apart from managing the supply chain to KCS, he also managed the supply chain of the chemical, packaging and spare parts to other industries/ manufacturers in latex, beverages, furniture, seafood, condom, oil & gas.

He was later appointed as Head/ Director for Integrated SCM Co. Ltd and ISCM Industries (Thailand) Co. Ltd in 2009. In May 2015, he was transferred back to D'nonce (M) Sdn. Bhd as General Manager to oversee the management and operation and subsequently he was appointed as the Director of D'nonce (M) Sdn. Bhd. on 30 December 2018.

Prior to joining D'nonce, Yew Boon Teik, Daniel, was an Executive Director in Ewein Holdings Berhad in 1995 in charge of the setting up of Liquor beverage company (JV) in Cambodia, Laos, Myanmar and Vietnam. Subsequently he was appointed as Managing Director for the operation for the Liquor beverage company to oversee the operations in the region of Indo China.

He joined Ewein Winery Sdn. Bhd. in Prai Penang in 1980 as the Production Manager and later promoted to be the Sales and Marketing Manager. He was later appointed as the General Manager in 1988 and left in 1991. He was also attached to Henry Butcher Sdn Bhd as Real Estate Agent Manager in 1991.

Yew Boon Teik, Daniel, has a vast experiences in managing trading nature of business concerns and an extensive network of business associates worldwide.

Yew Boon Teik, Daniel 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.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“Board”) of D’nonce Technology Bhd and its subsidiaries (“Group”) is pleased to present the Statement on Risk Management and Internal Control (“Statement”) which outlines the nature and scope of risk management and internal control system of D’nonce Technology Bhd for the financial period from 1 September 2017 to 31 December 2018 pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, Malaysian Code on Corporate Governance 2017 and as guided by the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its overall responsibility for the Group’s system of internal controls and risk management, and in reviewing of the adequacy and integrity of those processes. It also recognises that due to inherent limitations surrounding all internal control systems, the Group’s system of internal control is designed to manage the Group’s risks within tolerable levels, rather than eliminate the risk of failure to achieve business objectives. Accordingly, the Board is also of the view that the Group’s system of internal control can only provide reasonable but not absolute assurance against material misstatements, errors, losses and unforeseen emerging risks.

The Board believes that review on adequacy and effectiveness of the system of internal control and risk management is a continuous process. Such reviews are conducted through the various committees established by the Board and Management. The Board has, through the Audit Committee, carried out process of identifying, evaluating, monitoring and managing the significant operational and financial risks affecting achievement of its corporate objectives throughout the period.

The Board is of the view that system of internal controls in place for the year under review is sound and adequate after taking into consideration the costs and benefits to safeguard the Group’s assets, and protect the stakeholder’s interests in ensuring achievement of business objectives and enhancing shareholder’s value. However, during the financial period, the Group had identified certain potential breaches of internal controls by the previous top management that led to a special audit findings report and an independent investigation report to be commissioned for the Board’s attention.

Arising from the report findings, the Board has decided to implement the following steps to ensure non-recurrence of this potential breaches of internal controls by the previous top management.

- Setting up an in house internal audit department to complement the independent professional consulting firm in performing the internal audit function;
- Setting up of a risk management department to advise the Audit Committee on all matters relating to risk management; and
- Review and to revamp all Group’s policies and matrix of limits for authorization.

In addition to the above, the Group is planning to strengthen the personnel responsible for the Group administration and Corporate Finance via recruitment of additional personnel to ensure that all transactions are in compliance with Group policies and regularities requirements.

RISK MANAGEMENT

The Board affirms that effective risk management is an essential and indispensable part of corporate management.

The Board further acknowledges that risk management is an ongoing process and business risks are embedded and forms an important part of the internal control system of the Group. As such, continuous efforts are made to identify significant risks 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 FUNCTIONS AND EFFECTIVENESS OF INTERNAL CONTROL

The Group’s internal audit function is outsourced to an independent professional consulting firm, Talent League Sdn Bhd (“IA Consultant”) as part of its efforts to provide adequate and effective internal control systems. The role of this internal audit function is to examine and evaluate major processes of business operations within the Group in order to assist the Board in effectively discharging of the Board’s responsibilities.

The IA Consultant aims to advise Management on areas for improvement, highlight on significant findings in respect of any non-compliance and subsequently perform follow-up reviews to determine the extent to which the recommendations have been implemented.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTIONS AND EFFECTIVENESS OF INTERNAL CONTROL (CONT'D)

Whilst the IA Consultant constantly collaborates and communicates with the key management team, it reports independently to the Audit Committee. In the course of performing its duties, the IA Consultant has unrestricted access to all functions, records, documents, personnel and any other resources or information, at all levels throughout the Group. Being an independent third party, the IA Consultant is able to perform the internal audit function with impartiality and due professional care.

The IA Consultant adopts a risk-based approach and prepares its audit strategy and plan based on risk profile of the Group. The performance of internal audit function is carried out as per the annual audit plan approved by the Audit Committee. A review of the audit plan will be carried annually to ensure that all significant changes in the Group's operating activities and processes have been taken into account. Internal control findings, weaknesses and recommendations as well as the Management responses and action plan were deliberated during quarterly meetings with the Audit Committee. The key management team is responsible for ensuring corrective actions and recommendations on reported weaknesses are taken within the required time frame.

INTERNAL CONTROL

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

- **Organisational Structure**
The Group has in place an organisational structure with well-defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority.
- **Policies and Procedures**
The Group has in place documented internal policies and procedures which is subjected to regular reviews and improvements to govern the financial and operational functions and ethics of the Group.
- **Performance Reporting and Monitoring**
Regular and comprehensive information are provided to Management, covering financial and operational performance and key business indicators, for effective monitoring and decision making.
- **Strategic Business Planning, Budgeting and Reporting**
Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- **Hierarchical Reporting**
The Group has in place a process of hierarchical reporting which provides a documented and auditable trail of accountability.

ASSURANCE STATEMENT BY KEY MANAGEMENT TEAM

The Chief Executive Officer and Financial Controller have provided assurance to the Board, to the best of their knowledge and believe, that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, to meet the Group's objectives during the financial period under review until the date of this Statement.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control.

Based on their review, they are unable to obtain sufficient appropriate evidence to satisfy themselves that the internal controls in relation to the related party transactions and potential irregularities arising from the previous top management are adequate and effective.

CONCLUSION

The Board is of the opinion that the system of risk management and internal control that has been instituted throughout the Group is satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report 2018. The Board and the Management will continue to review and take measures to strengthen and improve the internal control environment from time to time based on the recommendations proposed by the IA Consultant.

The Board recognises that the development of the system of internal control is an ongoing process as part of its efforts in managing the risks faced by the Group. Consequently, the Board maintains an ongoing commitment to further strengthen the control environment within the Group.

This statement is issued in accordance with a resolution of the Board of Directors dated 29 April 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors is committed to maintain high standards of corporate governance and strives to ensure that it is practised throughout the Company and its subsidiaries (“the Group”) as a fundamental part of discharging its responsibilities in order to protect and enhance shareholders’ value and raise the performance of the Group.

COMPLIANCE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017

In this Statement, the Board reports on the manner the Group has adopted and applied the principles and best practices as set out in the Malaysian Code on Corporate Governance 2017 (“the Code”) and the governance standards prescribed in the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) throughout the year under review. This Statement is to be read together with the CG Report 2018 of the Company which is available on the Company’s website at www.dnoncetech.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Company is led and managed by an experienced Board, comprising members who have a wide range of experience in fields such as management, finance, manufacturing and law to successfully direct and supervise the Group’s business activities. A brief profile of each Director is presented on pages 19 to 21 of the Annual Report.

The Board will continue to retain full and effective control of the Group. This includes responsibility for reviewing and adopting a strategic plan for the Company and overseeing the conduct of the Company’s business.

Key decisions relating to acquisitions and disposals, material agreements, major capital expenditure, budgets, long range plans and succession planning for top management is the prerogative of the Board.

The Board delegates the responsibility of implementing the Group’s strategies, business plans, policies and decisions to the Management which is led by the Chief Executive Officer.

The Board will always act in the best interests of the Company and has a duty of confidentiality in relation to the Company’s confidential information.

The Board has four Board Committees namely the Nomination Committee, the Audit Committee, the Remuneration Committee and the Employees’ Share Option Scheme Committee, to assist the Board and each committee is governed by their Terms of Reference.

The roles of the Chairman and the Chief Executive Officer are distinct and separated to ensure a balance of power and authority.

The Chairman is responsible for the overall leadership and efficient functioning of the Board. The key roles of the Chairman, amongst others, are as follows:

- (a) ensure that the Board functions effectively, cohesively and independently of Management;
- (b) providing governance in matters requiring corporate justice and integrity;
- (c) leading the Board, including presiding over Board meetings and Company meetings and directing Board discussions to effectively use the time available to address the critical issues facing the Company;
- (d) encouraging active participation and allowing dissenting views to be freely expressed by the Board Members;
- (e) acting as liaison between the Board and management and promoting constructive and respectful relationship within and between board members and management;
- (f) ensure that there is effective communication between the Company and/or Group and its shareholders and relevant stakeholders and that their views are communicated to the Board as a whole; and
- (g) carrying out other duties as requested by the Board as a whole, depending on the needs and circumstances.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

The Chief Executive Officer is responsible to the Board for the day-to-day management of the Company. The role of the Chief Executive Officer is vital to the performance of the Company. He/she is required to provide leadership, strategic vision, high-level business judgment and wisdom, and the ability to meet immediate performance targets without neglecting longer-term growth opportunities of the Company. The key roles of the Chief Executive Officer, amongst others, are as follows:

- (a) developing the strategic plan and direction of the Group;
- (b) ensure that the Company and/or the Group's business is properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and its Committees;
- (c) ensure that the objectives and standards of performance are understood by the Management and employees;
- (d) ensure that the operational planning and control systems are in place;
- (e) monitoring performance results against plans;
- (f) taking remedial action, where necessary;
- (g) reporting on significant business decisions; and
- (h) referring to the Chairman or other board committees on matters requested from time to time.

The Chief Executive Officer also provides assistance whenever appropriate and works with the Board and the Board Committees in discharging their duties. He will report on the performance and activities of the Group for the period under review, including explanations when there are changes or significant fluctuations.

The Company is supported by two (2) qualified named Company Secretaries who possess the requisite qualification and are qualified to act as Company Secretaries under the Companies Act 2016. They play a supportive role by ensuring adherence to the Company's Constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations from time to time. The Company Secretaries monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.

The Company has in place a Board Charter that sets out, among others, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the relationship between the Board with its management and shareholders. The Board Charter is reviewed by the Board, annually and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter is made available for reference in the Company's website at www.dnoncotech.com.

The Directors are expected to conduct themselves with the highest ethical standards. All Directors and employees of the Company are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Company.

The Code of Ethics for Directors and employees of the Group is made available for reference on the Company's website, www.dnoncotech.com.

During the financial period ended 31 December 2018, nine (9) Board Meetings were held. The attendance record of each Director is as follows:

Name and designation of the Directors	Attendance	Percentage of attendance (%)
YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP Independent Non-Executive Chairman (Appointed on 11 January 2019)	-	-
Dato' Yeo Boon Leong, JP Non-Independent Non-Executive Director (Appointed on 11 January 2019)	-	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

Name and designation of the Directors	Attendance	Percentage of attendance (%)
Mr Lim Teck Seng Executive Director / Chief Executive Officer (Appointed on 8 January 2019)	-	-
Mr Ng Kok Wah Independent Non-Executive Director (Appointed 9 January 2019)	-	-
Ms Chuah Sue Yin Independent Non-Executive Director (Appointed on 24 January 2019 & resigned on 29 March 2019)	-	-
Mr Heah Jay King Executive Director (Appointed on 11 January 2019 & resigned on 21 January 2019)	-	-
Mr Yee Yit Yang Independent Non-Executive Director (Appointed on 9 January 2019 & resigned on 11 January 2019)	-	-
Mr Kuah Choon Ching Executive Director (Appointed on 2 May 2018 & resigned on 10 January 2019)	5/5	100
Mr Ang See Ming Independent Non-Executive Director (Appointed on 12 February 2018 & resigned on 10 January 2019)	6/6	100
Mr Lee Eng Sheng Independent Non-Executive Director (Appointed on 13 November 2018 & resigned on 7 January 2019)	2/2	100
Mr Lim Kuan Yew Independent Non-Executive Director (Appointed on 1 October 2018 & resigned on 29 December 2018)	4/4	100
Mr Chee Wai Hong Independent Non-Executive Director (Appointed on 10 November 2018 & resigned on 13 December 2018)	2/2	100
Mr Wong Thai Sun Independent Non-Executive Director (Resigned on 3 December 2018)	7/8	87.5
Mr Lena Leong Oy Lin Non-Independent Non-Executive Director (Resigned on 30 November 2018)	7/7	100

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

Name and designation of the Directors	Attendance	Percentage of attendance (%)
Mr Roslant bin Abu Executive Director (Resigned on 30 November 2018)	7/7	100
Dato' Seri Lee Kah Choon Independent Non-Executive Director (Resigned on 30 November 2018)	7/7	100
Dato' Ahmad Ibnihajar Independent Non-Executive Chairman (Resigned on 30 November 2018)	7/7	100
Mr Law Kim Choon Executive Director / Chief Executive Officer (Resigned on 1 September 2018)	5/5	100

The Board acknowledges that continuous education is essential to keep the Directors abreast with the latest development in the industry, regulatory, financial and others, in discharging their duties as Directors. As an integral part of their training programme, they are provided with regular updates and briefings to keep abreast with the relevant changes.

The continuing education programmes attended by the Directors during the financial period are as follows:

Dato' Ahmad Ibnihajar (resigned on 30 November 2018)	
• Malaysian Code on Corporate Governance	25 October 2017
Law Kim Choon (resigned on 1 September 2018)	
• Malaysian Code on Corporate Governance	25 October 2017
Kuah Choon Ching (appointed on 2 May 2018 & resigned on 10 January 2019)	
• Mandatory Accreditation Programme for Directors of Public Listed Companies	3 September 2018
Roslant Bin Abu (resigned on 30 November 2018)	
• Malaysian Code on Corporate Governance	25 October 2017
Wong Thai Sun (resigned on 3 December 2018)	
• Malaysian Code on Corporate Governance	25 October 2017
• Practical Auditing Methodology for SMPs	11 & 12 January 2018
• Know the Process, Know your Rights: Tax Does Not Have to be Taxing	18 January 2018
• Tax Incentives – Latest Updates & Developments	6 March 2018
• Latest Tax Implications and Audit Issues on Cross Border Transactions in 2018	26 March 2018
• Corporate Tax Issues for 2017 and 2018	23 April 2018
• Tax Deductible Expenses – Principles and Latest Developments	24 May 2018
• New Public Rulings in 2017	11 June 2018
• Audit Opinion & Reporting Revised ISA 700, 705 & 706	20 June 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

Dato' Seri Lee Kah Choon (resigned on 30 November 2018)	
• Malaysian Code on Corporate Governance	25 October 2017
Lena Leong Oy Lin (resigned on 30 November 2018)	
• Malaysian Code on Corporate Governance	25 October 2017
Ang See Ming (appointed on 12 February 2018 & resigned on 10 January 2019)	
• Company Act 2016 – Latest Emerging Issues for Listed Company Directors & Officer	28 June 2018
Lim Kuan Yew (appointed on 1 October 2018 & resigned on 29 December 2018)	
• Mandatory Accreditation Programme for Directors of Public Listed Companies	29 November 2018
Chee Wai Hong (appointed on 10 November 2018 & resigned on 13 December 2018)	
• Nil*	
Lee Eng Sheng (appointed on 13 November 2018 & resigned on 7 January 2019)	
• GST to SST – The New SST Mechanism and Transitional Issues	13 August 2018
• 2019 Budget Training by Chartered Tax Institute of Malaysia	30 November 2018

* As Mr Chee Wai Hong's tenure as directorship was for a short period of time, there was no training attended by him.

II. BOARD COMPOSITION

The current Board is made up of four (4) members comprising one (1) Independent Non-Executive Chairman, one (1) Executive Director/Chief Executive Officer, one (1) Non-Independent Non-Executive Director and one (1) Independent Non-Executive Director. The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities. In view of their diversified background and extensive experience, they bring a wide range of technical skills and expertise to the Group and have contributed significantly towards performance monitoring, control as well as governance.

All Directors of the Company do not hold more than 5 directorships in Malaysian listed companies.

The Board believes that the current composition is appropriate given the collective skills and experiences of the Directors and the Group's current size and nature of the Group's business. The Board will continue to monitor and review the Board's size and composition as may be needed. If there is a need to appoint additional Board member, the Company will consider utilizing the pool of directors from independent sources.

The Board is aware of the Code's recommendation on the tenure of an Independent Director.

Presently, there are no Independent Directors who have exceeded a cumulative term of nine (9) years or more.

The Group does not practice discrimination on any form of gender, ethnicity and age group as the Group is an equal opportunity employer and all appointments and employments are based strictly on merits and suitability. The Board does not have any target or measure to meet the 30% women Directors. However, the Board is supportive of the gender boardroom diversity recommended by the Code and will strive towards introducing more female Board members when it reviews its board composition.

The Boardroom Diversity Policy is made available for reference in the Company's website at www.dnncetech.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

The Board through the Nomination Committee periodically reviews its required mix of skills and experience and other qualities, including core competencies that Non-Executive Directors should bring to the Board. The Nomination Committee will carry out its duties and responsibilities as set out in its Terms of Reference which can be viewed on the Company's website. The Nomination Committee will convene its meeting at least once a year and they may invite other Board members, officers of the Company, employees and any other external parties to attend meetings or part thereof as and when necessary. Through its Chairman, the Nomination Committee reports to the Board on matters discussed at the next Board of Directors' Meeting after each meeting. The Company Secretary is the Secretary to the Nomination Committee.

The re-election of the Board is also done in accordance with the Company's Articles of Association whereby one-third (1/3) of the Directors for the time being or, if their number is not three (3) or 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. At the upcoming AGM, all Directors will seek re-election pursuant to the Articles of Association of the Company.

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

- (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 members 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 members would identify their key industry knowledge or skills which they could contribute to the Company.
- (2) The Audit Committee and the Remuneration Committee each carried out its evaluation with the view to maximise 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.
- (3) The Nomination Committee reviewed the terms of office and performance of the Audit Committee and each of its members annually. 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.

During the financial period, 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 Financial Controller;
- (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) 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;
- (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; and
- (8) recommended to the Board on the appointment of Independent Non-Executive Director, Executive Director and Chief Executive Officer.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

During the financial period ended 31 December 2018, the Nomination Committee had eight (8) meetings:

Name and designation of the Directors	Attendance	Percentage of attendance (%)
Dato' Yeo Boon Leong, JP Chairman, Non-Independent Non-Executive Director (appointed on 11 January 2019)	-	-
YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP Member, Independent Non-Executive Chairman (appointed on 11 January 2019)	-	-
Mr Ng Kok Wah Member, Independent Non-Executive Director (appointed on 9 January 2019)	-	-
Ms Chuah Sue Yin Member, Independent Non-Executive Director (appointed on 24 January 2019 & resigned on 29 March 2019)	-	-
Mr Yee Yit Yang Member, Independent Non-Executive Director (appointed on 9 January 2019 & resigned on 11 January 2019)	-	-
Mr Ang See Ming Member, Independent Non-Executive Director (appointed on 12 February 2018 & resigned on 10 January 2019)	4/5	80
Mr Lee Eng Sheng Chairman, Independent Non-Executive Director (appointed on 13 November 2018 & resigned on 7 January 2019)	1/1	100
Mr Lim Kuan Yew Member, Independent Non-Executive Director (appointed on 1 October 2018 & resigned on 29 December 2018)	3/3	100
Mr Chee Wai Hong Member, Independent Non-Executive Director (appointed on 10 November 2018 & resigned on 13 December 2018)	1/1	100
Mr Wong Thai Sun Member, Independent Non-Executive Director (resigned on 3 December 2018)	8/8	100
Dato' Ahmad Ibnihajar Member, Independent Non-Executive Director (resigned on 30 November 2018)	7/7	100
Dato' Seri Lee Kah Choon Chairman, Independent Non-Executive Director (resigned on 30 November 2018)	7/7	100
Ms Lena Leong Oy Lin Member, Non-Independent Non-Executive Director (resigned on 30 November 2018)	7/7	100

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

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 his/her own Independent Director checklist. The Nomination Committee carried out the assessment of the Independent Directors during the financial period ended 31 December 2018. Each independent Director abstained from deliberation on his/her own assessment. The Nomination Committee was satisfied that the Independent Directors still maintain their independence.

The Nomination Committee has based on the guidelines set out in the Listing Requirements to assess the independence of candidate for Directors and existing Directors. The Directors are also required to confirm their independence by completing the independence checklist on an annual basis.

The Nomination Committee also reviewed and updated its Terms of Reference during the financial period ended 31 December 2018.

III. REMUNERATION

The Remuneration Committee comprises three (3) Non-Executive Directors, majority of them are Independent Non-Executive Directors. The Remuneration Committee will recommend to the Board the remuneration packages of the Directors to ensure that the Company attracts and retains Directors needed to run the Company. The Remuneration Committee is responsible for recommending to the Board the policy framework on terms of employment and on all elements of the remuneration of Executive Directors and senior management.

The Directors’ fees and emoluments are subject to endorsement of the Board and approval of the shareholders. The Directors are paid an attendance allowance for each meeting they attend. Directors who are shareholders will abstain from voting at general meetings to approve their fees. Executive Directors also will not be involved in deciding their own remuneration.

Details of the Directors’ Remuneration for the financial period ended 31 December 2018 in the Group are as follows:

	Director’s Fees	Salaries	Other emoluments	Bonus	Benefit-In-Kind	Total
DAB	82,500	-	52,204	-	-	134,704
LKC	56,000	818,284	534,856	433,620	-	1,842,760
KCC	37,334	211,420	130,597	23,397	-	402,748
RBA	70,000	341,538	55,558	52,500	19,500	539,096
WTS	74,667	-	40,619	-	-	115,286
DSLKC	70,000	-	9,348	-	-	79,348
LLOY	70,000	-	17,681	-	-	87,681
ASM	52,167	-	17,859	-	-	70,026
LKY	14,000	-	12,671	-	-	26,671
CWH	9,333	-	4,480	-	-	13,813
LES	9,333	-	4,480	-	-	13,813
Total	545,334	1,371,242	880,353	509,517	19,500	3,325,946

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION (Cont'd)

Band (RM)	Company		Group	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM50,000 and below	-	3	-	3
RM50,001 – RM100,000	-	3	-	3
RM100,001 – RM150,000	-	2	-	2
RM150,001 – RM200,000	-	-	-	-
RM200,001 – RM250,000	-	-	-	-
RM250,001 – RM300,000	-	-	-	-
RM300,001 – RM350,000	-	-	-	-
RM350,001 – RM400,000	-	-	-	-
RM400,001 – RM450,000	1	-	1	-
RM450,001 – RM500,000	-	-	-	-
RM500,001 – RM550,000	1	-	1	-
RM1,800,001 – RM1,850,000	1	-	1	-
Total	3	8	3	8

Note:

DAB	-	Dato' Ahmad Ibnihajar (resigned on 30 November 2018)
LKC	-	Law Kim Choon (resigned on 1 September 2018)
KCC	-	Kuah Choon Ching (appointed on 2 May 2018 and resigned on 10 January 2019)
RBA	-	Roslant Bin Abu (resigned on 30 November 2018)
WTS	-	Wong Thai Sun (resigned on 3 December 2018)
DSLKC	-	Dato' Seri Lee Kah Choon (resigned on 30 November 2018)
LLOY	-	Lena Leong Oy Lin (resigned on 30 November 2018)
ASM	-	Ang See Ming (appointed on 12 February 2018 and resigned on 10 January 2019)
LKY	-	Lim Kuan Yew (appointed on 1 October 2018 and resigned on 29 December 2018)
CWH	-	Chee Wai Hong (appointed on 10 November 2018 and resigned on 13 December 2018)
LES	-	Lee Eng Sheng (appointed on 13 November 2018 and resigned on 7 January 2019)

Remuneration of Senior Management

Details of remuneration received by the Senior Management on named basis are not disclosed in this report.

The Company has seriously considered but had chosen to depart from Practices 7.2 and 7.3 of the Code to avoid any adverse effects, including dissatisfaction and animosity among employees in the event the Company disclosed the details on salaries, bonuses, benefit-in-kind and other emoluments of Senior Management on named basis.

The aggregate remuneration paid to the staff including the Senior Management are disclosed in Note 29(c) to the financial statements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Audit Committee comprises three (3) members and majority of members are Independent Non-Executive Directors. The Audit Committee has assessed the suitability, objectivity and independence of the external auditors.

During the financial period ended 31 December 2018, the amount of audit fee and non-audit fee paid to the External Auditors by the Company and the Group for the financial period ended 31 December 2018 were as follows:

	Group (RM)	Company (RM)
Audit Fees	508,118	44,000
Non-Audit Fees	80,000	80,000

The non-audit fees were in respect of audit review work for Thailand subsidiaries for financial period ended 31 December 2018.

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 which is available at the Company's website at www.dnoncetech.com.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Group's internal audit function is outsourced to a professional services firm, Talent League Sdn. Bhd. to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control systems.

The risk management framework and internal audit function are disclosed under the Statement of Risk Management and Internal Control on pages 27 to 28 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

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:

YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP	:	Chairman
Email Address	:	tengku.ahmad@dnoncetech.com
Telephone number	:	04-228 1198
Facsimile number	:	04-228 3016

The Company encourages all employees and stakeholders to report any improper conduct on the part of employees, management, Directors and vendors in particular with respect of their obligation to the Company's interest. Employees and stakeholders who have been aggrieved or have concerns to raise can raise them through the grievance procedure or to the Board Chairman.

The Whistle Blowing Policy is made available for reference on the Company's website, www.dnoncetech.com.

II. CONDUCT OF GENERAL MEETINGS

Through the Company's general meetings, it provides shareholders with the opportunity to engage in candid dialogue and to seek and clarify and issues and to have a better understanding of the Group's performance. The Board encourages shareholders' active participation at such meetings and members of the Board and the external auditors will be present to address any queries raised during the meetings. The Company will also ensure that the notice for AGM will be given to its shareholders at least 28 days prior to the meeting.

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.

The Statement was approved by the Board of Directors on 29 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad (“MMLR”).

Utilization of Proceeds

During the financial period ended 31 December 2018, the Company proposed to undertake a Private Placement of twenty percent (20%) of the total number of issued shares of the Company. However, on 29 January 2019, the Board of Directors, after taking into consideration the current market condition, had decided not to proceed with the Proposed Private Placement.

Audit and Non-Audit Fees

The amount of audit fees paid and payable to external auditors by the Group and the Company for the financial year ended 31 December 2018 amounted to RM588,118 and RM124,000 respectively.

Material Contracts

There were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving Director’s and major shareholder’s interest which were still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Related Party Transactions

An internal compliance framework exists to ensure the Company meets its obligations, including that of related party transactions under the MMLR. The Board reviews all related party transactions during the financial year ended 31 December 2018, and the details are disclosed in Note 29 to the Financial Statements.

Employees’ Share Option Scheme

The Company’s Employees’ Share Option Scheme (“ESOS”) was established on 18 May 2016.

As at 31 December 2018, there were no share options granted during the financial period ended 31 December 2018.

A total of 20,157,500 options were exercised during the financial period ended 31 December 2018. The total options outstanding was 4,142,000 as at 31 December 2018.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement, and considers that the Statement provides the information necessary to enables shareholders to evaluate how the Code has been applied. The Board considers and is satisfied that the Group has fulfilled its obligation under the Code, the MMLR and all applicable laws and regulations throughout the financial year ended 31 December 2018.

This Statement is made in accordance with a resolution of the Board of Directors dated 29 April 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

IN RESPECT OF ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("CA") to prepare financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards, the International Financial Standards and the requirements of the CA in Malaysia. The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their financial performance and cash flows for the year then ended.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates where applicable that are prudent, just and reasonable; and
- prepared the financial statements on a going concern basis.

The Directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

AUDIT COMMITTEE REPORT

The Board of Directors of D'nonce Technology Bhd is pleased to present the Audit Committee ("AC") Report for the financial period from 1 September 2017 to 31 December 2018 ("FY2018").

MEETINGS AND ATTENDANCE

The AC had met seven (7) times during the FY2018. The composition and the attendance record of AC members are as follows:

Name and designation of Audit Committee	Attendance	Percentage of attendance
YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP Chairman of AC, Independent Non-Executive Chairman (appointed on 11 January 2019)	-	-
Dato' Yeo Boon Leong, JP Member, Non-Independent Non-Executive Director (appointed on 11 January 2019)	-	-
Mr Ng Kok Wah Member, Independent Non-Executive Director (appointed on 9 January 2019)	-	-
Ms Chuah Sue Yin Chairman of AC, Independent Non-Executive Director (appointed on 24 January 2019 & resigned on 29 March 2019)	-	-
Mr Yee Yit Yang Member, Independent Non-Executive Director (appointed on 9 January 2019 & resigned on 11 January 2019)	-	-
Mr Lee Eng Sheng Chairman of AC, Independent Non-Executive Director (appointed on 13 November 2018 & resigned on 7 January 2019)	1/1	100
Mr Ang See Ming Member, Independent Non-Executive Director (appointed on 12 February 2018 & resigned on 10 January 2019)	4/4	100
Mr Lim Kuan Yew Member, Independent Non-Executive Director (appointed on 1 October 2018 & resigned on 29 December 2018)	2/2	100
Mr Chee Wai Hong Member, Independent Non-Executive Director (appointed on 10 November 2018 & resigned on 13 December 2018)	1/1	100
Mr Wong Thai Sun Chairman of AC, Independent Non-Executive Director (Resigned on 3 December 2018)	7/7	100
Dato' Ahmad Ibnihajar Member, Independent Non-Executive Director (Resigned on 30 November 2018)	6/6	100
Dato' Seri Lee Kah Choon Member, Independent Non-Executive Director (Resigned on 30 November 2018)	6/6	100
Ms Lena Leong Oy Lin Member, Non-Independent Non-Executive Director (Resigned on 30 November 2018)	6/6	100

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE

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

Independence of the Audit Committee

The Company recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

Financial Literacy of the Audit Committee Members

Collectively, the members of the Audit Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profiles on pages 19 to 21 of this Annual Report. During the financial period ended 31 December 2018, all members of the Audit Committee had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties.

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 period ended 31 December 2018:

1. Met with the external auditors in the absence of Management to discuss on any significant audit issues which may have arisen in the course of their audit of the Group.
2. Reviewed the quarterly financial results announcements for each quarter of the Group to ensure the Company's compliance with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("MMLR"), applicable approved accounting standards and other legal and regulatory requirements, prior to recommending them for the Board of Director's consideration and approval.
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 Related Party Transaction ("RPT") of the Group was tabled and reviewed by the AC at every quarterly meeting. The AC was satisfied that all RPTs were within arm's length, fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders.
5. 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 period ended 31 December 2018.
 - b. The Proposed Internal Audit Plan for the financial period ended 31 December 2018 and presented by the internal auditors.
 - c. The Statement on Risk Management and Internal Control and Audit Committee Report for inclusion in the Annual Report 2018.
 - 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 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.
 - f. Change of Internal Auditors.
 - g. Terms of reference of the Audit Committee.

AUDIT COMMITTEE REPORT (CONT'D)

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

6. Further, the AC reviewed and discussed the following:
 - a. The Directors' Report and Audited Financial Statements for the financial period ended 31 December 2018 with external auditors.
 - b. 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. The AC reviewed and approved the Audit Plan for the financial period ended 31 December 2018 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.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Group has appointed an established external professional Internal Audit firm namely, Talent League Sdn. Bhd, headed by Roy Thean, Professional member of The Institute of Internal Auditors Malaysia. The total cost incurred for the outsourced internal audit function of the Group for the financial period ended 31 December 2018 amounted to RM64,000.

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 period ended 31 December 2018, the Internal Auditors carried out the internal audit work for the Group as follows:

- a. Reviewed the internal control systems on the Conversion & Production and Inventory Management of Attractive Venture (KL) Sdn. Bhd.
- b. Reviewed the internal control systems on Inventory Management and Production & Conversion of Attractive Venture (JB) Sdn. Bhd.
- c. Reviewed the internal control systems on the Inventory Management and Production and Conversion of Richmond Technology Sdn. Bhd., Human Resource Management and Fixed Assets Management of D'nonce (Kelantan) Sdn. Bhd.
- d. Reviewed the internal control systems on the Inventory Management and Production & Conversion of Attractive Venture Sdn. Bhd.
- e. Reviewed the internal control systems on the Inventory Management and Production and Conversion of AV Plastics Sdn. Bhd.
- f. Reviewed the internal control systems on the Inventory Management, Production & Conversion and Human Resource Management of ISCM Industries (Thailand) Co. Ltd.

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

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

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DIRECTORS' REPORT

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 period from 1 September 2017 to 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally involved in provision of management services and investment holding. The principal activities and details 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 period.

CHANGE OF FINANCIAL YEAR END

The Group and the Company have changed their financial year end from 31 August to 31 December. Accordingly, the financial statements of the Group and of the Company for the financial period ended 31 December 2018 cover a 16 months period compared to the 12 months period ended 31 August 2017.

RESULTS

	Group RM	Company RM
Profit for the financial period	<u>2,771,341</u>	<u>245,781</u>
Attributable to:		
Owners of the parent	2,605,367	245,781
Non-controlling interests	165,974	0
	<u>2,771,341</u>	<u>245,781</u>

DIVIDENDS

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

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed in Note 14 to the financial statements.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

During the financial period, the Company increased its issued and fully paid ordinary shares from 182,174,000 units to 241,948,100 units by way of:

- (i) the issuance of 20,157,500 ordinary shares pursuant to the exercise of the ESOS at an option price of RM0.25 per ordinary share;
- (ii) the issuance of 4,500,000 ordinary shares through private placement at an issue price of RM0.36 per ordinary share;
- (iii) the issuance of 11,000,000 ordinary shares through private placement at an issue price of RM0.35 per ordinary share;
- (iv) the issuance of 2,933,600 ordinary shares through private placement at an issue price of RM0.40 per ordinary share; and
- (v) the issuance of 21,183,000 ordinary shares pursuant to the exercise of the warrants at a price of RM0.25 per ordinary share.

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

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

EMPLOYEE SHARE OPTION SCHEME ('ESOS')

The 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 25 to the financial statements.

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

Grant date	Option price RM	Outstanding as at 1.9.2017	Number of options over ordinary shares		Outstanding as at 31.12.2018	Exercisable as at 31.12.2018
			Granted	Movement during the financial period Exercised		
18 May 2016	0.25	24,299,500	0	(20,157,500)	4,142,000	4,142,000

WARRANTS

Pursuant to a Deed Poll dated 12 October 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 and other terms of the warrants are disclosed in Note 14(d) to the financial statements.

DIRECTORS' REPORT (CONT'D)

WARRANTS (cont'd)

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

Grant date	Warrant price RM	Outstanding as at 1.9.2017	Number of warrants over ordinary shares Movement during the financial period		Outstanding as at 31.12.2018	Exercisable as at 31.12.2018
			Granted	Exercised		
26 November 2015	0.25	90,202,000	0	(21,183,000)	69,019,000	69,019,000

DIRECTORS

The Directors who have held office during the financial period up to the date of this report are as follows:

D'nonce Technology Bhd.

Tengku Ahmad Badli Shah

Bin Raja Hussin (appointed on 11 January 2019)

Lim Teck Seng * (appointed on 8 January 2019)

Ng Kok Wah (appointed on 9 January 2019)

Dato' Yeo Boon Leong (appointed on 11 January 2019)

Ang See Ming (appointed on 12 February 2018 and resigned on 10 January 2019)

Kuah Choon Ching (appointed on 2 May 2018 and resigned on 10 January 2019)

Lim Kuan Yew (appointed on 1 October 2018 and resigned on 29 December 2018)

Chee Wai Hong (appointed on 10 November 2018 and resigned on 13 December 2018)

Lee Eng Sheng (appointed on 13 November 2018 and resigned on 7 January 2019)

Yee Yit Yang (appointed on 9 January 2019 and resigned on 11 January 2019)

Heah Jay King (appointed on 11 January 2019 and resigned on 21 January 2019)

Chuah Sue Yin (appointed on 24 January 2019 and resigned on 29 March 2019)

Wong Thai Sun (resigned on 3 December 2018)

Dato' Ahmad Ibnihajar (resigned on 30 November 2018)

Dato' Seri Lee Kah Choon (resigned on 30 November 2018)

Roslant Bin Abu (resigned on 30 November 2018)

Lena Leong Oy Lin (resigned on 30 November 2018)

Law Kim Choon (resigned on 1 September 2018)

* The Director is also a Director of subsidiaries of the Company.

DIRECTORS' REPORT (CONT'D)

DIRECTORS (cont'd)

The Directors of subsidiaries who have held office during the financial period up to the date of this report, not including those Directors listed above are:

Ang Oon Ling	
Lim Oon Jin	
Tan Cheng See	
Teo Tin Jien	
Low Chee Min	(appointed on 30 December 2018)
Quah Boon Sin	(appointed on 30 December 2018)
Soo Beng Chong	(appointed on 30 December 2018)
Yew Boon Teik	(appointed on 30 December 2018)
Ng Saw Kheng	(appointed on 18 March 2019)
Tan Seak Weng	(appointed on 20 March 2019)
Chia Hooi Keng	(appointed on 12 September 2018 and resigned on 31 December 2018)
Dato' Syed Mohamad bin Syed Murtaza	(resigned on 7 December 2017)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, none of the Directors holding office at the end of the financial period held any interest in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial period.

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 the ordinary course of business with companies in which the Directors of the Company have substantial financial interests as disclosed in Note 29 to the financial statements.

There were no arrangements made during and at the end of the financial period, 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.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 29(c) to the financial statements.

DIRECTORS' REPORT (CONT'D)

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial period to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

During the financial period, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company are RM10,000,000 and RM22,415 respectively.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial period.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL PERIOD

- (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 had 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 the operations of the Group and of the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL PERIOD 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.

DIRECTORS' REPORT (CONT'D)

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

(II) FROM THE END OF THE FINANCIAL PERIOD TO THE DATE OF THIS REPORT (cont'd)

(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 period in which this report is made other than those disclosed in Note 33 to the financial statements; 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 will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial period 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 period.
- (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 PERIOD

Significant events during the financial period are disclosed in Note 33 to the financial statements.

MATERIAL LITIGATIONS

Material litigations to the end of the reporting period is disclosed in Note 34 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial period from 1 September 2017 to 31 December 2018 amounted to RM124,000 and RM464,118 respectively.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Tengku Ahmad Badli Shah Bin Raja Hussin
Director

Lim Teck Seng
Director

Penang
29 April 2019

STATEMENT BY DIRECTORS

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 59 to 145 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 December 2018 and of the financial performance and cash flows of the Group and of the Company for the financial period from 1 September 2017 to 31 December 2018.

On behalf of the Board,

Tengku Ahmad Badli Shah Bin Raja Hussin

Director

Lim Teck Seng

Director

Penang

29 April 2019

STATUTORY DECLARATION

I, Lim Teck Seng, 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 59 to 145 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 April 2019

Lim Teck Seng

Before me,

Commissioner for Oaths

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of D'nonce Technology Bhd., which comprise the statements of financial position as at 31 December 2018 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 period from 1 September 2017 to 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 145.

In our opinion, except for the effects of the matters described in the Basis of Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial period from 1 September 2017 to 31 December 2018 in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act 2016 in Malaysia.

Basis for Qualified Opinion

As disclosed in Note 33(e) to the financial statements, the Group and the Company have identified breaches of internal controls arising from various transactions involving related parties and potential irregularities. The Board of Directors ("Board") have assessed and recognised identified losses in respect of these breaches in the financial statements of the Group and of the Company during the financial period, and concluded that relevant efforts have been undertaken despite recommendations from the independent consultant because the Board is of the view that the potential impact could not be material to the financial statements of the Group and the Company.

We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the effects of adjustments, if any on the financial statements of the Group and of the Company arising from the undetermined impact of the related parties' transactions and potential irregularities.

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 qualified 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.

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

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 financial period. 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 December 2018, trade receivables that were past due but not impaired amounted to RM11,366,088. The details of trade receivables and its credit risk have been disclosed in Note 11 and Note 31 to the financial statements respectively.

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

We consider this to a key audit matter because the determination of whether trade receivables are recoverable involves significant management judgement.

Audit response

Our audit procedures included the following:

- (a) assessed recoverability of receivables that were past due but not impaired with reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (b) 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.

We have determined that there are no other key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

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.

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

Information other than the Financial Statements and Auditors' Report Thereon (cont'd)

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.

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

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

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: (cont'd)

- (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 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.
- (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 or 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.

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

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

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 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 PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Koay Theam Hock
02141/04/2021 J
Chartered Accountant

Penang
29 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group		Company	
		31.12.2018	31.8.2017	31.12.2018	31.8.2017
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	49,340,976	51,321,259	402,667	582,324
Investment properties	6	13,939,288	11,622,066	0	0
Goodwill	7	289,128	289,128	0	0
Investments in subsidiaries	8	0	0	46,775,382	44,996,218
Deferred tax assets	9	159,320	51,022	0	0
Trade and other receivables	11	4,946,126	13,517,870	0	0
Cash and bank balances	12	116,888	0	0	0
		68,791,726	76,801,345	47,178,049	45,578,542
Current assets					
Inventories	10	24,653,144	21,079,033	0	0
Trade and other receivables	11	56,025,697	64,728,351	22,199,202	21,399,614
Current tax assets		771,545	1,230,118	0	0
Cash and bank balances	12	40,137,000	29,272,213	8,541,873	64,222
		121,587,386	116,309,715	30,741,075	21,463,836
TOTAL ASSETS		190,379,112	193,111,060	77,919,124	67,042,378
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	67,976,735	46,179,518	67,976,735	46,179,518
Reserves	14	18,892,106	23,952,659	7,282,176	12,100,827
Retained earnings/(Accumulated losses)		2,552,093	47,546	(4,853,372)	(5,099,153)
		89,420,934	70,179,723	70,405,539	53,181,192
Non-controlling interests		4,907,645	4,741,671	0	0
TOTAL EQUITY		94,328,579	74,921,394	70,405,539	53,181,192

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (CONT'D)

	Note	Group		Company	
		31.12.2018	31.8.2017	31.12.2018	31.8.2017
		RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	15	1,074,086	779,836	0	0
Borrowings	16	14,993,429	21,829,802	41,184	250,265
Deferred tax liabilities	9	421,505	281,122	0	0
		16,489,020	22,890,760	41,184	250,265
Current liabilities					
Trade and other payables	19	28,958,223	37,396,678	6,989,833	13,279,179
Retirement benefit obligations	15	218,750	186,725	218,750	186,725
Borrowings	16	50,100,587	57,615,959	158,496	145,017
Current tax liabilities		283,953	99,544	105,322	0
		79,561,513	95,298,906	7,472,401	13,610,921
TOTAL LIABILITIES		96,050,533	118,189,666	7,513,585	13,861,186
TOTAL EQUITY AND LIABILITIES		190,379,112	193,111,060	77,919,124	67,042,378

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

**STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018

	Note	Group		Company	
		1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Revenue	22	266,749,073	192,244,310	15,316,134	9,010,427
Other income	23	10,242,747	15,618,658	1,875,704	469,181
Changes in inventories of					
work-in-progress and finished goods		202,436	800,500	0	0
Raw materials and consumables used		(90,944,669)	(56,817,472)	0	0
Trading goods		(70,354,740)	(70,847,703)	0	0
Sub-contractor and other installation costs		(583,452)	(291,554)	0	0
Employee benefits expense	24	(49,819,607)	(37,288,474)	(6,763,055)	(4,952,895)
Depreciation of property, plant and equipment and investment properties		(8,825,542)	(6,886,546)	(148,452)	(115,741)
Operating leases		(4,139,204)	(2,319,677)	(56,460)	(44,400)
Utilities		(6,055,241)	(4,314,498)	(55,607)	(46,135)
Other expenses		<u>(35,283,878)</u>	<u>(20,744,491)</u>	<u>(8,604,737)</u>	<u>(1,822,737)</u>
Operating profit		11,187,923	9,153,053	1,563,527	2,497,700
Finance costs	26	<u>(6,070,351)</u>	<u>(5,483,794)</u>	<u>(1,212,424)</u>	<u>(1,168,723)</u>
Profit before tax		5,117,572	3,669,259	351,103	1,328,977
Taxation	27	<u>(2,346,231)</u>	<u>(1,185,080)</u>	<u>(105,322)</u>	<u>72,200</u>
Profit for the financial period/year		<u><u>2,771,341</u></u>	<u><u>2,484,179</u></u>	<u><u>245,781</u></u>	<u><u>1,401,177</u></u>

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

	Note	Group		Company	
		1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		(241,902)	1,685,121	0	0
Item that will not be reclassified subsequently to profit or loss					
Remeasurement loss on defined benefit plans	15	(100,820)	0	0	0
Other comprehensive income for the financial period/year, net of tax					
		(342,722)	1,685,121	0	0
Total comprehensive income for the financial period/year					
		<u>2,428,619</u>	<u>4,169,300</u>	<u>245,781</u>	<u>1,401,177</u>
Profit attributable to:					
Owners of the parent		2,605,367	2,304,794	245,781	1,401,177
Non-controlling interests		165,974	179,385	0	0
		<u>2,771,341</u>	<u>2,484,179</u>	<u>245,781</u>	<u>1,401,177</u>
Total comprehensive income attributable to:					
Owners of the parent		2,262,645	3,989,915	245,781	1,401,177
Non-controlling interests		165,974	179,385	0	0
		<u>2,428,619</u>	<u>4,169,300</u>	<u>245,781</u>	<u>1,401,177</u>
Earnings per ordinary share attributable to equity holders of the Company (sen):					
Basic	28(a)	<u>1.32</u>	<u>1.28</u>		
Diluted	28(b)	<u>1.19</u>	<u>1.20</u>		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018

← Non-distributable → Distributable

Group	Share capital RM	Exchange translation reserve RM	Legal reserve RM	Share options reserve RM	Warrant reserve RM	Other capital reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM
Balance as at 1 September 2017	46,179,518	6,699,322	32,510	3,324,172	8,776,655	5,120,000	47,546	70,179,723	4,741,671	74,921,394
Profit for the financial period	0	0	0	0	0	0	2,605,367	2,605,367	165,974	2,771,341
Foreign currency translations	0	(241,902)	0	0	0	0	0	(241,902)	0	(241,902)
Remeasurement loss on defined benefit plans (Note 15)	0	0	0	0	0	0	(100,820)	(100,820)	0	(100,820)
Total comprehensive (loss)/income	0	(241,902)	0	0	0	0	2,504,547	2,262,645	165,974	2,428,619
Transactions with owners										
Ordinary shares issued pursuant to ESOS (Note 13)	7,796,922	0	0	(2,757,546)	0	0	0	5,039,376	0	5,039,376
Ordinary shares issued through private placement (Note 13)	6,643,440	0	0	0	0	0	0	6,643,440	0	6,643,440
Ordinary shares issued pursuant to warrants (Note 13)	7,356,855	0	0	0	(2,061,105)	0	0	5,295,750	0	5,295,750
Balance as at 31 December 2018	67,976,735	6,457,420	32,510	566,626	6,715,550	5,120,000	2,552,093	89,420,934	4,907,645	94,328,579

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

Group	Non-distributable						(Accumulated losses)/ Retained earnings		Total attributable to owners of the parent		Total equity RM
	Share capital RM	Share premium RM	Exchange translation reserve RM	Legal reserve RM	Share options reserve RM	Warrant reserve RM	Other capital reserve RM	RM	RM	RM	
Balance as at 1 September 2016	45,101,000	393,882	5,014,201	32,510	3,566,307	8,776,655	5,120,000	(2,257,248)	65,747,307	4,562,286	70,309,593
Profit for the financial year	0	0	0	0	0	0	0	2,304,794	2,304,794	179,385	2,484,179
Foreign currency translations	0	0	1,685,121	0	0	0	0	0	1,685,121	0	1,685,121
Total comprehensive income	0	0	1,685,121	0	0	0	0	2,304,794	3,989,915	179,385	4,169,300
Transactions with owners											
Ordinary shares issued pursuant to ESOS (Note 13)	684,636	0	0	0	(242,135)	0	0	0	442,501	0	442,501
Transferred pursuant to Companies Act 2016 (Note 13) *	393,882	(393,882)	0	0	0	0	0	0	0	0	0
Balance as at 31 August 2017	<u>46,179,518</u>	<u>0</u>	<u>6,699,322</u>	<u>32,510</u>	<u>3,324,172</u>	<u>8,776,655</u>	<u>5,120,000</u>	<u>47,546</u>	<u>70,179,723</u>	<u>4,741,671</u>	<u>74,921,394</u>

* Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018

	Share capital RM	Share options reserve RM	Non-distributable Warrant reserve RM	Accumulated losses RM	Total equity RM
Company					
Balance as at 1 September 2017	46,179,518	3,324,172	8,776,655	(5,099,153)	53,181,192
Profit for the financial period	0	0	0	245,781	245,781
Other comprehensive income, net of tax	0	0	0	0	0
Total comprehensive income	0	0	0	245,781	245,781
Transactions with owners					
Ordinary shares issued pursuant to ESOS (Note 13)	7,796,922	(2,757,546)	0	0	5,039,376
Ordinary shares issued through private placement (Note 13)	6,643,440	0	0	0	6,643,440
Ordinary shares issued pursuant to warrants (Note 13)	7,356,855	0	(2,061,105)	0	5,295,750
Balance as at 31 December 2018	<u>67,976,735</u>	<u>566,626</u>	<u>6,715,550</u>	<u>(4,853,372)</u>	<u>70,405,539</u>

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

Company	Non-distributable					Total equity RM
	Share capital RM	Share premium RM	Share options reserve RM	Warrant reserve RM	Accumulated losses 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	0	0	0	0	1,401,177	1,401,177
Other comprehensive income, net of tax	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	1,401,177	1,401,177
Transactions with owners						
Ordinary shares issued pursuant to ESOS (Note 13)	684,636	0	(242,135)	0	0	442,501
Transferred pursuant to Companies Act 2016 (Note 13) *	393,882	(393,882)	0	0	0	0
Balance as at 31 August 2017	46,179,518	0	3,324,172	8,776,655	(5,099,153)	53,181,192

* Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account.

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018

	Note	Group		Company	
		1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		5,117,572	3,669,259	351,103	1,328,977
Adjustments for:					
Allowance for slow moving inventories	10	604,269	95,435	0	0
Depreciation on:					
- property, plant and equipment	5	8,512,390	6,798,396	148,452	115,741
- investment properties	6	313,152	88,150	0	0
Dividend income	22	0	0	(9,000,000)	(4,000,000)
Fair value changes in derivatives	23	0	(49,924)	0	0
Gain on disposal of:					
- property, plant and equipment	23	(29,213)	(259,477)	(1,643)	(47,000)
- assets of disposal group classified as held for sale	23	0	(8,505,653)	0	0
Interest expense	26	6,070,351	5,483,794	1,212,424	1,168,723
Interest income	23	(2,284,959)	(2,448,740)	(1,413,714)	(119,636)
Loss/(Gain) on unrealised foreign exchange		575,615	(2,044,375)	(529,620)	(828,595)
Increase in retirement benefit obligations	15	274,266	261,347	32,025	97,015
Provision for Directors' leave passage	29	68,190	64,571	68,190	64,571
Reversal of slow moving inventories	10	(1,137,407)	(155,509)	0	0
Reversal of impairment losses on:					
- property, plant and equipment	5	(4,200)	(27,353)	0	0
- trade and other receivables	11	(452,175)	(114,944)	0	0
Impairment losses on:					
- investment in a subsidiary	8	0	0	220,836	0
- trade and other receivables	11	2,414,595	840,794	6,319,909	0
Short term accumulating compensated absences	29	66,264	69,538	66,264	69,538
Inventories written down	10	35,851	1,140	0	0
Balance carried forward		20,144,561	3,766,449	(2,525,774)	(2,150,666)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

	Note	Group		Company	
		1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)					
Balance brought forward		20,144,561	3,766,449	(2,525,774)	(2,150,666)
Written off of:					
- property, plant and equipment	5	22,041	3,519	17,437	0
- inventories	10	1,305,739	298,229	0	0
- trade receivables		185,643	11,799	0	0
Operating profit/(loss) before changes in working capital		21,657,984	4,079,996	(2,508,337)	(2,150,666)
Increase in inventories		(4,485,640)	(2,410,564)	0	0
Decrease/(Increase) in trade and other receivables		14,388,172	3,160,594	131,359	(106,575)
(Decrease)/Increase in trade and other payables		(8,427,275)	1,239,525	164,223	12,010
Cash generated from/(used in) operations		23,133,241	6,069,551	(2,212,755)	(2,245,231)
Contribution paid for retirement benefit obligations	15	(42,442)	(25,100)	0	0
Tax paid		(1,670,515)	(1,790,741)	0	0
Net cash from/(used in) operating activities		21,420,284	4,253,710	(2,212,755)	(2,245,231)
CASH FLOWS FROM INVESTING ACTIVITIES					
Subscription of additional shares in a wholly owned subsidiary		0	0	(2,000,000)	(277,151)
Interest received	23	2,284,959	2,448,740	1,413,714	119,636
Dividends received from subsidiaries	22	0	0	9,000,000	4,000,000
Proceeds from disposal of:					
- property, plant and equipment		213,084	598,033	28,266	47,000
- assets of disposal group classified as held for sale		0	17,500,000	0	0
Net changes in deposits pledged with licensed banks	12	(743,261)	(1,493,552)	0	5,158,240
Balance carried forward		1,754,782	19,053,221	8,441,980	9,047,725

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

	Note	Group		Company	
		1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES (cont'd)					
Balance brought forward		1,754,782	19,053,221	8,441,980	9,047,725
Purchase of property, plant and equipment	5	(4,671,094)	(8,447,927)	(31,875)	(22,018)
Subsequent expenditure incurred on investment properties	6	<u>(381,012)</u>	<u>(622,627)</u>	<u>0</u>	<u>0</u>
Net cash (used in)/from investing activities		<u>(3,297,324)</u>	<u>9,982,667</u>	<u>8,410,105</u>	<u>9,025,707</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest expense paid	26	(6,070,351)	(5,483,794)	(1,212,424)	(1,168,723)
Proceeds from ESOS exercised		5,039,376	442,501	5,039,376	442,501
Proceeds from ordinary shares issued through to private placement		6,643,440	0	6,643,440	0
Proceeds from warrants exercised		5,295,750	0	5,295,750	0
Net changes in short term borrowings		(3,255,516)	(2,054,213)	0	0
Net changes in subsidiaries' balances		0	0	(13,290,239)	(6,495,215)
Repayment of:					
- term loans		(13,142,855)	(8,182,885)	0	0
- hire purchase and lease creditors		<u>(3,561,899)</u>	<u>(2,332,784)</u>	<u>(195,602)</u>	<u>(134,907)</u>
Net cash (used in)/from financing activities		<u>(9,052,055)</u>	<u>(17,611,175)</u>	<u>2,280,301</u>	<u>(7,356,344)</u>
Net increase/(decrease) in cash and cash equivalents		9,070,905	(3,374,798)	8,477,651	(575,868)
Effects of exchange rate changes on cash and cash equivalents		10,887	399,951	0	0
Cash and cash equivalents at beginning of financial year		(5,850,498)	(2,875,651)	64,222	640,090
Cash and cash equivalents at end of financial period/year	12(b)	<u><u>3,231,294</u></u>	<u><u>(5,850,498)</u></u>	<u><u>8,541,873</u></u>	<u><u>64,222</u></u>

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	← Group →			Company
	Term loans (Note 16)	Hire purchase and lease creditors (Note 17)	Short term bank loans (Note 18)	Hire purchase and lease creditors (Note 17)
Note	RM	RM	RM	RM
As at 1 September 2017	28,421,644	5,677,814	31,707,573	395,282
Cash flows	(13,142,855)	(3,561,899)	(3,255,516)	(195,602)
Non cash-flows:				
- Purchase of property, plant and equipment	5	0	4,726,021	0
Effects of foreign exchange		(35,743)	(25,936)	0
As at 31 December 2018	<u>15,243,046</u>	<u>6,816,000</u>	<u>28,239,618</u>	<u>199,680</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018

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 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan.

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 period from 1 September 2017 to 31 December 2018 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 Group and the Company have changed their financial year end from 31 August to 31 December. Accordingly, the financial statements of the Group and of the Company for the financial period ended 31 December 2018 cover a 16 months period compared to the 12 months period ended 31 August 2017.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 29 April 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in provision of management services and investment holding. The principal activities and details 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 period.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company as set out on pages 59 to 145 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.

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 period. The new MFRSs and Amendments to MFRSs adopted during the financial period are disclosed in Note 32 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (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, contract manufacturer of electronic components and others.

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 and consumables.

Other operating segments that do not meet the quantitative thresholds of an individual reporting segment comprise of investment holding and others.

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 financial period and previous financial year.

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

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

4. OPERATING SEGMENTS (cont'd)

	Integrated supply chain products and services RM	Contract manufacturing RM	Supply of packaging materials RM	Others RM	Eliminations RM	Total RM
1.9.2017 to 31.12.2018						
Revenue						
Sales to external customers	49,205,938	29,761,548	187,780,338	1,249	0	266,749,073
Inter-segments sales	138,617	1,072,526	31,166,955	29,004	(32,407,102)	0
Total revenue	<u>49,344,555</u>	<u>30,834,074</u>	<u>218,947,293</u>	<u>30,253</u>	<u>(32,407,102)</u>	<u>266,749,073</u>
Results						
Segment results	3,901,363	(117,840)	16,257,736	(136,751)	0	19,904,508
Unallocated expenses						<u>(8,716,585)</u>
Operating profit						11,187,923
Finance costs						<u>(6,070,351)</u>
Profit before tax						5,117,572
Income tax expense						<u>(2,346,231)</u>
Profit for the financial period						<u><u>2,771,341</u></u>
31.12.2018						
Assets						
Segment assets	8,049,340	15,977,238	151,062,312	4,796,993	0	179,885,883
Unallocated assets						9,562,364
Tax assets						930,865
Total assets						<u><u>190,379,112</u></u>
Liabilities						
Segment liabilities	1,432,524	2,919,650	23,927,463	24,420	0	28,304,057
Unallocated liabilities						1,947,002
Borrowings						65,094,016
Tax liabilities						705,458
Total liabilities						<u><u>96,050,533</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

4. OPERATING SEGMENTS (cont'd)

	Integrated supply chain products and services RM	Contract manufacturing RM	Supply of packaging materials RM	Others RM	Eliminations RM	Total RM
1.9.2017 to 31.12.2018						
Other information						
Depreciation	148,726	2,605,798	6,065,003	6,015	0	8,825,542
Other significant non-cash expenses	507,341	82,236	10,404,998	(1,140)	0	10,993,435
Additions to non-current assets other than financial instruments and deferred tax assets	381,443	1,226,144	8,157,580	12,960	0	9,778,127
1.9.2016 to 31.8.2017						
Revenue						
Sales to external customers	54,788,059	17,812,608	119,643,643	0	0	192,244,310
Inter-segments sales	81,637	755,370	21,704,160	0	(22,541,167)	0
Total revenue	<u>54,869,696</u>	<u>18,567,978</u>	<u>141,347,803</u>	<u>0</u>	<u>(22,541,167)</u>	<u>192,244,310</u>
Results						
Segment results	3,667,300	(2,371,468)	9,283,636	0	0	10,579,468
Unallocated expenses						(1,426,415)
Operating profit						9,153,053
Finance costs						(5,483,794)
Profit before tax						3,669,259
Income tax expense						(1,185,080)
Profit for the financial year						<u>2,484,179</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

4. OPERATING SEGMENTS (cont'd)

	Integrated supply chain products and services RM	Contract manufacturing RM	Supply of packaging materials RM	Others RM	Eliminations RM	Total RM
31.8.2017						
Assets						
Segment assets	11,394,321	29,167,100	149,706,665	0	0	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	0	0	36,743,696
Unallocated liabilities						1,619,543
Borrowings						79,445,761
Tax liabilities						380,666
Total liabilities						<u>118,189,666</u>
1.9.2016 to 31.8.2017						
Other information						
Depreciation	52,894	2,579,491	4,254,161	0	0	6,886,546
Other significant non-cash expenses	(162,879)	33,863	(9,515,956)	0	0	(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>0</u>	<u>0</u>	<u>10,632,971</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (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:

	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Revenue		
Total revenue for reportable segments	299,156,175	214,785,477
Elimination of inter-segmental revenues	<u>(32,407,102)</u>	<u>(22,541,167)</u>
Revenue of the Group per statement of profit or loss and other comprehensive income	<u><u>266,749,073</u></u>	<u><u>192,244,310</u></u>
Profit for the financial period/year		
Total profit for reportable segments	19,904,508	10,579,468
Finance costs	(6,070,351)	(5,483,794)
Unallocated amounts	<u>(8,716,585)</u>	<u>(1,426,415)</u>
Profit before tax	5,117,572	3,669,259
Tax expense	<u>(2,346,231)</u>	<u>(1,185,080)</u>
Profit for the financial period/year of the Group per statement of profit or loss and other comprehensive income	<u><u>2,771,341</u></u>	<u><u>2,484,179</u></u>
	31.12.2018 RM	31.8.2017 RM
Assets		
Total assets for reportable segments	179,885,883	190,268,086
Tax assets	930,865	1,281,140
Unallocated assets	<u>9,562,364</u>	<u>1,561,834</u>
Assets of the Group per statement of financial position	<u><u>190,379,112</u></u>	<u><u>193,111,060</u></u>
Liabilities		
Total liabilities for reportable segments	28,304,057	36,743,696
Tax liabilities	705,458	380,666
Borrowings	65,094,016	79,445,761
Unallocated liabilities	<u>1,947,002</u>	<u>1,619,543</u>
Liabilities of the Group per statement of financial position	<u><u>96,050,533</u></u>	<u><u>118,189,666</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (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.

	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Revenue from external customers		
Malaysia	168,808,946	108,408,258
Thailand	97,940,127	83,836,052
Consolidated	<u>266,749,073</u>	<u>192,244,310</u>
	31.12.2018 RM	31.8.2017 RM
Non-current assets		
Malaysia	42,199,087	47,161,459
Thailand	26,189,972	29,057,561
Consolidated	<u>68,389,059</u>	<u>76,219,020</u>

Major customers

There is only one (1) (31.8.2017: one (1)) major customer contributing RM31,009,224 (31.8.2017: RM22,076,135) of the Group revenue, which equals to ten percent (10%) (31.8.2017: ten percent (10%)) or more of the Group revenue.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Office furniture, fittings and computer equipment							Motor vehicles	Renovation	Capital work-in-progress	Total
	Freehold land	Leasehold land	Buildings	Plant and machinery	Office furniture, fittings and computer equipment	Motor vehicles	Renovation				
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
At 31 December 2018											
Cost											
Balance as at 1 September 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		
Additions	0	0	0	5,672,385	724,707	1,671,679	264,372	1,063,972	9,397,115		
Reclassifications	0	0	0	613,940	15,500	0	0	(629,440)	0		
Transfer to investment properties (Note 6)	0	(268,804)	(3,296,193)	0	0	0	(464,905)	0	(4,029,902)		
Disposals	0	0	0	(326,272)	(54,629)	(403,499)	0	0	(784,400)		
Written off	0	0	0	(4,900)	(245,808)	(300,046)	(60,348)	0	(611,102)		
Exchange differences	(86,330)	0	(168,441)	(316,668)	(25,890)	(22,245)	(87,424)	(3,559)	(710,557)		
Balance as at 31 December 2018	8,380,204	2,539,839	22,530,200	51,570,771	12,199,955	6,912,869	11,780,357	446,473	116,360,668		
Accumulated depreciation and impairment losses											
Balance as at 1 September 2017	0	518,140	6,973,130	33,715,233	9,114,428	4,402,022	7,055,302	0	61,778,255		
Depreciation charge for the financial period	0	96,362	1,218,001	4,489,282	785,214	732,307	1,191,224	0	8,512,390		
Reversal of impairment loss	0	0	0	(4,200)	0	0	0	0	(4,200)		
Transfer to investment properties (Note 6)	0	(96,189)	(1,223,709)	0	0	0	(460,642)	0	(1,780,540)		
Disposals	0	0	0	(184,595)	(28,679)	(387,255)	0	0	(600,529)		
Written off	0	0	0	(4,898)	(241,206)	(300,046)	(42,911)	0	(589,061)		
Exchange differences	0	0	(35,100)	(191,888)	(22,211)	(17,096)	(30,328)	0	(296,623)		
Balance as at 31 December 2018	0	518,313	6,932,322	37,818,934	9,607,546	4,429,932	7,712,645	0	67,019,692		
Analysed as:											
Accumulated depreciation	0	518,313	6,932,322	36,254,316	9,594,980	4,429,932	7,507,734	0	65,237,597		
Accumulated impairment losses	0	0	0	1,564,618	12,566	0	204,911	0	1,782,095		
Balance as at 31 December 2018	0	518,313	6,932,322	37,818,934	9,607,546	4,429,932	7,712,645	0	67,019,692		
Carrying amount											
Balance as at 31 December 2018	8,380,204	2,021,526	15,597,878	13,751,837	2,592,409	2,482,937	4,067,712	446,473	49,340,976		

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (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 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	0	0	0	1,197,222	1,047,825	1,049,768	173,162	6,542,367	10,010,344		
Reclassifications	0	0	0	1,269,653	0	0	76,222	(1,345,875)	0		
Transfer to investment properties (Note 6)	0	(2,021,572)	0	0	0	0	0	(6,483,631)	(8,505,203)		
Disposals	0	0	0	(612,856)	(36,590)	(139,306)	0	0	(788,752)		
Written off	0	0	0	0	(5,396)	0	0	0	(5,396)		
Exchange differences	620,497	0	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	0	605,393	5,933,576	28,730,619	8,381,675	3,908,118	5,893,239	0	53,452,620		
Depreciation charge for the financial year	0	103,486	593,429	4,121,335	603,538	486,845	889,763	0	6,798,396		
Reversal of impairment loss	0	0	0	(27,353)	0	0	0	0	(27,353)		
Transfer to investment properties (Note 6)	0	(190,739)	0	0	0	0	0	0	(190,739)		
Disposals	0	0	0	(275,905)	(34,985)	(139,306)	0	0	(450,196)		
Written off	0	0	0	0	(1,877)	0	0	0	(1,877)		
Exchange differences	0	0	446,125	1,166,537	166,077	146,365	272,300	0	2,197,404		
Balance as at 31 August 2017	0	518,140	6,973,130	33,715,233	9,114,428	4,402,022	7,055,302	0	61,778,255		
Analysed as:											
Accumulated depreciation	0	518,140	6,973,130	32,146,415	9,101,862	4,402,022	6,850,391	0	59,991,960		
Accumulated impairment losses	0	0	0	1,568,818	12,566	0	204,911	0	1,786,295		
Balance as at 31 August 2017	0	518,140	6,973,130	33,715,233	9,114,428	4,402,022	7,055,302	0	61,778,255		
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

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (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 December 2018					
Cost					
Balance as at 1 September 2017	4,550	1,589,877	33,428	15,500	1,643,355
Additions	0	31,875	0	0	31,875
Transfer in from a subsidiary	0	3,110	0	0	3,110
Transfer out to subsidiaries	0	(36,589)	0	0	(36,589)
Reclassifications	0	15,500	0	(15,500)	0
Disposals	(4,550)	(39,379)	0	0	(43,929)
Written off	0	(5,886)	(33,428)	0	(39,314)
Balance as at 31 December 2018	0	1,558,508	0	0	1,558,508
Accumulated depreciation and impairment losses					
Balance as at 1 September 2017	3,337	1,045,603	12,091	0	1,061,031
Depreciation charge for the financial period	531	144,021	3,900	0	148,452
Impairment losses transfer in from a subsidiary	0	2,592	0	0	2,592
Transfer in from a subsidiary	0	518	0	0	518
Transfer out to subsidiaries	0	(17,569)	0	0	(17,569)
Disposals	(3,868)	(13,438)	0	0	(17,306)
Written off	0	(5,886)	(15,991)	0	(21,877)
Balance as at 31 December 2018	0	1,155,841	0	0	1,155,841
Analysed as:					
Accumulated depreciation	0	1,153,249	0	0	1,153,249
Accumulated impairment losses	0	2,592	0	0	2,592
Balance as at 31 December 2018	0	1,155,841	0	0	1,155,841
Carrying amount					
Balance as at 31 December 2018	0	402,667	0	0	402,667

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (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	0	22,018	0	0	22,018
Transfer in from subsidiaries	0	990	0	0	990
Transfer out to subsidiaries	0	(3,840)	0	0	(3,840)
Disposal	(139,306)	0	0	0	(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	0	1,085,898
Depreciation charge for the financial year	910	111,488	3,343	0	115,741
Transfer in from subsidiaries	0	50	0	0	50
Transfer out to subsidiaries	0	(1,352)	0	0	(1,352)
Disposal	(139,306)	0	0	0	(139,306)
Balance as at 31 August 2017	3,337	1,045,603	12,091	0	1,061,031
Carrying amount					
Balance as at 31 August 2017	1,213	544,274	21,337	15,500	582,324

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (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, if any.
- (c) Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and annual 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 are not depreciated. Capital work-in-progress represents plant and machinery under installation and is stated at cost. Capital work-in-progress is also not depreciated until such time when the asset is available for use.
- (e) During the financial period/year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Purchase of property, plant and equipment	9,397,115	10,010,344	31,875	22,018
Financed by hire purchase arrangements	<u>(4,726,021)</u>	<u>(1,562,417)</u>	<u>0</u>	<u>0</u>
Cash payments on purchase of property, plant and equipment	<u><u>4,671,094</u></u>	<u><u>8,447,927</u></u>	<u><u>31,875</u></u>	<u><u>22,018</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

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

- (f) The carrying amounts of the property, plant and equipment of the Group and of the Company under finance leases at the end of the reporting period/year are as follows:

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Plant and machinery	7,026,937	5,455,985	0	0
Office furniture, fittings and computer equipment	328,516	350,454	328,516	458,328
Motor vehicles	1,660,457	1,301,006	0	0
Capital work-in-progress	0	15,500	0	15,500
	<u>9,015,910</u>	<u>7,122,945</u>	<u>328,516</u>	<u>473,828</u>

Details of the terms and conditions and information on financial risks of the hire purchase or finance leases arrangements are disclosed in Note 17 and Note 31 to the financial statements respectively.

- (g) As at the end of the reporting period/year, the carrying amounts of the Group's property, plant and equipment which have been charged to banks for credit facilities granted to the Group are as follows:

	Group	
	31.12.2018	31.8.2017
	RM	RM
Freehold land, leasehold land and buildings	24,685,671	23,676,833
Plant and machinery	4,058,882	5,386,215
Renovation	186,763	257,938
	<u>28,931,316</u>	<u>29,320,986</u>

Details of the terms and conditions of the borrowings are disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

6. INVESTMENT PROPERTIES

	Group	
	31.12.2018	31.8.2017
	RM	RM
Freehold land, leasehold land, buildings and renovation, at cost		
Balance as at 1 September 2017/2016	13,688,474	4,560,644
Additions	381,012	622,627
Transfer from property, plant and equipment (Note 5)	4,029,902	8,505,203
Balance as at 31 December/31 August	18,099,388	13,688,474
Accumulated depreciation		
Balance as at 1 September 2017/2016	2,066,408	1,787,519
Depreciation charge for the financial period/year	313,152	88,150
Transfer from property, plant and equipment (Note 5)	1,780,540	190,739
Balance as at 31 December/31 August	4,160,100	2,066,408
Carrying amount		
Balance as at 31 December/31 August	13,939,288	11,622,066

(a) Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

(b) Depreciation of investment properties is provided on a straight line basis to write down the cost of each property to its residual value over its estimated useful lives. The principal depreciation periods and annual rates are as follows:

Leasehold land	51 - 60 years
Buildings	2%
Renovation	10%

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

(c) Investment properties with an aggregate carrying amount of RM13,851,473 (31.8.2017: RM11,530,022) are charged to a financial institution for banking facilities granted to the Group as disclosed in Note 16 to the financial statements.

(d) Direct operating expenses arising from investment properties generating rental income during the financial period/year amounted to RM206,699 (31.8.2017: RM99,600).

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

6. INVESTMENT PROPERTIES (cont'd)

- (e) 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:

	Group	
	31.12.2018	31.8.2017
	RM	RM
Freehold land, leasehold land and buildings	<u>23,210,000</u>	<u>18,280,000</u>

- (f) There were no transfer between Level 1, 2 and 3 fair value measurement during the financial period/year ended 31 December 2018 and 31 August 2017.

7. GOODWILL

	Group	
	31.12.2018	31.8.2017
	RM	RM
At cost		
Balance as at 31 December/31 August	<u>413,371</u>	<u>413,371</u>
Accumulated impairment losses		
Balance as at 31 December/31 August	<u>124,243</u>	<u>124,243</u>
Carrying amount		
Balance as at 31 December/31 August	<u>289,128</u>	<u>289,128</u>

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

	Group	
	31.12.2018	31.8.2017
	RM	RM
Contract manufacturing - Thailand	<u>289,128</u>	<u>289,128</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

7. GOODWILL (cont'd)

The recoverable amount of the CGU have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by the management covering a five-year period.

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

Key assumptions and the management's 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. (31.8.2017: 10% p.a.). This is based on the weighted average cost of capital of the Company and adjusted for current market assessment of the risks specific to the contract manufacturing segment.

(iv) Growth rate and terminal value

Forecast annual growth rate of 10% (31.8.2017: 10%) are applied to the five (5) years cash flow projections. Terminal value of the CGUs is calculated by using perpetuity approach, applying a growth rate of 0% (31.8.2017: 0%) beyond five (5) years.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	31.12.2018	31.8.2017
	RM	RM
At cost		
Unquoted shares	58,207,489	56,207,489
Accumulated impairment losses	(12,937,659)	(12,716,823)
	45,269,830	43,490,666
Share options granted to employees of subsidiaries	1,505,552	1,505,552
	46,775,382	44,996,218

Movement in accumulated impairment losses:

	Company	
	31.12.2018	31.8.2017
	RM	RM
Balance as at 1 September 2017/2016	12,716,823	12,716,823
Impairment losses recognised in profit or loss	220,836	0
Balance as at 31 December/31 August	12,937,659	12,716,823

(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 in equity		Principal activities
		31.12.2018	31.8.2017	
		%	%	
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.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (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 in equity		Principal activities
		31.12.2018 %	31.8.2017 %	
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 Properties Sdn. Bhd. (Formerly known as D'nonce Health Science Sdn. Bhd.)	Malaysia	100	100	Dormant.
AV Plastics Sdn. Bhd.	Malaysia	84	84	Processing of plastic injected moulded products.
Richmond Technology Sdn. Bhd.	Malaysia	55	55	Manufacturing of packaging materials.
D'nonce Energy Sdn. Bhd.	Malaysia	100	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (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 in equity		Principal activities
		31.12.2018 %	31.8.2017 %	
Integrated SCM Co.,Ltd.^@	Thailand	99	99	Sales and distribution of chemicals, packaging materials, spare parts and consumables.
Logistic Solution Holdings Co., Ltd. ^	Thailand	99	99	Investment holding.
ISCM Technology (Thailand) Co., Ltd. ^	Thailand	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..

^ Subsidiaries not audited by BDO PLT.

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

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

- (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 discounted 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.

- (d) During the financial period, the Company subscribed for an additional 2,000,000 ordinary shares in D'nonce Properties Sdn. Bhd. ('DPPT') for a cash consideration of RM2,000,000. There was no change in the effective equity interest held by the Company in DPPT.

In the previous financial year, the Company subscribed for an additional 17,500 ordinary shares in ISCM Technology (Thailand) Co., Ltd. ('SCMT') for a cash consideration of RM224,000. There was no change in the effective equity interest held by the Company in SCMT.

- (e) Impairment losses on investment in a subsidiary, D'nonce Energy Sdn. Bhd. ('DENE') amounting to RM220,836 has been recognised during the financial period due to the subsidiary making losses. The recoverable amount was determined based on value-in-use ('VIU') amounts.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

31.12.2018

	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
NCI percentage of ownership interest and voting interest	45%	45%	18%	16%	45%		
Carrying amount of NCI (RM)	1,198,481	1,841,049	2,074,044	(1,209,474)	1,022,618	(19,073)	4,907,645
Profit/(Loss) allocated to NCI (RM)	257,910	83,599	36,597	(429,713)	217,108	473	165,974

31.8.2017

NCI percentage of ownership interest and voting interest	45%	45%	18%	16%	45%		
Carrying amount of NCI (RM)	940,571	1,757,450	2,037,447	(779,761)	805,510	(19,546)	4,741,671
Profit/(Loss) allocated to NCI (RM)	114,507	115,518	128,789	(167,577)	(12,880)	1,028	179,385

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

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

31.12.2018

Assets and liabilities

	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
Non-current assets	306,246	506,981	9,028,141	1,647,818	1,456,461
Current assets	4,477,342	5,042,938	22,227,206	3,910,164	3,660,694
Non-current liabilities	0	(274,835)	(540,121)	(661,423)	(487,416)
Current liabilities	(2,095,601)	(1,043,440)	(18,812,457)	(12,383,473)	(2,179,482)
Net assets/(liabilities)	<u>2,687,987</u>	<u>4,231,644</u>	<u>11,902,769</u>	<u>(7,486,914)</u>	<u>2,450,257</u>

Results

Revenue	22,008,630	2,484,761	23,960,741	8,704,514	15,534,097
Profit/(Loss) for the financial period	573,134	185,776	203,315	(2,685,706)	482,461
Total comprehensive income/(loss)	<u>573,134</u>	<u>185,776</u>	<u>203,315</u>	<u>(2,685,706)</u>	<u>482,461</u>
Cash flows from/(used in) operating activities	1,893,623	(167,700)	11,911,965	(1,914,207)	(388,014)
Cash flows (used in)/from investing activities	(41,031)	503,048	1,120,500	(292,533)	(38,666)
Cash flows (used in)/from financing activities	(1,899,905)	(308,530)	(11,443,952)	2,184,841	924,403
Net (decrease)/increase in cash and cash equivalents	<u>(47,313)</u>	<u>26,818</u>	<u>1,588,513</u>	<u>(21,899)</u>	<u>497,723</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

31.8.2017	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
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	23,580	(190,382)	6,379,036	(380,597)	381,179
Cash flows (used in)/from investing activities	(10,528)	363,244	1,132,310	(312,858)	(81,480)
Cash flows from/(used in) financing activities	50,320	(520,336)	(9,162,366)	630,616	(3,500)
Net increase/(decrease) in cash and cash equivalents	<u>63,372</u>	<u>(347,474)</u>	<u>(1,651,020)</u>	<u>(62,839)</u>	<u>296,199</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

9. DEFERRED TAX

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

	Group	
	31.12.2018	31.8.2017
	RM	RM
Balance as at 1 September 2017/2016	230,100	330,432
Recognised in profit or loss (Note 27)	32,734	(91,281)
Exchange differences	(649)	(9,051)
Balance as at 31 December/31 August	262,185	230,100
Presented after appropriate offsetting:		
Deferred tax assets	(159,320)	(51,022)
Deferred tax liabilities	421,505	281,122
	262,185	230,100

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

Deferred tax assets of the Group

	Unused	Others	Total
	tax losses		
	RM	RM	RM
Balance as at 1 September 2017	0	(51,022)	(51,022)
Recognised in profit or loss	(107,649)	0	(107,649)
Exchange differences	0	(649)	(649)
Balance as at 31 December 2018	(107,649)	(51,671)	(159,320)
Balance as at 1 September 2016	(50,444)	(41,711)	(92,155)
Recognised in profit or loss	50,444	(260)	50,184
Exchange differences	0	(9,051)	(9,051)
Balance as at 31 August 2017	0	(51,022)	(51,022)

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

9. DEFERRED TAX (cont'd)

- (b) The components and movements of deferred tax assets and liabilities during the financial period/year prior to offsetting are as follows (cont'd):

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Others RM	Total RM
Balance as at 1 September 2017	301,095	(19,973)	281,122
Recognised in profit or loss	117,819	22,564	140,383
Balance as at 31 December 2018	<u>418,914</u>	<u>2,591</u>	<u>421,505</u>
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>

- (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	
	31.12.2018 RM	31.8.2017 RM	31.12.2018 RM	31.8.2017 RM
Unused tax losses				
- Expires by 31 December 2025	33,009,953	30,905,123	320,657	320,657
Unabsorbed capital allowances	11,575,007	12,092,917	241,067	162,560
	<u>44,584,960</u>	<u>42,998,040</u>	<u>561,724</u>	<u>483,217</u>

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

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

At the end of the reporting period, the unutilised reinvestment allowances amounted to RM9,478,621 (31.8.2017: RM9,265,021). The unutilised reinvestment allowances are allowed to be carried forward and offset against future taxable profits up to a maximum of seven (7) years.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

10. INVENTORIES

	Group	
	31.12.2018	31.8.2017
	RM	RM
At cost		
Raw materials	12,817,120	6,564,794
Work-in-progress	1,014,194	1,125,950
Finished goods	4,905,289	3,101,149
Trading goods	5,082,911	9,716,466
	23,819,514	20,508,359
At net realisable value		
Raw materials	24,415	56,488
Work-in-progress	38,963	23,519
Finished goods	95,507	477,803
Trading goods	674,745	12,864
	833,630	570,674
	24,653,144	21,079,033

- (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 period/year, inventories of the Group recognised as cost of sales amounted to RM161,096,973 (31.8.2017: RM126,864,675). In addition, the amounts recognised in the cost of sales include:

	Group	
	31.12.2018	31.8.2017
	RM	RM
Allowance for slow moving inventories	604,269	95,435
Reversal of slow moving inventories	(1,137,407)	(155,509)
Inventories written down	35,851	1,140
Inventories written off	1,305,739	298,229
	808,452	239,295

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.12.2018 RM	31.8.2017 RM	31.12.2018 RM	31.8.2017 RM
Non-current				
Trade receivable				
Third party - interest bearing at 3.25% p.a. - 6.00% p.a. (31.8.2017: 3.25% p.a.)	1,314,655	13,517,870	0	0
Other receivables				
Deposits	3,592,642	0	0	0
Third party - interest bearing at 6.00% p.a. (31.8.2017: Nil)	38,829	0	0	0
	<u>4,946,126</u>	<u>13,517,870</u>	<u>0</u>	<u>0</u>
Current				
Trade receivables				
Third party - interest bearing at 3.25% p.a. - 6.00% p.a. (31.8.2017: 3.25% p.a.)	12,601,120	14,862,606	0	0
Third parties - non-interest bearing	33,441,529	37,622,074	0	0
	<u>46,042,649</u>	<u>52,484,680</u>	<u>0</u>	<u>0</u>
Less: Impairment losses - Third parties	<u>(3,072,780)</u>	<u>(1,513,012)</u>	<u>0</u>	<u>0</u>
	<u>42,969,869</u>	<u>50,971,668</u>	<u>0</u>	<u>0</u>
Other receivables				
Amounts owing by subsidiaries	0	0	33,062,949	25,812,093
Less: Impairment losses	0	0	(11,043,972)	(4,889,942)
	0	0	22,018,977	20,922,151
Other receivables	3,602,953	6,481,147	315,809	431,315
Less: Impairment losses	(227,957)	0	(165,879)	0
	<u>3,374,996</u>	<u>6,481,147</u>	<u>149,930</u>	<u>431,315</u>
Deposits	4,409,196	3,237,414	16,440	12,880
	<u>7,784,192</u>	<u>9,718,561</u>	<u>22,185,347</u>	<u>21,366,346</u>
Prepayments	5,271,636	4,038,122	13,855	33,268
Total current trade and other receivables	<u>56,025,697</u>	<u>64,728,351</u>	<u>22,199,202</u>	<u>21,399,614</u>
Total trade and other receivables	<u>60,971,823</u>	<u>78,246,221</u>	<u>22,199,202</u>	<u>21,399,614</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

11. TRADE AND OTHER RECEIVABLES (cont'd)

- (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 (31.8.2017: 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 amounts owing by subsidiaries are unsecured, interest-free, payable upon demand and to be settled in cash except for RM8,601,661 (31.8.2017: RMNil) on which interest is charged at 8.40% (31.8.2017: Nil) per annum.
- (d) The currency exposure profile of loans and receivables are as follows:

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Ringgit Malaysia	37,133,102	51,724,254	17,905,553	20,150,226
United States Dollar	7,960,013	8,312,110	3,601,956	1,208,935
Thai Baht	9,539,507	13,465,435	677,838	2,592
Others	1,067,565	706,300	0	4,593
	<u>55,700,187</u>	<u>74,208,099</u>	<u>22,185,347</u>	<u>21,366,346</u>

- (e) Included in deposits is a total sum of RM2,430,000 (31.8.2017: RMNil) respectively paid to accept rights granted for the development of freehold land and acquisition of leasehold land and building as set out in Note 33 to the financial statements.
- (f) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	31.12.2018	31.8.2017
	RM	RM
Neither past due nor impaired	32,918,436	49,597,080
Past due, but not impaired		
1 to 30 days	6,284,938	6,770,156
31 to 60 days	2,495,725	2,533,275
61 to 90 days	1,662,460	2,024,935
More than 91 days	922,965	3,564,092
	11,366,088	14,892,458
Past due and impaired	3,072,780	1,513,012
	<u>47,357,304</u>	<u>66,002,550</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

11. TRADE AND OTHER RECEIVABLES (cont'd)

- (f) The ageing analysis of trade receivables of the Group are as follows (cont'd):

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 period/year.

Trade receivables that are past due but not impaired

Trade receivables that are past due but not impaired amounting to RM11,366,088 (31.8.2017: RM14,892,458) 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/financial year are as follows:

	Individually impaired	
	31.12.2018	31.8.2017
	RM	RM
Trade receivables, gross	3,161,180	1,513,012
Less: Impairment losses	<u>(3,072,780)</u>	<u>(1,513,012)</u>
	<u><u>88,400</u></u>	<u><u>0</u></u>

- (g) The reconciliation of movement in the impairment losses of the Group and of the Company are as follows:

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Trade receivables				
Balance as at				
1 September 2017/2016	1,513,012	767,387	0	0
Charge during the financial				
period/year	2,186,638	840,794	0	0
Written off	(185,643)	0	0	0
Reversal of impairment losses	(452,175)	(114,944)	0	0
Exchange differences	<u>10,948</u>	<u>19,775</u>	<u>0</u>	<u>0</u>
Balance as at				
31 December/31 August	<u><u>3,072,780</u></u>	<u><u>1,513,012</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

11. TRADE AND OTHER RECEIVABLES (cont'd)

- (g) The reconciliation of movement in the impairment losses of the Group and of the Company are as follows (cont'd):

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Other receivables				
Balance as at				
1 September 2017/2016	0	0	4,889,942	4,889,942
Charge during the financial period/year	227,957	0	6,319,909	0
Balance as at				
31 December/31 August	227,957	0	11,209,851	4,889,942
Total trade and other receivables	<u>3,300,737</u>	<u>1,513,012</u>	<u>11,209,851</u>	<u>4,889,942</u>

Trade receivables that are individually determined to be impaired at the end of each reporting period/year 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. The 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.

- (h) Information on financial risks of trade and other receivables is disclosed in Note 31 to the financial statements.

12. CASH AND BANK BALANCES

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Non-current				
Deposits with licensed banks	116,888	0	0	0
Current				
Cash and bank balances	18,016,561	7,778,560	8,541,873	64,222
Deposits with licensed banks	22,120,439	21,493,653	0	0
	<u>40,137,000</u>	<u>29,272,213</u>	<u>8,541,873</u>	<u>64,222</u>
Total cash and bank balances	<u>40,253,888</u>	<u>29,272,213</u>	<u>8,541,873</u>	<u>64,222</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

12. CASH AND BANK BALANCES (cont'd)

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

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Ringgit Malaysia	36,238,128	24,988,147	8,539,460	58,988
United States Dollar	2,295,339	1,328,537	0	2,562
Thai Baht	1,593,564	2,862,987	2,413	1,543
Others	126,857	92,542	0	1,129
	<u>40,253,888</u>	<u>29,272,213</u>	<u>8,541,873</u>	<u>64,222</u>

(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/year:

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Cash and bank balances	18,016,561	7,778,560	8,541,873	64,222
Deposits with licensed banks	22,237,327	21,493,653	0	0
Bank overdrafts (Note 16)	(14,795,352)	(13,638,730)	0	0
	<u>25,458,536</u>	<u>15,633,483</u>	<u>8,541,873</u>	<u>64,222</u>
Less:				
Deposits pledged with licensed banks	(22,227,242)	(21,483,981)	0	0
	<u>3,231,294</u>	<u>(5,850,498)</u>	<u>8,541,873</u>	<u>64,222</u>

(c) The deposits with licensed banks are pledged as security for the Group's borrowings and banking facilities as disclosed in Note 16 to the financial statements.

(d) Information on financial risks of cash and bank balances is disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

13. SHARE CAPITAL

	Group and Company			
	31.12.2018		31.8.2017	
	Number of ordinary shares	Amount RM	Number of ordinary shares	Amount RM
Issued and fully paid				
Balance as at 1 September 2017/2016	182,174,000	46,179,518	180,404,000	45,101,000
Issuance of ordinary shares:				
- employee share options scheme (Note 25)	20,157,500	7,796,922	1,770,000	684,636
- private placements	18,433,600	6,643,440	0	0
- exercise of warrants	21,183,000	7,356,855	0	0
Transferred from share premium pursuant to the Companies Act 2016				
	0	0	0	393,882
Balance as at 31 December/31 August	241,948,100	67,976,735	182,174,000	46,179,518

- (a) During the financial period, the Company increased its issued and fully paid ordinary shares from 182,174,000 units to 241,948,100 units by way of:
- (i) the issuance of 20,157,500 ordinary shares pursuant to the exercise of the ESOS at an option price of RM0.25 per ordinary share;
 - (ii) the issuance of 4,500,000 ordinary shares through private placement at an issue price of RM0.36 per ordinary share;
 - (iii) the issuance of 11,000,000 ordinary shares through private placement at an issue price of RM0.35 per ordinary share;
 - (iv) the issuance of 2,933,600 ordinary shares through private placement at an issue price of RM0.40 per ordinary share; and
 - (v) the issuance of 21,183,000 ordinary shares pursuant to the exercise of the warrants at a price of RM0.25 per ordinary share.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

13. SHARE CAPITAL (cont'd)

- (c) With the introduction of the Companies Act 2016 (the 'Act') effective 31 January 2017, the concept of authorised share capital and par value of share capital have 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 Act. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.
- (d) In the previous financial year, the Company increased its issued and fully paid ordinary shares from 180,404,000 units to 182,174,000 units by way of 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.

14. RESERVES

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
<u>Non-distributable:</u>				
Exchange translation reserve	6,457,420	6,699,322	0	0
Legal reserve	32,510	32,510	0	0
Warrant reserve	6,715,550	8,776,655	6,715,550	8,776,655
Share options reserve	566,626	3,324,172	566,626	3,324,172
Other capital reserve	5,120,000	5,120,000	0	0
	<u>18,892,106</u>	<u>23,952,659</u>	<u>7,282,176</u>	<u>12,100,827</u>

- (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) Legal reserve

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

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

14. RESERVES (cont'd)

(c) Warrant reserve

Pursuant to a Deed Poll dated 12 October 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
- (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.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

14. RESERVES (cont'd)

(c) Warrant reserve (cont'd)

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

Grant date	Number of warrants over ordinary shares				Exercisable as at 31.12.2018
	Outstanding as at 1.9.2017	Movement during the financial period		Outstanding as at 31.12.2018	
		Granted	Exercised		
26 November 2015	90,202,000	0	(21,183,000)	69,019,000	69,019,000
Exercise price (RM)	0.25	0.25	0.25	0.25	0.25
Remaining contractual life (months)	39				23

Grant date	Number of warrants 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		
26 November 2015	90,202,000	0	0	90,202,000	90,202,000
Exercise price (RM)	0.25	0.25	0.25	0.25	0.25
Remaining contractual life (months)	51				39

(d) 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.

(e) Other capital reserve

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

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

15. RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Current liability				
Retirement benefit obligations	218,750	186,725	218,750	186,725
Non-current liability				
Retirement benefit obligations	1,074,086	779,836	0	0
Total	<u>1,292,836</u>	<u>966,561</u>	<u>218,750</u>	<u>186,725</u>

(a) The Group and the Company operate an unfunded, defined benefit plan- 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. The last actuarial valuation report dated 28 September 2018 was issued by an independent valuer of the Fellow of the Institute of Actuaries.

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

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Present value of unfunded defined benefit obligations being net liability	<u>1,292,836</u>	<u>966,561</u>	<u>218,750</u>	<u>186,725</u>
Analysed as:				
Current	218,750	186,725	218,750	186,725
Non-current	1,074,086	779,836	0	0
	<u>1,292,836</u>	<u>966,561</u>	<u>218,750</u>	<u>186,725</u>

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

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Current service cost	232,793	235,231	32,025	91,441
Interest cost	34,685	26,447	0	5,905
Under/(Over)provision in prior years	6,788	(331)	0	(331)
	<u>274,266</u>	<u>261,347</u>	<u>32,025</u>	<u>97,015</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

15. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

- (d) The following table sets out the reconciliation of the retirement benefit obligations of the Group and of the Company:

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Balance as at				
1 September 2017/2016	966,561	669,996	186,725	89,710
Recognised in the profit or loss:				
- Employee benefit expense				
(Note 24)	274,266	261,347	32,025	97,015
Recognised in other comprehensive				
income	100,820	0	0	0
Contributions paid	(42,442)	(25,100)	0	0
Exchange differences	(6,369)	60,318	0	0
Balance as at				
31 December/31 August	<u>1,292,836</u>	<u>966,561</u>	<u>218,750</u>	<u>186,725</u>

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

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	%	%	%	%
Discount rate	3.0	3.3 - 4.5	Nil	4.5
Expected rate of salary				
increase	<u>5.0</u>	<u>5.0</u>	<u>Nil</u>	<u>5.0</u>

- (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/year changed by one hundred (100) basis points with all other variables held constant:

	Group			
	31.12.2018		31.8.2017	
	%	RM	%	RM
Discount rate increase	1	(70,638)	1	(56,457)
Discount rate decrease	(1)	83,395	(1)	67,051
Expected rate of salary increase	1	80,835	1	66,929
Expected rate of salary decrease	(1)	(70,012)	(1)	(57,799)

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

15. 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/year changed by one hundred (100) basis points with all other variables held constant (cont'd):

	Company			
	31.12.2018		31.8.2017	
	%	RM	%	RM
Discount rate increase	Nil	Nil	1	808
Discount rate decrease	Nil	Nil	(1)	(832)
Expected rate of salary increase	Nil	Nil	1	2,806
Expected rate of salary decrease	Nil	Nil	(1)	(2,756)

16. BORROWINGS

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Non-current liabilities				
Secured				
Term loans	10,559,636	18,457,177	0	0
Hire purchase and lease creditors (Note 17)	4,433,793	3,372,625	41,184	250,265
	14,993,429	21,829,802	41,184	250,265
Current liabilities				
Secured				
Bank overdrafts	14,770,643	13,638,730	0	0
Hire purchase and lease creditors (Note 17)	2,382,207	2,305,189	158,496	145,017
Short term bank loans (Note 18)	28,239,618	31,707,573	0	0
Term loans	4,683,410	9,964,467	0	0
	50,075,878	57,615,959	158,496	145,017
Unsecured				
Bank overdrafts	24,709	0	0	0
	50,100,587	57,615,959	158,496	145,017
Total borrowings				
Bank overdrafts	14,795,352	13,638,730	0	0
Hire purchase and lease creditors (Note 17)	6,816,000	5,677,814	199,680	395,282
Short term bank loans (Note 18)	28,239,618	31,707,573	0	0
Term loans	15,243,046	28,421,644	0	0
	65,094,016	79,445,761	199,680	395,282

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

16. 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 and investment properties as disclosed in Note 5 and Note 6 to the financial statements respectively;
 - (ii) deposits with licensed banks amounting to RM22,227,242 (31.8.2017: RM21,483,981) of the Group as disclosed in Note 12 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	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Ringgit Malaysia	43,001,861	57,611,123	199,680	395,282
Thai Baht	22,092,155	21,834,638	0	0
	<u>65,094,016</u>	<u>79,445,761</u>	<u>199,680</u>	<u>395,282</u>

- (c) Information on financial risks of borrowings is disclosed in Note 31 to the financial statements.

17. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Minimum hire purchase and lease payments:				
- not later than one (1) year	2,718,545	2,588,383	166,500	166,500
- later than one (1) year but not later than five (5) years	4,791,651	3,577,507	41,605	263,605
Total minimum hire purchase and lease payments	7,510,196	6,165,890	208,105	430,105
Less: Future interest charges	(694,196)	(488,076)	(8,425)	(34,823)
Present value of hire purchase and lease payments	<u>6,816,000</u>	<u>5,677,814</u>	<u>199,680</u>	<u>395,282</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

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

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Repayable as follows:				
Current liabilities				
- not later than one (1) year	2,382,207	2,305,189	158,496	145,017
Non-current liabilities				
- later than one (1) year but not later than five (5) years	4,433,793	3,372,625	41,184	250,265
	<u>6,816,000</u>	<u>5,677,814</u>	<u>199,680</u>	<u>395,282</u>

- (a) Hire purchase and lease creditors are effectively secured by the rights to the assets under hire purchase in the event of default as disclosed in Note 5 to the financial statements.
- (b) Information on financial risks of hire purchase and lease creditors is disclosed in Note 31 to the financial statements.

18. SHORT TERM BANK LOANS

	Group	
	31.12.2018	31.8.2017
	RM	RM
Bankers' acceptance	10,569,807	11,552,717
Promissory notes	5,858,140	2,572,000
Revolving credits	4,350,000	14,850,967
Trust receipts	4,621,311	989,542
Factoring of trade receivables	2,840,360	1,742,347
	<u>28,239,618</u>	<u>31,707,573</u>

Information on financial risks of short term bank loans is disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Current				
Trade payables				
Third parties	16,143,357	25,178,704	0	0
Other payables				
Amounts owing to subsidiaries	0	0	5,246,882	11,834,905
Other payables	7,983,296	6,393,177	1,094,262	333,249
Amounts owing to Directors	160,000	560,125	0	251,620
Accruals	4,671,570	5,264,672	648,689	859,405
	<u>12,814,866</u>	<u>12,217,974</u>	<u>6,989,833</u>	<u>13,279,179</u>
	<u>28,958,223</u>	<u>37,396,678</u>	<u>6,989,833</u>	<u>13,279,179</u>

- (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 (31.8.2017: 30 to 90 days).
- (c) The amounts owing to subsidiaries are unsecured, interest-free, payable upon demand and to be settled in cash except for RM5,246,882 (31.8.2017: RM9,984,880) on which interest is charged at 6.13% - 8.87% (31.8.2017: 6.13% - 8.55%) per annum.
- (d) The amounts owing to Directors are unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (e) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Ringgit Malaysia	19,451,796	22,279,329	3,759,325	7,401,642
United States Dollar	2,956,170	5,315,237	0	2,475,288
Thai Baht	6,544,673	9,564,698	3,230,508	3,402,249
Others	5,584	237,414	0	0
	<u>28,958,223</u>	<u>37,396,678</u>	<u>6,989,833</u>	<u>13,279,179</u>

- (f) Information on financial risks of trade and other payables is disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

20. COMMITMENTS

(a) Operating lease commitments

(i) The Group as a 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 (1) to five (5) years with no renewal or purchase option included in the contracts. There were no restrictions placed upon the Group by entering into these leases.

The Group has aggregate future minimum lease commitments as at the end of each reporting period/year as follows:

	Group		Company	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Not later than one (1) year	2,259,986	1,719,948	0	47,280
Later than one (1) year but not later than five (5) years	1,004,400	1,947,134	0	73,500
	<u>3,264,386</u>	<u>3,667,082</u>	<u>0</u>	<u>120,780</u>

(ii) The Group as a 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 (1) to three (3) years. All leases include a clause to enable an 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/year as follows:

	Group	
	31.12.2018	31.8.2017
	RM	RM
Not later than one (1) year	1,526,800	907,200
Later than one (1) year but not later than five (5) years	1,375,000	2,025,000
	<u>2,901,800</u>	<u>2,932,200</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

20. COMMITMENTS (cont'd)

(b) Capital commitments

	Group	
	31.12.2018	31.8.2017
	RM	RM
Capital expenditure:		
Approved and contracted for:		
Leasehold land and building	3,870,000	0
Plant and machinery	0	1,753,951
Development rights	8,000,000	0
	11,870,000	1,753,951

21. CONTINGENT LIABILITIES

	Group	
	31.12.2018	31.8.2017
	RM	RM
Unsecured		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	64,220,725	77,429,724

- (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 guarantees are remote. Accordingly, the fair values of the above corporate guarantees are negligible.

22. REVENUE

	Group		Company	
	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Sale of goods	240,519,421	177,809,276	0	0
Revenue from services rendered	24,951,652	13,364,354	0	0
Management fees charged to subsidiaries	0	0	6,316,134	5,010,427
Rental income from investment properties	1,278,000	1,070,680	0	0
Dividend income from subsidiaries	0	0	9,000,000	4,000,000
	266,749,073	192,244,310	15,316,134	9,010,427

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

22. REVENUE (cont'd)

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 Company, 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 and the Company 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.

(e) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

23. OTHER INCOME

	Group		Company	
	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Interest income from:				
- amounts owing by subsidiaries	0	0	972,467	0
- deposits with licensed banks	848,770	566,560	439,061	118,139
- receivables	1,436,189	1,882,180	2,186	1,497
Rental income	69,600	52,200	0	0
Scrap sales	2,007,053	1,219,963	0	0
Maintenance income	2,969,002	2,226,750	0	0
Sub-leasing fee from:				
- related parties	0	0	327,876	243,873
- companies related to a Director	46,409	46,992	46,409	46,992
- external parties	8,136	8,136	8,136	8,136
Gain on disposal of:				
- property, plant and equipment	29,213	259,477	1,643	47,000
- assets of disposal group classified as held for sale	0	8,505,653	0	0
Fair value changes in derivatives	0	49,924	0	0
Insurance claims	1,213,377	0	0	0
Others	1,614,998	800,823	77,926	3,544
	<u>10,242,747</u>	<u>15,618,658</u>	<u>1,875,704</u>	<u>469,181</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

24. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Salaries, wages, bonus and allowances	42,662,367	31,652,383	5,215,085	3,821,695
Social security contributions	900,217	555,754	27,617	20,619
Contributions to defined contribution plan	2,612,428	2,017,049	637,552	458,479
Defined benefit plan (Note 15)	274,266	261,347	32,025	97,015
Other benefits	3,370,329	2,801,941	850,776	555,087
	<u>49,819,607</u>	<u>37,288,474</u>	<u>6,763,055</u>	<u>4,952,895</u>

25. 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 meet 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.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

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

The main features of the ESOS were as follows (cont'd):

- (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.

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

	Number of options over ordinary shares				
	Outstanding as at 1.9.2017	Movement during the financial period		Outstanding as at 31.12.2018	Exercisable as at 31.12.2018
Grant date		Granted	Exercised		
18 May 2016	24,299,500	0	(20,157,500)	4,142,000	4,142,000
Exercise price (RM)	0.25	0.25	0.25	0.25	0.25
Remaining contractual life (months)	45				29

	Number of options over ordinary shares				
	Outstanding as at 1.9.2016	Movement during the financial year		Outstanding as at 31.8.2017	Exercisable as at 31.8.2017
Grant date		Granted	Exercised		
18 May 2016	26,069,500	0	(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)	57				45

The details of share options of the Company outstanding at the end of the reporting period are as follows:

	Exercise price		Exercise period
	31.12.2018 RM	31.8.2017 RM	
18 May 2016 options	0.25	0.25	18.5.2016 - 17.5.2021

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

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

The fair values of share options granted in the previous financial years 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)	5.00
Risk free rate (%)	3.22
Expected dividend yield (%)	-

26. FINANCE COSTS

	Group		Company	
	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Interest expense on:				
- bank borrowings	3,705,189	2,847,410	31,525	35,812
- amounts owing to subsidiaries	0	0	1,154,501	1,101,317
- term loans	1,780,892	2,241,175	0	0
- hire purchase and lease creditors	584,270	395,209	26,398	31,594
	<u>6,070,351</u>	<u>5,483,794</u>	<u>1,212,424</u>	<u>1,168,723</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

27. TAXATION

	Group		Company	
	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Current tax expense based on profit for the financial period/year	2,172,854	880,459	105,322	0
Under/(Over)provision of income tax in prior year	140,643	145,875	0	(72,200)
	2,313,497	1,026,334	105,322	(72,200)
Deferred tax (Note 9):				
- Relating to origination and reversal of temporary differences	(55,537)	28,134	0	0
- Under/(Over)provision in prior year	88,271	(119,415)	0	0
	32,734	(91,281)	0	0
Real Property Gains Tax	0	250,027	0	0
	<u>2,346,231</u>	<u>1,185,080</u>	<u>105,322</u>	<u>(72,200)</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (31.8.2017: 24%) of the estimated taxable profits for the fiscal period/year.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

27. TAXATION (cont'd)

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

	Group		Company	
	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Profit before tax	5,117,572	3,669,259	351,103	1,328,977
Tax at Malaysian statutory tax rate of 24% (31.8.2017: 24%)	1,228,217	880,622	84,265	318,954
Tax effects in respect of:				
Non-allowable expenses	3,102,170	2,788,194	2,642,262	795,332
Non-taxable income	(2,307,523)	(3,871,166)	(2,640,047)	(1,162,046)
Deferred tax assets not recognised during the financial period/year	1,216,633	1,025,760	18,842	47,760
Utilisation of deferred tax assets previously not recognised	(784,508)	0	0	0
Different tax rates in another country	34,257	143,526	0	0
Double deduction	(253,888)	(16,673)	0	0
Tax incentive	(118,041)	(41,670)	0	0
Real Property Gains Tax	0	250,027	0	0
	<u>2,117,317</u>	<u>1,158,620</u>	<u>105,322</u>	<u>0</u>
Under/(Over)provision in prior years				
- current tax	140,643	145,875	0	(72,200)
- deferred tax	88,271	(119,415)	0	0
	<u>2,346,231</u>	<u>1,185,080</u>	<u>105,322</u>	<u>(72,200)</u>

- (b) Tax on each component of other comprehensive income is as follows:

	Before tax RM	Group Tax effect RM	After tax RM
1.9.2017 to 31.12.2018			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(241,902)	0	(241,902)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement loss on defined benefit plans	(100,820)	0	(100,820)

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

27. TAXATION (cont'd)

(b) Tax on each component of other comprehensive income is as follows (cont'd):

1.9.2016 to 31.8.2017 Items that may be reclassified subsequently to profit or loss	Before tax RM	Group Tax effect RM	After tax RM
Foreign currency translations	<u>1,685,121</u>	<u>0</u>	<u>1,685,121</u>

28. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

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

	Group	
	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Profit for the financial period/year attributable to equity holders of the parent	<u>2,605,367</u>	<u>2,304,794</u>
	Group	
	Number of ordinary shares	
	31.12.2018	31.8.2017
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	182,174,000	180,404,000
Effects of:		
ESOS exercised	7,671,094	190,000
Private placement	5,804,200	0
Warrants exercised	<u>2,443,938</u>	<u>0</u>
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	<u>198,093,232</u>	<u>180,594,000</u>
	Group	
	1.9.2017 to 31.12.2018 sen	
	1.9.2016 to 31.8.2017 sen	
Basic earnings per ordinary share	<u>1.32</u>	<u>1.28</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

28. EARNINGS PER SHARE (cont'd)

(b) Diluted earning per ordinary share

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

	Group	
	1.9.2017	1.9.2016
	to	to
	31.12.2018	31.8.2017
	RM	RM
Profit for the financial period/year attributable to equity holders of the parent	2,605,367	2,304,794
	Group	
	Number of ordinary shares	
	31.12.2018	31.8.2017
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	198,093,232	180,594,000
Effects of dilution due to:		
- conversion of outstanding ESOS	1,183,429	2,603,518
- conversion of outstanding warrants	19,719,714	9,664,500
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	218,996,375	192,862,018
	Group	
	1.9.2017	1.9.2016
	to	to
	31.12.2018	31.8.2017
	sen	sen
Diluted earnings per ordinary share	1.19	1.20

29. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

29. RELATED PARTY DISCLOSURES (cont'd)

- (b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial period/year:

	Group		Company	
	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Subsidiaries:				
Advances from	0	0	13,392,000	4,725,000
Advances to	0	0	14,342,143	2,897,200
Interest charged by	0	0	1,154,501	1,101,317
Interest charged to	0	0	972,467	0
Management and advisory fees	0	0	6,316,134	5,010,427
Dividend receivable	0	0	9,000,000	4,000,000
Sub-leasing fee	0	0	327,876	243,873
Legal fee paid to a firm which a Director is a partner	105,813	69,450	5,000	0
Purchase of goods from a shareholder of a subsidiary	3,919,479	4,017,186	0	0
Advance from a Director of a subsidiary	160,000	160,000	0	0
Sub-leasing fee charged to companies connected to a Director	<u>46,409</u>	<u>46,992</u>	<u>46,409</u>	<u>46,992</u>

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

During the financial period, the Group and the Company have identified breaches of internal controls arising from various transactions involving related parties and potential irregularities as disclosed in Note 33(e) to the financial statements.

- (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 of 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.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

29. RELATED PARTY DISCLOSURES (cont'd)

(c) Compensation of key management personnel (cont'd)

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

	Group		Company	
	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM	1.9.2017 to 31.12.2018 RM	1.9.2016 to 31.8.2017 RM
Directors of the Company				
Salaries and other emoluments	2,308,993	1,470,894	2,308,993	1,470,894
Fees	555,334	351,000	545,334	346,000
Defined contribution plan	305,140	158,354	305,140	158,354
Defined benefit plan	32,025	97,015	32,025	97,015
Provision for leave passage	68,190	64,571	68,190	64,571
Short term accumulating compensated absences	66,264	69,538	66,264	69,538
	<u>3,335,946</u>	<u>2,211,372</u>	<u>3,325,946</u>	<u>2,206,372</u>
Directors of subsidiaries				
Salaries and other emoluments	1,901,373	928,300	0	0
Fees	168,192	422,840	0	0
Defined contribution plan	113,482	83,968	0	0
	<u>2,183,047</u>	<u>1,435,108</u>	<u>0</u>	<u>0</u>
Total	<u><u>5,518,993</u></u>	<u><u>3,646,480</u></u>	<u><u>3,325,946</u></u>	<u><u>2,206,372</u></u>

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	
	1.9.2017 to 31.12.2018	1.9.2016 to 31.8.2017	1.9.2017 to 31.12.2018	1.9.2016 to 31.8.2017
Balance as at				
1 September 2017/2016	13,600,000	14,600,000	10,500,000	11,500,000
Exercised	<u>(12,600,000)</u>	<u>(1,000,000)</u>	<u>(10,500,000)</u>	<u>(1,000,000)</u>
Balance as at				
31 December/August	<u><u>1,000,000</u></u>	<u><u>13,600,000</u></u>	<u><u>0</u></u>	<u><u>10,500,000</u></u>

The terms and conditions of the share options are detailed in Note 25 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

30. 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 period/year ended 31 December 2018 and 31 August 2017.

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 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 bank balances. Capital represents equity attributable to the owners of the Parent.

	Note	Group		Company	
		31.12.2018 RM	31.8.2017 RM	31.12.2018 RM	31.8.2017 RM
Borrowings	16	65,094,016	79,445,761	199,680	395,282
Trade and other payables	19	28,958,223	37,396,678	6,989,833	13,279,179
		<u>94,052,239</u>	<u>116,842,439</u>	<u>7,189,513</u>	<u>13,674,461</u>
Less:					
Cash and bank balances	12	<u>(40,253,888)</u>	<u>(29,272,213)</u>	<u>(8,541,873)</u>	<u>(64,222)</u>
Net debt/(net cash)		<u>53,798,351</u>	<u>87,570,226</u>	<u>(1,352,360)</u>	<u>13,610,239</u>
Total capital		89,420,934	70,179,723	70,405,539	53,181,192
Net debt/(net cash)		<u>53,798,351</u>	<u>87,570,226</u>	<u>(1,352,360)</u>	<u>13,610,239</u>
		<u>143,219,285</u>	<u>157,749,949</u>	<u>69,053,179</u>	<u>66,791,431</u>
Gearing ratio (%)		<u>38</u>	<u>56</u>	<u>*</u>	<u>20</u>

* Capital gearing ratio is not presented as the Company are in net cash position.

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 million. The Company has complied with this requirement for the financial period from 1 September 2017 to 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments

	Note	Group		Company	
		31.12.2018 RM	31.8.2017 RM	31.12.2018 RM	31.8.2017 RM
Financial assets					
Loans and receivables					
Trade and other receivables (excluding prepayments) (current and non-current)	11	55,700,187	74,208,099	22,185,347	21,366,346
Cash and bank balances (current and non-current)	12	40,253,888	29,272,213	8,541,873	64,222
		<u>95,954,075</u>	<u>103,480,312</u>	<u>30,727,220</u>	<u>21,430,568</u>
Financial liabilities					
Other financial liabilities					
Borrowings (current and non-current)	16	65,094,016	79,445,761	199,680	395,282
Trade and other payables	19	28,958,223	37,396,678	6,989,833	13,279,179
		<u>94,052,239</u>	<u>116,842,439</u>	<u>7,189,513</u>	<u>13,674,461</u>

(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 approximation of fair value due to the insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

30. 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.

(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) 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 liabilities that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

30. 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 statements of financial position.

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
31.12.2018								
Financial liability								
Other financial liability								
- Hire purchase and lease creditors	0	0	0	0	6,302,298	0	6,302,298	6,816,000
31.8.2017								
Financial liability								
Other financial liability								
- Hire purchase and lease creditors	0	0	0	0	5,206,273	0	5,206,273	5,677,814

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

30. 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 statements of financial position. (cont'd)

Company	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		
31.12.2018								
Financial liability								
Other financial liability								
- Hire purchase and lease creditors	0	0	0	0	191,249	0	191,249	199,680
31.8.2017								
Financial liability								
Other financial liability								
- Hire purchase and lease creditors	0	0	0	0	369,741	0	369,741	395,282

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

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

31. 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), 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 RM64,220,725 (31.8.2017: RM77,429,724) 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 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

31. 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:

	31.12.2018		31.8.2017	
	RM	%	RM	%
By countries				
Malaysia	30,207,884	68	47,001,622	72
Thailand	9,943,055	23	13,265,155	21
Singapore	2,740,644	6	1,661,224	3
Others	1,392,941	3	2,561,537	4
	<u>44,284,524</u>	<u>100</u>	<u>64,489,538</u>	<u>100</u>
	31.12.2018		31.8.2017	
	RM	%	RM	%
By industry sectors				
Electronics and electrical	18,004,732	41	16,150,976	25
Security and surveillance				
system	13,915,775	31	28,610,320	44
Medical and medical related	7,024,421	16	11,674,323	18
Packaging	425,020	1	1,764,196	3
Foods	1,387,908	3	1,345,400	2
Others	3,526,668	8	4,944,323	8
	<u>44,284,524</u>	<u>100</u>	<u>64,489,538</u>	<u>100</u>

At the end of each reporting period, approximately 52.34% (31.8.2017: 62.85%) of the trade receivables of the Group were due from ten (10) (31.8.2017: ten (10)) 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 11 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 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

31. 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 77% (31.8.2017: 73%) and 79% (31.8.2017: 37%) of the Group's and the Company's borrowings as disclosed in Note 16 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 December 2018				
Group				
Financial liabilities				
Trade and other payables	28,958,223	0	0	28,958,223
Borrowings	51,066,784	10,865,336	7,198,849	69,130,969
Total undiscounted financial liabilities	<u>80,025,007</u>	<u>10,865,336</u>	<u>7,198,849</u>	<u>98,089,192</u>
Company				
Financial liabilities				
Trade and other payables	7,383,349	0	0	7,383,349
Borrowings	166,500	41,605	0	208,105
Total undiscounted financial liabilities	<u>7,549,849</u>	<u>41,605</u>	<u>0</u>	<u>7,591,454</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

31. 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 2017				
Group				
Financial liabilities				
Trade and other payables	37,396,678	0	0	37,396,678
Borrowings	59,221,151	17,034,674	8,478,714	84,734,539
Total undiscounted financial liabilities	<u>96,617,829</u>	<u>17,034,674</u>	<u>8,478,714</u>	<u>122,131,217</u>
Company				
Financial liabilities				
Trade and other payables	14,012,069	0	0	14,012,069
Borrowings	166,500	263,605	0	430,105
Total undiscounted financial liabilities	<u>14,178,569</u>	<u>263,605</u>	<u>0</u>	<u>14,442,174</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 December 2018. 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 RM88,583 (31.8.2017: RM112,127), as a result of higher or lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

31. 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 %	Maturity				Total RM
			Within 1 year RM	1 - 2 years RM	2 -5 years RM	More than 5 years RM	
At 31 December 2018							
Fixed rates							
Deposits with licensed banks	12	3.05	22,120,439	116,888	0	0	22,237,327
Hire purchase and lease creditors	17	3.74	2,382,207	1,754,085	2,679,708	0	6,816,000
Trade receivables	11	3.36	12,601,120	1,314,655	0	0	13,915,775
Other receivables	11	6.00	0	38,829	0	0	38,829
Floating rates							
Bank overdrafts	16	7.84	14,795,352	0	0	0	14,795,352
Short term bank loans	18	5.96	28,239,618	0	0	0	28,239,618
Term loans	16	5.41	4,683,410	1,395,605	3,175,420	5,988,611	15,243,046

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

31. 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):

Group	Note	Weighted average effective interest rate %	Maturity				Total RM
			Within 1 year RM	1 - 2 years RM	2 -5 years RM	More than 5 years RM	
At 31 August 2017							
Fixed rates							
Deposits with licensed banks	12	2.61	21,493,653	0	0	0	21,493,653
Hire purchase and lease creditors	17	4.69	2,305,189	1,662,734	1,709,891	0	5,677,814
Trade receivables	11	3.25	14,862,606	10,153,336	3,364,534	0	28,380,476
Floating rates							
Bank overdrafts	16	7.48	13,638,730	0	0	0	13,638,730
Short term bank loans	18	5.31	31,707,573	0	0	0	31,707,573
Term loans	16	5.86	9,964,467	7,639,461	3,766,269	7,051,447	28,421,644

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

31. 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 December 2018						
Fixed rates						
Amounts owing by subsidiaries	11	8.40	8,601,661	0	0	8,601,661
Hire purchase and lease creditors	17	3.65	158,496	41,184	0	199,680
Amounts owing to subsidiaries	19	7.23	5,246,882	0	0	5,246,882
At 31 August 2017						
Fixed rates						
Hire purchase and lease creditors	17	3.65	145,017	155,126	95,139	395,282
Amounts owing to subsidiaries	19	6.94	9,984,880	0	0	9,984,880

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

31. 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 30.5% and 19.3% (31.8.2017: 28.7% and 5.7%) of the Group's and Company's receivables respectively are denominated in foreign currencies whilst 32.8% and 46.2% (31.8.2017: 40.4% and 44.3%) 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, the Group's and the Company's foreign currency balances (in USD) amounted to RM2,295,339 (31.8.2017: RM1,328,537) and RMNil (31.8.2017: RM2,562) respectively.

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	
	31.12.2018	31.8.2017	31.12.2018	31.8.2017
	RM	RM	RM	RM
Profit net of tax				
USD/MYR				
- strengthen by 5%	225,918	297,814	180,098	(63,190)
- weaken by 5%	<u>(225,918)</u>	<u>(297,814)</u>	<u>(180,098)</u>	<u>63,190</u>
THB/MYR				
- strengthen by 5%	92	77	(127,634)	(169,983)
- weaken by 5%	<u>(92)</u>	<u>(77)</u>	<u>127,634</u>	<u>169,983</u>
USD/THB				
- strengthen by 5%	(68,296)	19,977	0	0
- weaken by 5%	<u>68,296</u>	<u>(19,977)</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

32. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

32.1 New MFRSs adopted during the financial period

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

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

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

32.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

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 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

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

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

32.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (cont'd)

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 (cont'd):

Title	Effective Date
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments other than MFRS 9 and MFRS 15, since the effects would only be observable for the future financial years. The Group and the Company are currently finalising the adjustments upon adoption of MFRS 9 and MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

33. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

(a) Private Placement of up to 10% of the Issued Ordinary Shares of the Company

On 2 January 2018, the Company announced a proposal to undertake a private placement ("Proposed Private Placement") of up to 10% of the issued ordinary shares of D'nonce Technology Bhd..

The proposal was subsequently approved by Bursa Securities. The proposal was carried out via 3 Tranches.

On 30 January 2018, the Company announced that the 1st tranche of the Private Placement comprising 4,500,000 shares at issue price of RM0.36 per new D'nonce Technology Bhd. share ('Placement Share') were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

On 3 July 2018, Inter-Pacific Securities Sdn. Bhd. announced that, on 2 July 2018, the Company submitted an application to Bursa Securities for an extension of time of six (6) months from 17 July 2018 to 16 January 2019 to enable the Company to complete the implementation of the Proposed Private Placement. On 4 July 2018, Bursa Securities had resolved to grant the Company for the extension of time to complete the Private Placement.

On 23 October 2018, the Company announced that the 2nd tranche of the Private Placement comprising 11,000,000 at issue price of RM0.35 per Placement Share were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

On 21 November 2018, the Company announced that the 3rd tranche of the Private Placement comprising 2,933,600 at issue price of RM0.40 per Placement Share were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

With that the Private Placement has been completed as all 18,433,600 Placement Shares have been listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

(b) Proposed Diversification

On 25 July 2018, D'nonce Technology Bhd. and its subsidiary proposed to diversify the principal activities of the Group to include property development and construction businesses. The said proposed diversification was approved by the shareholders on 29 October 2018.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

33. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (cont'd)

(c) Proposed Acceptance of Development Rights

On 25 July 2018, D'nonce Properties Sdn. Bhd., a wholly-owned subsidiary of D'nonce Technology Bhd. entered into a development rights agreement with Tan Than Kau and Tan Tian Yang ('Vendors') to accept the rights granted by the Vendors for the development of one plot of land, namely a parcel of freehold land measuring 6,774 square metres held under title identified as Lot No. 10320, GM No. 1496 (formerly PT 471, HSM 1598), Mukim 10, Seberang Perai Tengah, Pulau Pinang for a total consideration of RM10,000,000 to be fully satisfied via cash.

On 30 September 2018, D'nonce Properties Sdn. Bhd. had paid deposit of RM2,000,000 to the Vendors.

The transactions has yet to be completed as at 31 December 2018 and as at the date the financial statements were authorised for issue.

(d) Acquisition leasehold land and building by a subsidiary of the Group

On 23 August 2018, one of the subsidiary, D'nonce (Kelantan) Sdn. Bhd. had entered into a Sale and Purchase Agreement with Kelantan Match Factory Sdn. Bhd. ('Vendor') to purchase pieces of leasehold land held under H.S.(D) 717 PT 1502 and H.S. (D) 718 PT1503, both under Mukim Kemumin, Daerah Jajahan Kota Bahru, Negeri Kelantan together with factory buildings erected thereon at the purchase price of RM4,300,000.

On 7 July 2018, D'nonce (Kelantan) Sdn. Bhd. had paid deposit of RM430,000 to the Vendor.

The sales and purchase transaction has yet to be completed as at 31 December 2018 and as at the date the financial statements were authorised for issue.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

33. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (cont'd)

(e) Independent investigation review

During the financial period, Board of Directors had engaged independent consultants to conduct investigations following the identification of certain potential breaches of internal control by a key management personnel of the Group and of the Company, who had since resigned from the Group and the Company ('ex-key management personnel'). The findings from the investigation are summarised as follows:

- (i) the Group has delivered goods and services to a company which was related to the ex-key management personnel ('Company A') without any charges. The total goods and services subsequently charged out by the Group and the Company during the financial period/year amounted to RM307,866 (31.8.2017: RM208,855).
- (ii) the Group allowed a company, which was controlled and owned by the ex-key management personnel ('Company B') to utilise the Group's Enterprise Resource Planning ('ERP') system from the period from 1 April 2015 to 31 August 2018. The services fees in arrears amounted to RM165,879 have been fully impaired by the Group during the financial period.
- (iii) the Group had entered into fictitious purchase transactions amounted to RM500,000 with a company, which was related to the ex-key management personnel ('Company C') to enable payment of RM500,000 to Company C. As of 31 December 2018, the Group had recovered RM300,000 while the remaining RM200,000 had been fully impaired by the Group during the financial period.
- (iv) the Group had entered into a tenancy agreement with Company C for the period from 1 July 2006 to 31 July 2018 and no action was made to evict the tenant for failure to pay the due rental. The total rent in arrears net of deposit received is amounted to RM1,480,806 (31.8.2017: RM894,841) and these amounts have been fully impaired.
- (v) the Group sold its former subsidiary to Company D for a consideration of RM1 on 5 August 2016. Individual A, an employee of the Group for the period from 1 June 2014 to 31 May 2018 and was also a Director and shareholder of Company D. The former subsidiary was in a net liability position at the date of disposal.
- (vi) the Group had paid Thai Baht 5 million rental deposit (which equivalent to 15 months of rental) for lease of a building. The rental deposit paid had been recognised in the subsidiary, and recoverable upon termination of the tenancy agreement. The tenancy of the building is on-going as at the end of reporting period.
- (vii) the Group had directed individual B, an employee of the Group to perform due diligence on Company B. Subsequently, Company B was acquired by Company E, a company controlled and owned by ex-key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

33. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (cont'd)

(e) Independent investigation review (cont'd)

(viii) the Group had allowed Company F, a company related to ex-key management personnel to utilise the Group's ERP system. As at 31 December 2018, the services fees in arrears amounted to RM4,190, which was fully recovered subsequent to the end of reporting period.

(ix) There are other potential irregularities, which are highlighted as follows:

- (a) a series of emails between a third party ('Company G'), Company F and the Group relating the tender of Penang State Closed Circuit Television project. These emails indicated that Company G would sub-contract the entire project to Company F and the Group.
- (b) the ex-key management personnel had followed up with a business partner in Hong Kong, Company H to recover debts owing to the Group. However, it appears that Company H also owed the ex-key management personnel in a personal capacity and the emails indicated that the ex-key management personnel was wanting to collect his personal debt in advance of the amount owing to Group by Company H.
- (c) a series of emails indicated the ex-key management personnel wanted to hide his relationship with third party ('Company I'), which shared the same business address with the ex-key management personnel's other associates companies.
- (d) a series of emails indicated that the ex-key management personnel had set up a company, Company J, with involvement from other associated individuals, specifically individual C and individual D. Individual C and individual D were also Directors and shareholders of Company I.

Based on the findings from the investigation and the Board of Directors' assessment of potential impact to the Group, the Board of Directors have concluded that relevant efforts have been undertaken despite recommendations from the independent consultant as the potential impact to the financial statements of the Group and of the Company could not be material.

The Board of Directors had taken measures to address such potential breaches of internal control within the Group and the Company during the financial period, including:

- (i) Setting up an in house internal audit department to complement the independent professional consulting firm in performing the internal audit function;
- (ii) Setting up of a risk management department to advise the Audit Committee on all matters relating to risk management; and
- (iii) Review and to revamp all Group's policies and matrix of limits for authorisation.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

34. MATERIAL LITIGATIONS

- (i) On 7 December 2018, the Company announced that D'nonce Technology Bhd. together with its wholly owned subsidiaries, D'nonce (M) Sdn. Bhd. and Attractive Venture Sdn. Bhd. ('Plaintiffs') had instituted legal proceedings against Law Kim Choon ('Defendant 1'), Lin Kath Sdn. Bhd. ('Defendant 2'), Ferummas Precision Engineering (M) Sdn. Bhd. ('Defendant 3') and Stride Electronics (Malaysia) Sdn. Bhd. ('Defendant 4') during the financial period.

The Plaintiffs suit against the respective Defendants are based on fraud, conspiracy, breach of fiduciaries duties as well as reliefs provided under Section 360 of the Capital Market & Services Act 2007. The Plaintiffs filed for an ex-parte interim order and it was granted in favour of the Company on 6 December 2018, which restraining the Defendants and their proxies from inter alia dealing, acquiring or disposing of the Company's securities.

The Defendants filed an application to set aside the interim order. The Plaintiffs had then filed a reply to the respective Defendants. The Learned High Court Judge ('the Court') had directed all the above applications together with the interim order to be heard on 1 February 2019, subsequently the hearing has been adjourned to 26 February 2019 and 21 March 2019.

There are two proposed intervenor namely Blackstream Investments Pte. Ltd. and Lena Leong Oy Lin had applied to intervene in this suit and to set aside the interim order and their application was allowed by the Court on 21 March 2019 and had been added as Defendant 5 and Defendant 6 respectively for further case management on 12 April 2019 for the Plaintiffs to file its amended pleadings.

On 21 March 2019, the ex-parte interim injunction previously obtained by the Plaintiffs on 6 December 2018 was set aside with cost of RM2,000 only to Defendant 1, Defendant 5 and Defendant 6 respectively. Additionally, the said parties are also entitled to have damages caused by the injunction assessed which unable to estimate now.

On 12 April 2019, the Court has fixed 17 June 2019 to hear the application of Defendant 5 to stay the order of the court allowing her to intervene in this suit as a defendant.

The solicitors of the Plaintiffs, were in the opinion that the following claim of RM2,426,833 remains intact and sustainable based on the audit report from Special Auditor.

On the other hand, the defendants also counterclaims the Plaintiff as follows:

- (a) Defendant 1 and Defendant 3 counterclaims for inter alia special damages amounting to RM713,482 for retirement benefits, Director's fees and additional expenses accrued to the Defendant 1 (out of which a total amount of RM409,836 has been paid by the Company to date);
- (b) Defendant 4 counterclaims against the Plaintiffs for the sum of RM2,737,669 arising from various matters.

The solicitors of D'nonce Technology Bhd. were of the opinion that the Plaintiffs' chances of defending against the said counterclaims are fair and reasonable.

NOTES TO THE FINANCIAL STATEMENTS

1 SEPTEMBER 2017 TO 31 DECEMBER 2018 (CONT'D)

34. MATERIAL LITIGATIONS (cont'd)

- (ii) Blackstream Investments Pte. Ltd. ('Plaintiff 2') had instituted legal proceedings against Kuah Choon Ching, Lee Eng Sheng, Ang See Ming, Lim Kuan Yew, Chee Wai Hong, D'nonce Technology Bhd. and Tan Than Kau ('Defendants 7') during the financial period.

The Plaintiff 2 suit is grounded on alleged conspiracy and abuse of process commenced by the Company for not calling Extraordinary General Meeting ('EGM') for the purpose of removing Company's Board of Directors and restraining the Company vote for the Proposed Private Placement.

The Plaintiff 2 also sought for an injunction in restrain the Company from proceeding with the EGM scheduled on 26 December 2018 to vote on Proposed Private Placement exercise and a further application for the court's determination that requisition notice remains valid in spite of the injunction granted in the other suit.

The interim injunction sought by the Plaintiff 2 was granted by the Penang High Court on 24 December 2018 and the High Court has allowed the injunction as applied on 1 February 2019 pending the disposal of the suit.

The Company has filed a Defence and Counterclaim to the suit and has added Defendant 1 as a defendant to the Counterclaim on the basis that Plaintiff conspires and/or is an accomplice and/or proxy to Defendant 1 with the sole purpose to remove the Company's Board of Directors and/or to stop the audit investigation or any action taken upon Defendant 1. Furthermore, the Company is also seeking for a full indemnity from Defendant 1 in relation to a Related Party Transaction that was not disclosed by Defendant 1 previously.

Plaintiff 2 is seeking for unliquidated general damages against the Company for alleged conspiracy and abuse of process.

The Company had filed a counterclaim against Plaintiff 2 as well as Defendant 1 for various declaratory and injunctive reliefs.

The case was fixed for further case management on 12 April 2019 pending the Company's application for security for costs against the Plaintiff. On 12 April 2019, the Court has fixed 16 May 2019 for the hearing of various interlocutory by applicants.

The solicitors of D'nonce Technology Bhd. were of the opinion that the Company's chances of defending against the said Plaintiff's claims are well-grounded on law and facts.

LIST OF PROPERTIES OWNED

AS AT 31 DECEMBER 2018

Beneficial owner / Location	Description / Existing Use	Land / Built in area (sq. ft.)	Age of building (years) as at 31.12.2018	Type of land / tenure (Year of expiry for leasehold)	Net carrying amount as at 31.12.2018 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	28	60 years - leasehold (2045)	141	05.11.1990
51-14 B & C, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Penang.	Building / Corporate Head Office	* / 3,670	24	Freehold	533	14-B: 21.03.1994 14-C: 18.04.1994
BAM Villa, Unit 42C-7-5C, Taman Maluri, Cheras, 56000 Kuala Lumpur.	Condominium	* / 975	26	99 years - leasehold (2090)	88	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	30	60 years - leasehold (2046)	2,383	17.08.1998
Lot 1218 Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johor.	Industrial land and building / Factory	5,381 / 2,777	23	Freehold	240	10.05.1995
Lot 1220 Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johor.	Industrial land and building / Factory	2,400 / 2,777	23	Freehold	205	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	17	60 years - leasehold (2052)	4,469	27.08.1997
Plot 314, Penang Science Park, Bukit Minyak, Mukim 13, Daerah Seberang Perai Tengah, Penang.	Industrial land and building / Factory	111,148 / 51,955	2	60 years - leasehold (2072)	9,123	29.04.2011
No. 2733, Tingkat Perusahaan 6A, Free Trade Zone, 13600 Prai, Penang.	Industrial land and building / Factory	43,706 / 25,649	15	60 years - leasehold (2049)	4,177	01.07.2015

LIST OF PROPERTIES OWNED

AS AT 31 DECEMBER 2018 (CONT'D)

Beneficial owner / Location	Description / Existing Use	Land / Built in area (sq. ft.)	Age of building (years) as at 31.12.2018	Type of land / tenure (Year of expiry for leasehold)	Net carrying amount as at 31.12.2018 RM'000	Date of acquisition
Attractive Venture (JB) Sdn. Bhd.						
1273, Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johor.	Building / Factory	2,400 / 2,777	23	Freehold	192	10.09.1999
No. 17 1/4, Jalan Air Hitam, 81400 Saleng, Senai, Johor.	Building / Factory	103,226 / 31,300	22	Freehold	1,775	14.12.2010
D'nonce (Johore) Sdn. Bhd.						
8 Jalan Mutiara Emas 5/17, Taman Mount Austin, Johore Bahru, 81100 Johor.	Industrial land and building / Office	3,120 / 2,568	22	Freehold	260	05.08.1996
ISCM Industries (Thailand) Co., Ltd.						
188 Moo 1, Kanchanavanich Road, Tambol Samnakkam, Sadao, Songkhla, 90320, Thailand.	Industrial land and building / Factory	876,169 / 270,695	19	Freehold	10,851	15.03.2007
ISCM Technology (Thailand) Co., Ltd.						
Plot No. 33, Thanu, U-Thai, Pranakorn Sri Ayutthaya, Thailand.	Vacant industrial land	62,517 / *	0	Freehold	1,245	21.01.2011
70/6 Moo 9, Rojana Industrial Park, Tambol Thanu, U-Thai Ayutthaya, 13210 Thailand.	Industrial land and building / Factory	27,900 / 21,533	10	Freehold	3,581	05.02.2016
Total					39,263	

* Not applicable

ANALYSIS OF SHAREHOLDINGS

(BASED ON REGISTER OF DEPOSITORS AS AT 21 MARCH 2019)

Total Number of Issued Shares	:	249,248,400 Ordinary Shares
Issued Share Capital	:	RM70,554,295.78
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS (Based on Register of Depositors as at 21 March 2019)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	NO. OF ORDINARY SHARES	%
LESS THAN 100	59	2,359	0.00
100 TO 1,000	403	354,036	0.14
1,001 TO 10,000	572	2,969,347	1.19
10,001 TO 100,000	341	12,709,150	5.10
100,001 TO LESS THAN 5% OF ISSUED SHARES	123	118,450,208	47.52
5% AND ABOVE OF ISSUED SHARES	3	114,763,300	46.05
TOTAL	1,501	249,248,400	100.00

DIRECTORS' SHAREHOLDINGS (Based on Register of Directors' Shareholdings as at 21 March 2019)

No.	Names	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Tengku Ahmad Badli Shah Bin Raja Hussin, JP	-	-	-	-
2.	Dato' Yeo Boon Leong, JP	-	-	9,677,000 ⁽¹⁾	3.88
3.	Lim Teck Seng	1,478,000	0.59	-	-
4.	Ng Kok Wah	-	-	-	-

Notes:

⁽¹⁾ Deemed interested by virtue of his interest in Asia Poly Holdings Berhad pursuant to Section 8 of the Companies Act 2016

LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE) (Based on Register of Depositors as at 21 March 2019)

No.	Names	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	RHB Nominees (Asing) Sdn. Bhd. Exempt An for RHB Securities Singapore Pte. Ltd. (A/C Clients)	60,793,300	24.39	-	-
2.	PM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for BM Synergy Holding Sdn. Bhd. (A)	30,000,000	12.04	-	-
3.	JF Apex Nominees (Tempatan) Sdn. Bhd. AEH Capital Sdn. Bhd. for BM Synergy Holding Sdn. Bhd.	23,970,000	9.62	-	-

ANALYSIS OF SHAREHOLDINGS

(BASED ON REGISTER OF DEPOSITORS AS AT 21 MARCH 2019)(CONT'D)

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS (Based on Register of Depositors as at 21 March 2019)

No.	Name	No. of Shares Held	Percentage
1.	RHB NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)	60,793,300	24.39
2.	PM NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR BM SYNERGY HOLDING SDN. BHD. (A)	30,000,000	12.04
3.	JF APEX NOMINEES (TEMPATAN) SDN. BHD. AEH CAPITAL SDN. BHD. FOR BM SYNERGY HOLDING SDN. BHD.	23,970,000	9.62
4.	CIMSEC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	10,409,200	4.18
5.	ASIA POLY HOLDINGS BERHAD	9,677,000	3.88
6.	NG CHEIN HOCK	5,708,400	2.29
7.	OH CHYE SOON	4,745,000	1.90
8.	CHEE WAI HONG	4,500,000	1.81
9.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN SOON HUI (E-SJA)	4,173,000	1.67
10.	CHING KOOI CHOO	4,100,000	1.64
11.	JF APEX NOMINEES (TEMPATA) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TCY GLOBAL SDN. BHD. (MARGIN)	3,293,600	1.32
12.	LEE KAH CHOON	3,036,000	1.22
13.	JF APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEAN GIN KENG (STA 1)	2,735,900	1.10
14.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR AHMAD BIN HJ IBNIHAJAR	2,500,000	1.00
15.	CHEW KWI PEK @ CHEW KWI GAIK	2,315,400	0.93
16.	KENANGA NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR PHILLIP SECURITIES PTE. LTD. (CLIENT ACCOUNT)	2,080,000	0.83
17.	JF APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG SAY KHEONG (MARGIN)	2,080,000	0.83
18.	M & A NOMINEE (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG KAE WEN (PNG)	2,011,000	0.81
19.	LEE YOONG-UEI	2,000,000	0.80
20.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LAW KIM CHOON (MARGIN)	2,000,000	0.80
21.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN THAN KAU (7006791)	1,849,700	0.74
22.	TEOH BOON BENG	1,700,000	0.68
23.	LIM OON JIN	1,570,000	0.63
24.	ROSLANT BIN ABU	1,549,600	0.62
25.	JF APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG KAE WEN (MARGIN)	1,519,800	0.61
26.	LENA LEONG OY LIN	1,500,000	0.60
27.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM TECK SENG (7004977)	1,478,000	0.59
28.	SEAH CHIN LENG	1,458,700	0.59
29.	LIM THEAM HOCK	1,322,900	0.53
30.	LEE THUM ENG	1,310,000	0.53
	Total	197,386,500	79.19

ANALYSIS OF WARRANT HOLDINGS

(BASED ON REGISTER OF DEPOSITORS AS AT 21 MARCH 2019)

ANALYSIS OF WARRANT HOLDINGS
(Based on Register of Depositors as at 21 March 2019)

NO. OF OUTSTANDING WARRANTS : 62,786,200
NO. OF WARRANT HOLDERS : 465

ANALYSIS BY SIZE OF WARRANT HOLDINGS
(Based on Register of Depositors as at 21 March 2019)

SIZE OF WARRANT HOLDINGS	No. of Warrant Holders	No. of Warrants Held	%
LESS THAN 100	3	95	0.00
100 TO 1,000	13	5,500	0.00
1,001 TO 10,000	193	992,400	1.58
10,001 TO 100,000	187	7,767,200	12.37
100,001 TO LESS THAN 5% OF ISSUED WARRANTS	66	35,953,400	57.27
5% AND ABOVE OF ISSUED WARRANTS	3	18,067,605	28.78
TOTAL	465	62,786,200	100.00

DIRECTORS' WARRANT HOLDINGS AS PER THE REGISTER OF DIRECTORS' WARRANT HOLDINGS
(Based on Register of Directors' Warrant Holdings as at 21 March 2019)

Based on the Register of Directors' Warrant Holdings as at 21 March 2019, only Dato' Yeo Boon Leong, JP holds 1,466,000 (2.33%) unit warrants.

ANALYSIS OF WARRANT HOLDINGS

(BASED ON REGISTER OF DEPOSITORS AS AT 21 MARCH 2019)(CONT'D)

LIST OF TOP 30 WARRANT HOLDERS

(Based on Register of Depositors as at 21 March 2019)

No.	Name	No. of Warrants Held	Percentage
1.	JF APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LAW KIM CHOON (MARGIN)	7,024,205	11.19
2.	RHB NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)	6,313,400	10.06
3.	NG CHEIN HOCK	4,730,000	7.53
4.	LIM THEAM HOCK	3,020,000	4.81
5.	OH CHYE SOON	2,835,000	4.52
6.	JF APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG KAE WEN (MARGIN)	2,189,700	3.49
7.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR OH CHYE SOON (E-BBB)	2,000,000	3.19
8.	JF APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG SAY KHEONG (MARGIN)	1,802,200	2.87
9.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITY ACCOUNT FOR YEO BOON LEONG (MARGIN)	1,466,000	2.33
10.	LEW SIOW WAH	1,158,000	1.84
11.	LAM MEI PHENG	1,075,200	1.71
12.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN GAIK AI (PENANG-CL)	900,000	1.43
13.	YAP MUN PING	900,000	1.43
14.	GABRIEL LEE LING LING	805,000	1.28
15.	NAM SHOON HONG SDN. BHD.	780,700	1.24
16.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR JULIAN CHEAH WAI MENG	741,800	1.18
17.	LEE YOONG-UEI	660,000	1.05
18.	TA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ANG OON LING	656,000	1.04
19.	OOI SIEW BEE	640,900	1.02
20.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HII SIIK HIE	635,000	1.01
21.	JF APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG SAY KHEONG (STA 1)	580,000	0.92
22.	LEE KAR INN	576,000	0.92
23.	LAW KIM EAN	525,000	0.84
24.	LIM KWON HENG	500,000	0.80
25.	JP APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TCY GLOBAL SDN. BHD. (MARGIN)	495,500	0.79
26.	LEE KOK HOONG	480,500	0.77
27.	TEOW LEH HUN	470,000	0.75
28.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR LOOI BOON HAN (MY0992)	451,000	0.72
29.	LEW SEOW MOOI	400,000	0.64
30.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AND FOR PHILLIP SECURITIES PTE. LTD. (CLIENT ACCOUNT)	400,000	0.64
	Total	45,211,105	72.01

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PROXY FORM

D'NONCE TECHNOLOGY BHD. (503292-K)

NO. OF SHARES HELD	CDS ACCOUNT NO.

I / We _____ NRIC No. / Passport No. / Company No. _____
(Full name in block letters)

of _____
(Full Address)

being a member / members of **D'NONCE TECHNOLOGY BHD.** (503292-K), hereby appoint _____
(Full name in block letters)

NRIC No. / Passport _____

of _____
(Full address)

and/or _____ NRIC No. / Passport No. _____
(Full name in block letters)

of _____
(Full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at 9.00a.m. on 17 June 2019 at Emerald 2, Level 1, Crown Garden Hotel, PT 302 & 303 Jalan Kebun Sultan, 15300 Kota Bharu, Kelantan or at any adjournment thereof.

The proxy is to vote on the Resolutions set out in the Notice of the Meeting as indicated with an "X" in the appropriate spaces. If no specific direction as to the voting is given, the Proxy will vote or abstain from voting at his/her discretion.

		FOR	AGAINST
Ordinary Resolution 1	To re-elect YM Tengku Ahmad Badli Shah Bin Raja Hussin, JP who retire in accordance with Article 102 of the Company's Articles of Association and being eligible, have offered himself for re-election.		
Ordinary Resolution 2	To re-elect Lim Teck Seng who retire in accordance with Article 102 of the Company's Articles of Association and being eligible, have offered himself for re-election.		
Ordinary Resolution 3	To re-elect Dato' Yeo Boon Leong, JP who retire in accordance with Article 102 of the Company's Articles of Association and being eligible, have offered himself for re-election.		
Ordinary Resolution 4	To re-elect Ng Kok Wah who retire in accordance with Article 102 of the Company's Articles of Association and being eligible, have offered himself for re-election.		
Ordinary resolution 5	To approve the payment of Directors' fees of totaling RM998,000 to the Directors of the Company for the period from 1 September 2017 up to the conclusion of the 20th Annual General Meeting ("AGM") to be held in 2020.		
Ordinary Resolution 6	To approve the payment of Directors' benefits of up to RM254,560 for the period from the 19th AGM to the 20th AGM to be held in 2020.		
Ordinary Resolution 7	To re-appoint Messrs BDO as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 8	Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act 2016.		
Ordinary Resolution 9	Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Ordinary 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.		
Special Resolution 1	Proposed Adoption of the New Constitution of the Company.		
Special Resolution 2	Proposed Change of Name of the Company from "D'nonce Technology Bhd" to "D'nonce Group Berhad".		

Signed this..... day of 2019

Signature : _____
(If shareholder is a corporation, this form should be executed under seal)

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

First Proxy No. of Shares:	Percentage :%
Second Proxy No. of Shares:	Percentage :%

Notes :-

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company.
- Where a member appoints two (2) proxies or more proxies, the appointment shall be invalid unless the proportions of shareholdings to be represented by each proxy are specified.
- The Form of Proxy shall be signed by the appointor or his (her) attorney duly authorised in writing or, if the member is a corporation, either under its common seal or under the hand of an officer or attorney so authorised.
- The instrument appointing a proxy must be deposited at the Share Registrar's office at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for the meeting or any adjournment thereof.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. 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.
- For the purpose of determining a member who shall be entitled to attend the Nineteenth AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 10 June 2019. Only a depositor whose name appears on the Record of the Depositor as at 10 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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AFFIX
STAMP

The Share Registrar

Boardroom.com Sdn Bhd

Suite 10.02, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur

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www.dnoncotech.com



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