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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of **D'nonce Technology Bhd.** will be held at The City Bayview Hotel, Sri Gangsa Room (Level 2), No 25A Farquhar Street, 10200 Penang on Friday, 27 February 2004 at 10.00 a.m.

BUSINESS

1. **Resolution 1**
To receive and adopt the Audited Financial Statements for the financial year ended 31 August 2003 together with the Reports of the Directors and Auditors thereon.
2. **Resolution 2**
To approve the Directors' fees for the financial year ended 31 August 2003.
3. To re-elect the following Directors who retire in accordance with Article 95(1) of the Company's Articles of Association:

Resolution 3

Mr Law Kim Choon

Resolution 4

Encik Roslant bin Abu

Resolution 5

Mr Chin Yam Sin

4. **Resolution 6**
To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration.
5. **SPECIAL BUSINESS**
To consider and, if thought fit, to pass with or without modifications the following Ordinary Resolutions:-

Resolution 7 – Authority to allot shares

“**THAT** pursuant to Section 132D of the Companies Act 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being, subject always to the approval of the relevant regulatory bodies being obtained for such allotment and issue.”

Authority for Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties

Ordinary Resolution 8 – Item 1 Section 2.4 of the Circular

- (i) “**THAT**, subject to the Listing Requirements of the Kuala Lumpur Stock Exchange, approval be given to the D'nonce Group to renew the Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Item 1 Section 2.4 of the Circular and that authority conferred by this resolution shall commence immediately upon the passing of this resolution;
- (ii) **THAT** such Mandate is subject to annual renewal and such approval shall continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting of the Company following this General Meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 (“CA”) (but shall not extend to such extension as may be allowed pursuant to section 143(2) of CA); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting;whichever is the earlier.

Notice Of Annual General Meeting

- (iii) **THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to such renewal of such Mandate;
- (iv) **THAT** the estimates given of the Recurrent Related Party Transactions specified in Section 2.4 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Sections 2.5 and 2.6 of the Circular to Shareholders dated 4 February 2004.
- (v) **THAT** disclosure is made in the annual report a breakdown of the aggregate value of recurrent transactions conducted pursuant to the Shareholders' Mandate during the financial year with particulars of the types of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationships with the Company."

Ordinary Resolution 9 – Item 2 Section 2.4 of the Circular

- (i) **"THAT**, subject to compliance with all applicable laws, regulations and guidelines, it is hereby mandated that approval be given to the D'nonce Group to enter into recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Item 2 Section 2.4 of the Circular and that authority conferred by this resolution shall commence immediately upon the passing of this resolution;
- (ii) **THAT** such mandate shall continue in force until:-
 - (a) the conclusion of the first annual general meeting of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next general meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to section 143(2) of CA); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

- (iii) **THAT** the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to such Mandate;
- (iv) **THAT** the estimates given of the Recurrent Related Party Transactions specified in Section 2.4 of the Circular being provisional in nature, whereby Richmond Technology Sdn. Bhd. purchase packaging materials for manufacturing from Master-Pack Sdn. Bhd., the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Sections 2.5 and 2.6 of the Circular to Shareholders dated 4 February 2004;
- (v) **THAT** disclosure is made in the annual report a breakdown of the aggregate value of recurrent transactions conducted pursuant to the Shareholders' Mandate during the financial year with particulars of the types of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationships with the Company."

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

By Order of the Board

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

Penang

Date: 4 February 2004



Notice Of Annual General Meeting

NOTES:

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution 7 – Authority pursuant to Section 132D of the Companies Act 1965

The Company is pursuing business opportunities in prospective areas so as to increase the earnings potential of the Company. Such expansion plans may require the issue of new shares not exceeding 10 per cent (10%) of the Company's issued share capital. With the passing of Resolution 7 by the shareholders of the Company at the forthcoming Annual General Meeting, the Directors would avoid delay and cost of convening further general meetings to approve the issue of shares for such purposes.

Statement Accompanying Notice Of Annual General Meeting

Pursuant to paragraph 8.28(2) of the Listing Requirements of Kuala Lumpur Stock Exchange

1. Directors standing for re-election are:-

- (a) Law Kim Choon
- (b) Roslant bin Abu
- (c) Chin Yam Sin

2. Details of attendance of Directors at Board Meetings held in the financial year ended 31 August 2003

Name of Director	No. of meetings attended
Dato' Ahmad Ibnihajar	4/4
Dato' Oon Choo Eng @ Oon Choo Khye	4/4
Goh Hong Lim	4/4
Law Kim Choon	4/4
Lim Teik Hoe	4/4
Chan Seng Sun	4/4
Chin Yam Sin	4/4
Lee Kok Khee	3/4
Roslant bin Abu	4/4
Nuranisah binti Mohd Anis (<i>appointed w.e.f. 30 December 2002</i>)	3/3
Emeri bin Johari (<i>resigned w.e.f. 30 December 2002</i>)	1/1

3. Details of the Board Meetings held in the financial year ended 31 August 2003

No.	Date	Time
1.	29 October 2002	11.45 a.m.
2.	27 January 2003	4.30 p.m.
3.	25 April 2003	11.30 a.m.
4.	24 July 2003	11.00 a.m.

All the board meetings were held at Conference Room, 51-14-B&C Menara BHL, Jalan Sultan Ahmad Shah, 10050 Penang

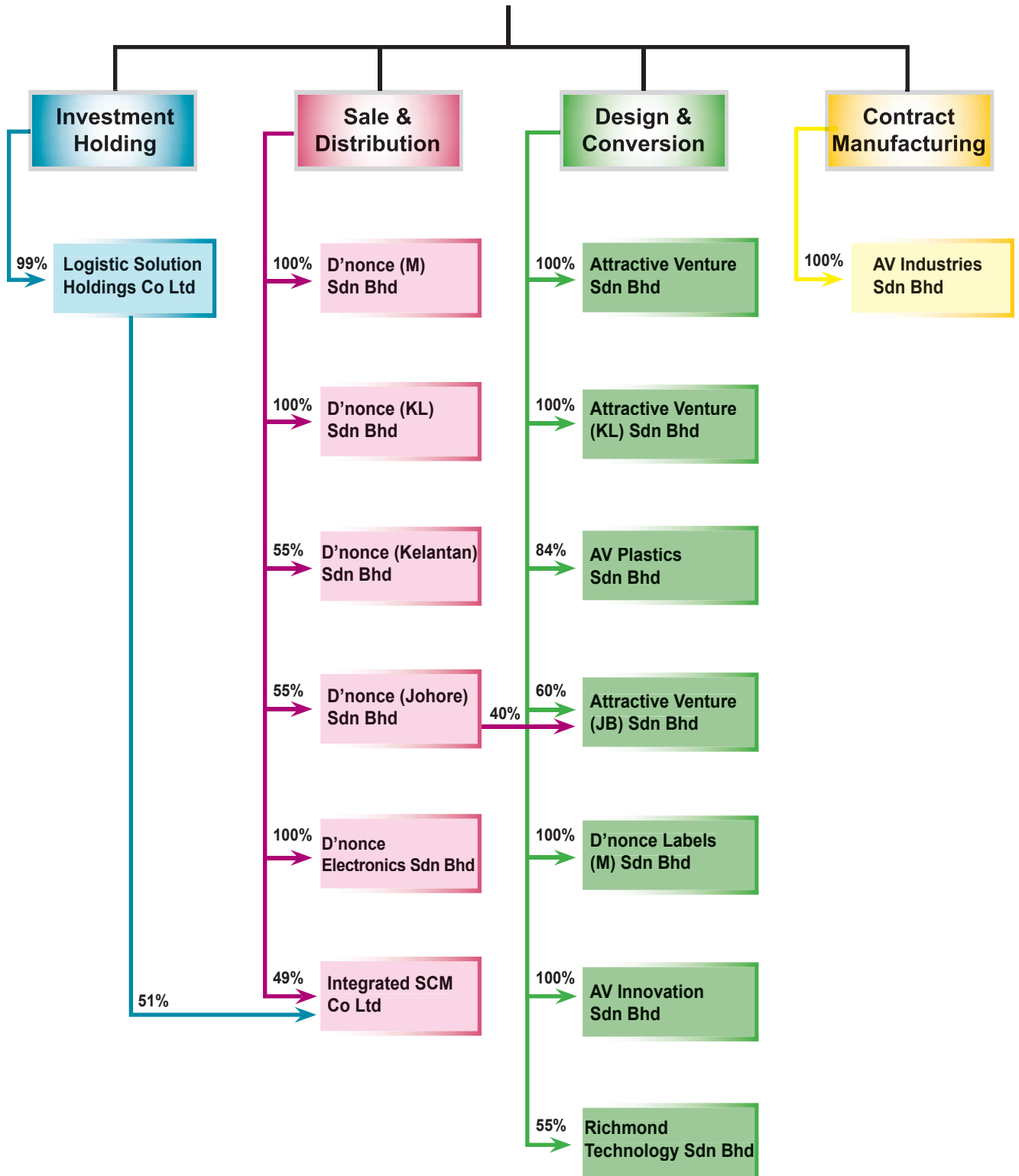
4. Fourth (4th) Annual General Meeting of D'nonce Technology Bhd.:-

Venue : The City Bayview Hotel, Sri Gangsa Room (Level 2), No 25A Farquhar Street, 10200 Penang
Date : 27 February 2004 (Friday)
Time : 10.00 a.m.

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

- (i) None of the above Directors hold any shares in the Company or any of its subsidiaries save for Mr Law Kim Choon as disclosed on page 67 under Directors' shareholdings.
- (ii) Further information are disclosed in the Directors' profile on pages 11 to 14.

Corporate Structure



Corporate Information

BOARD OF DIRECTORS

- Dato' Ahmad Ibnihajar
- Independent non-executive Chairman
- Dato' Oon Choo Eng @ Oon Choo Khye
- Independent non-executive Director
- Goh Hong Lim
- Managing Director
- Law Kim Choon
- Chief Executive Officer/Executive Director
- Lim Teik Hoe
- Executive Director
- Chan Seng Sun
- Executive Director
- Chin Yam Sin
- Executive Director
- Lee Kok Khee
- Independent non-executive Director
- Roslant bin Abu
- Non-independent non-executive Director
- Nuranisah binti Mohd Anis
- Non-independent non-executive Director

AUDIT COMMITTEE

- Lee Kok Khee - Chairman
- Dato' Oon Choo Eng @ Oon Choo Khye - Member
- Goh Hong Lim - Member
- *• Dato' Ahmad Ibnihajar - Member
- *• Nuranisah binti Mohd Anis - Member

* appointed w.e.f. 20 October 2003

NOMINATION COMMITTEE

- Dato' Ahmad Ibnihajar - Chairman
- Dato' Oon Choo Eng @ Oon Choo Khye - Member
- *• Roslant bin Abu - Member

* appointed w.e.f. 27 January 2003

REMUNERATION COMMITTEE

- Dato' Ahmad Ibnihajar - Chairman
- Goh Hong Lim - Member
- *• Roslant bin Abu - Member

* appointed w.e.f. 27 January 2003

EMPLOYEES' SHARES OPTION SCHEME COMMITTEE

- Dato' Oon Choo Eng @ Oon Choo Khye
- Independent non-executive Director
- Chairman
- Chin Yam Sin
- Executive Director
- George Aeria
- Group Human Resource Manager
- Chong Hooi Na
- Group Finance Manager
- Yeoh Bee Sim
- Personnel Officer

COMPANY SECRETARIES

- Gunn Chit Geok (MAICSA 0673097)
23 Persiaran Midlands, 10250 Pulau Pinang
- Yeap Kok Leong (MAICSA 0862549)
No. 11 Jalan 2/149G, Taman Sri Endah
57000 Kuala Lumpur

REGISTERED OFFICE

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

SHARE REGISTRAR

Tenaga Koperat Sdn Bhd (Company No. 118401-V)
20th Floor Plaza Permata, Jalan Kampar,
Off Jalan Tun Razak, 50400 Kuala Lumpur
Tel No.: 03-40416522
Fax No.: 03-40439233

AUDITORS

Ernst & Young
Chartered Accountants
22nd Floor MWE Plaza
No. 8 Lebuhr Farquhar, 10200 Pulau Pinang

PRINCIPAL BANKERS

- Public Bank Berhad
6862-6864 Jalan Bagan Jermal, Bagan Ajam
Butterworth, 13000 Pulau Pinang
- Hong Leong Bank Berhad
No. 1 Lebuhr Light, 10200 Pulau Pinang

SOLICITOR

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

STOCK EXCHANGE LISTING

Second Board of the Kuala Lumpur Stock Exchange
Stock code: 7114
Stock name: DNONCE

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of D'nonce Technology Bhd., I wish to present to you the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 August 2003.

The effects from the Iraq War and the SARS epidemic have a dampening effect on the business sentiments in the 1st half of 2003 which has been improving for the better towards the end of year 2003. With the gradual economic recovery, the Group is now seeing a positive effect as a result of its several strategies and actions taken.

CORPORATE DEVELOPMENTS

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

- a) On 25 July 2002, the Company had proposed that it issues a maximum of 4,000,000 new ordinary shares of RM1.00 each, being 10% of its present total issued and paid up capital by way of an Employees' Share Option Scheme. The scheme has been implemented on 18 November 2003.
- b) On 25 September 2002, the Company had entered into a Share Sales Agreement with Lee Chee Fong to acquire from him 12,500 ordinary shares of RM1.00 each, being 25% of its present total issued and paid up capital, making it a wholly-owned subsidiary of the company.
- c) On 26 September 2002, the Company had proposed that it issues a maximum of 4,000,000 new ordinary shares of RM1.00 each, being 10% of its present total issued and paid up capital by way of a private placement exercise. A total of 4,000,000 new ordinary shares of RM1.00 each had been duly issued and allotted to the respective places as follows:-

Date:	26 December 2003	-	2,000,000 shares
	13 January 2004	-	2,000,000 shares
- d) On 15 October 2002, the Company had entered into a MOU with Safeskin Industries (Thailand) Ltd. ("Safeskin"), a company incorporated in Thailand, to acquire the printing and packaging business of Safeskin for a total cash consideration of RM8,150,000. Subsequently, both the Company and Safeskin decided to terminate the MOU.
- e) On 25 October 2003, we have installed web cameras in selected key areas of Bukit Jambul under the "Safe City" project with the Malaysian Crime Prevention (MCPF) and Polis diRaja Malaysia to monitor crime in the Bukit Jambul area.

Operational Financial Review

For the financial year ended 31 August 2003, the Group registered a significantly higher revenue of RM133 million from RM69 million. This has effectively reduced our loss from operation from RM7.3 million to RM5.3 million. Included in the loss of RM5.3 million was a charge of about RM3.5 million in respect of writing off and provision for impairment loss of plant and equipment to reflect the carrying amount of the said assets as required by MASB 23 (Impairment of assets). Without the said charge, our operation loss would have been about RM1.8 million which was much lower than the previous year. This was the indication of our success in reversing the Group's previous year losses resulting from the strategies implemented and the continuous cost management exercise.

Integrated Supply Chain Products and Services Division

Revenue from this division had increased significantly to RM65 million for year ended 31 August 2003 from RM11.6 million for year ended 31 August 2002. This was mainly due to the diversification efforts in marketing to the non-electronic sector in particular the health sector in the manufacturing companies in Thailand. This division however reported a segmental loss of RM0.1 million in current financial year as compared to a loss of RM0.02 million in previous financial year due to the very competitive pricing strategy adopted by us to penetrate this new sector and the initial start-up cost of commencing this business.

Contract Manufacturing Division

The division reported an increase in the revenue to RM22.2 million this year from RM14.7 million in the previous financial year. However, during the financial year, the segmental loss had reduced to RM5.7 million as compared to the segmental loss of RM7.4 million in the previous financial year. Again, included in the loss of RM5.7 million was a charge of about RM2.6 million in respect of writing off and provision for impairment loss of plant and equipment. The remaining loss was attributed to tighter margins and the very competitive environment that the contract manufacturing business has to operate in.

Chairman's Statement



Supply of Packaging Materials Division

The revenue of this division had increased to RM73 million as compared to RM51 million in previous financial year. The segmental profit had also registered an improvement of about RM1.4 million. This was attributed to the securing of better margin business and diversifying to other new markets by certain subsidiaries within the division besides continuous improvement in operational efficiency and productivity.

Plastic Injection Mould Products Division

This division saw only a slight increase in revenue from RM2.5 million in previous financial year to RM4.0 million in current financial year due to the shutting down of the plant in Johore as it is no longer viable to continue. The segmental result reported a loss of RM1.4 million as compared to RM0.6 million previously primarily due to the writing off of the assets amounting to RM0.9 million being included in the loss during the year.

PROSPECTS

The Malaysian economy is expected to grow 4.5% for 2003 and 6% for year 2004. This coupled with the expected economic recovery worldwide will be good for the business environment, in general. The electronics industry's health hinges on the recovery in demand for computers and consumer electronics products which has lately shown signs of an increase in demand which augur well for the Group. The Group having re-strategised into the non-electronics sector by supplying also to the health-care sector and other sectors besides embarking onto new business such as the wireless security products and the digital closed circuit television surveillance system. The management is confident that all these efforts will have a positive impact on its revenue and bottom line. Barring any other unforeseen circumstances, intensive marketing efforts to reposition ourselves to the higher growth sectors, continuous cost cutting and consolidation exercises will be our core areas of focus that will position us better for future growth and returns to our shareholders.

CORPORATE GOVERNANCE

The Board of Directors will continue to ensure that the principles of corporate governance and best practices are observed and practiced throughout the Group.

ACKNOWLEDGEMENT

The performance is made possible only with the loyalty of our management, team and employees in the future of D'nonce. On behalf of the Board of Directors and Management, I offer my heartfelt thanks to our management, team and employees as well as our shareholders, customers and business partners for their commitment and unwavering support.

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

Thank you.

Dato' Ahmad Ibnihajar
Chairman



Board of Directors

Standing from left:

- Chan Seng Sun
- Chin Yam Sin
- Law Kim Choon
- Roslant bin Abu
- Lim Teik Hoe
- Lee Kok Khee

Seated from left:

- Nuranisah binti Mohd Anis
- Dato' Oon Choo Eng @ Oon Choo Khye
- Dato' Ahmad Ibnihajar
- Goh Hong Lim

Company Secretary

Seated from right:

- Molly Gunn Chit Geok

Board Of Directors



Dato' Ahmad Ibnihajar

Aged 53, Malaysian

Independent Non-Executive Chairman, Chairman of the Remuneration and Nomination Committees and a member of the Audit Committee

Dato' Ahmad Ibnihajar was appointed to the Board of D'nonce Technology Bhd on 2 November 2000. He is currently the Managing Director of Penang Port Sdn Bhd, a company principally involved in operations of port. He holds a Bachelor degree in Economics from University of Malaya in 1975. He was a Forex Dealer and Portfolio Manager from 1976 to 1979 and Branch Manager from 1980 to 1984 with Malayan Banking Berhad. He was a Director with United Traders Securities Sdn Bhd from 1984 to 1991 and Taiping Securities Sdn Bhd in 1995, both of which are involved in stock broking business. Between 1991 and 1993, he was the Executive Director with Heirs Corporation Sdn Bhd, a property development company. Currently, he sits on the Board of several other private limited companies principally involved in property development and investment holding. He is the Vice Chairman of Persatuan Bolasepak Melayu Pulau Pinang, the Chairman of Persatuan Petanque Pulau Pinang and serves as Divisional Head for UMNO Tanjung Division.

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

Dato' Oon Choo Eng @ Oon Choo Khye

Aged 67, Malaysian

Independent Non-Executive Director and member of the Audit, Nomination and Employees' Shares Option Scheme Committees

Dato' Oon Choo Eng @ Oon Choo Khye was appointed to the Board of D'nonce Technology Bhd on 2 November 2000. He is currently a Director of Kwong Wah Yit Poh Press Bhd, a company principally involved in publishing of newspaper. He is the Honorary Assistant Secretary of Sekolah Menengah Kebangsaan Chung Ling from 1991 and also sits on the board of several other Chinese schools in Penang. He also acts as Patron for various associations and sports club in Penang. He also sits on the Board of several other private limited companies principally involved in publication, printing, tourism and trading of chemicals and he is also the director of Lam Wah Ee Hospital.

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

Goh Hong Lim

Aged 48, Malaysian

Managing Director and member of the Audit and Remuneration Committees

Goh Hong Lim was appointed to the Board of D'nonce Technology Bhd on 23 October 2000. He obtained a Diploma in Banking (Part I) from the Chartered Institute of Bankers, United Kingdom in 1977 and a Diploma in Management from the Malaysian Institute of Management in 1984. He has 22 years of commercial banking experience which started when he joined Ban Hin Lee Bank Berhad in 1975. He rose to the rank of Branch Manager in 1983. He has been branch manager of the same bank in four (4) different locations until 1997. Apart from setting up new branches, he was also responsible for the development of new consumer banking products at the bank's head office in Penang between 1989 to 1991. He joined the D'nonce Group in 1997.

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

Board Of Directors



Law Kim Choon
Aged 46, Malaysian
Chief Executive Officer/Executive Director

Law Kim Choon was appointed to the Board of D'nonce Technology Bhd on 23 October 2000. In 1988, he obtained a Diploma in Management from the Malaysian Institute of Management. He started his career in 1977 with Public Bank Berhad before leaving in 1991 to join the D'nonce Group. He has been the Chief Executive Officer of D'nonce Group since 2002. He is also instrumental in establishing the Group's manufacturing division.

He is also a Director and substantial shareholder of Restoran Jepun Syogun Sdn Bhd, a company principally involved in restaurant business; Binary Decode Sdn Bhd, an investment holding company; Segi Reka Integrated Sdn Bhd, a company principally involved in design, manufacture and supply of advertisement products and Nikado Enterprise (M) Sdn Bhd, an authorised insurance agency.

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

Lim Teik Hoe
Aged 44, Malaysian
Executive Director

Lim Teik Hoe was appointed to the Board of D'nonce Technology Bhd on 23 October 2000. He obtained a Diploma in Radiography from Ministry of Health, Malaysia in 1982. He started his career in 1982 as a Radiographer with Penang General Hospital where he served for 9 years before leaving to join the D'nonce Group in 1991. Apart from developing new businesses, he is responsible for the Group's sales and marketing functions. He was also a former member of the College of Radiographers, United Kingdom and Malaysian Society of Radiographers respectively. He is also a Director and substantial shareholder of Kalungan Prestij Sdn Bhd and Binary Decode Sdn Bhd both are investment holding companies. He is also a substantial shareholder of Wintry Enterprise Sdn Bhd and Yield Technology (M) Sdn Bhd both of which are also investment holding companies.

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

Chan Seng Sun
Aged 50, Malaysian
Executive Director

Chan Seng Sun was appointed to the Board of D'nonce Technology Bhd on 23 October 2000. He obtained a Diploma in Banking from the Chartered Institute of Bankers, United Kingdom in 1981 and became an Associate Member in the same year. He began his career in banking in 1974 when he joined United Malayan Banking Corporation Berhad until 1979. He was then with Public Bank Berhad from 1982 until 1990 when he left and joined Chung Khiaw Bank Ltd as a Deputy Manager. During his career in the banking industry, he was involved in various areas of banking operations as well as systems and corporate planning. He joined D'nonce Group in 1991. His present responsibilities include spearheading expansion and overseeing existing operations in the Central Region of Peninsular Malaysia particularly the Klang Valley. He is a substantial shareholder of Wintry Enterprise Sdn Bhd, an investment holding company.

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

Board Of Directors



Chin Yam Sin

Aged 43, Malaysian

Executive Director, a member of Employees' Shares Option Scheme Committees and Chief Financial Officer of the Group

Chin Yam Sin was appointed to the Board of D'nonce Technology Bhd on 10 November 2000. He holds a Masters of Business Administration degree from Brunel University, United Kingdom and is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom since 1997, a Chartered Accountant of the Malaysian Institute of Accountants since 1992. He joined D'nonce Group in September 1999. He is responsible for the Group's overall financial planning and management, and manages the Group's corporate affairs. He has altogether 18 years of post-qualification experience in both professional and commercial sectors having spent the last fourteen (14) years in three public listed companies in Malaysia inclusive of D'nonce Technology Bhd.

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

Lee Kok Khee

Aged 35, Malaysian

Independent Non-Executive Director and Chairman of the Audit Committee

Lee Kok Khee was appointed to the Board of D'nonce Technology Bhd on 12 March 2002. He is an accountant by training, having qualified as a Certified Public Accountant with the Malaysian Institute of Certified Public Accountants. He spent four (4) years in Ernst & Young and left the firm as an Audit Senior. Subsequent to leaving Ernst & Young, he joined Arab-Malaysian Merchant Bank Berhad Corporate Finance Department in 1992. He left Arab-Malaysian Merchant Bank Berhad in 1999 as a Senior Manager. He joined Tokyo-Mitsubishi International (Singapore) Ltd as the Vice President, Corporate Finance and Mergers and Acquisitions in February 1999 till end of 2000. He then joined AKN Capital Sdn Bhd as a Director of Corporate Finance before leaving in end September 2003 to join K & N Kenanga Berhad as head of Corporate Finance.

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

Roslant bin Abu

Aged 46, Malaysian

Non-Independent Non-Executive Director and member of Nomination and Remuneration Committees

Roslant bin Abu was appointed to the Board of D'nonce Technology Bhd on 23 October 2000. He holds a Bachelor of Science degree from the University of Malaya in 1982. In 1983, he started his career as an Assistant Director for the Petroleum Development Division (Implementation Coordination Unit) of the Prime Minister's Department. He was subsequently with the Malaysia-Thailand Authority in 1993 until early 1997 where he left and joined the Energy Section of the Economic Planning Unit in the Prime Minister's Department before he joined Khazanah Nasional Berhad (Khazanah) in mid 1997. He is a Manager (Bond & Loan) of Khazanah responsible for the management and operation of bond issues and management of Khazanah's investment in loans.

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

Board Of Directors



Nuranisah binti Mohd Anis

Aged 31, Malaysian

Non-Independent Non-Executive Director and a member of Audit Committee

Nuranisah binti Mohd Anis was appointed to the Board of D'nonce Technology Bhd on 30 December 2002. In 1995, she obtained a Bachelor of Accountancy degree from the University of Technology Mara, Shah Alam. She is currently pursuing her Masters Degree in Business Administration in the same university on a part-time basis. She is a Chartered Accountant by profession and is registered with the Malaysian Institute of Accountants. She joined KPMG in 1996 as an Audit Junior and left in 2001 as a Senior Consultant mainly specialising in Enterprise Risk Management and Internal Audit. She joined Khazanah Nasional Berhad (Khazanah) in 2001 as a Manager in the Investment Division. She is currently also a director of Crystal Clear Technology Sdn Bhd and BJ Walden Ketiga Sdn Bhd.

Nuranisah binti Mohd Anis has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past ten (10) years other than traffic offences, if any, and does not have any conflict of interest with the Company. She is a representative of Khazanah on the Board of Directors of D'nonce Technology Bhd.

Statement On Internal Control



Pursuant to Paragraph 15.27(b) of the Listing Requirements of the Kuala Lumpur Stock Exchange (“KLSE”), the Board of Directors of D’nonce Technology Bhd. hereunder provides the following statement on the state of internal control of the Group, which has been prepared in accordance with the “Statement of Internal Control: Guidance for Directors of Public Listed Companies” adopted by the KLSE.

Responsibility

The Board recognises the important of sound internal controls and risk management practices to good corporate governance, and acknowledges its responsibility for the Group’s systems of internal control and for reviewing the adequacy and integrity of those systems.

Because of the limitations that are inherent in any systems of internal control, the Board recognises that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

The Group has in place an ongoing process in identifying, evaluating and managing the principal risks faced, or potential exposed to, by the Group in pursuing its business objectives and strategies, particularly any major proposed transactions, changes in nature of activities, or venturing into new operating environment. This process is regularly reviewed by the Board, which dedicates separate time for discussion of this subject.

Internal Control

The Group’s systems of internal control include:

- An organisational structure with clearly defined lines of reporting and responsibility, and with appropriate levels of delegation and authority;
- A system of internal standard control procedures covering financial, human resources, management information system, and operational system guided by the MS ISO 9002 documented procedures;
- A comprehensive business planning and budgeting process which establishes plans and targets against which performance are monitored on an ongoing basis;
- Regular detailed reporting, covering operational and financial performances and key business indicators, for effective monitoring and decision making;
- Regular training and development programs which are being attended by the employees with the objective of enhancing their knowledge and competency; and
- Regular internal audit reviews by independent audit teams e.g. Standard and Industrial Research Institute of Malaysia (SIRIM) and the outsourced internal auditors who provide assurance that the systems of internal control are in place.

The Group continues to take measures to strengthen its internal control structure and manage its risks whenever necessary.



Statement On Internal Control

Internal Audit Function

The Group has outsourced its internal audit function to an independent professional accounting firm, Messrs. UHY Diong.

Regular internal audit reviews are carried out to assess the adequacy and integrity of the systems of internal control of the Group based on the internal audit plan reviewed and approved by the Board of Audit Committee. Internal audit reports are circulated to the members of Audit Committee who review the findings at the quarterly meetings. All audit findings listed in the audit reports are communicated with implications and recommendations for improvement, and are incorporated with the management comments and proposed corrective actions. The internal auditors will subsequently conduct follow-up reviews to determine the extent their recommendations have been implemented.

Based on the internal auditors' reports for the financial year ended 31 August 2003, there is reasonable assurance that the systems of internal control of the Group are generally adequate. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed by the management. None of the weaknesses have resulted in any material misstatements or losses, contingencies or uncertainties.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of the KLSE's Listing Requirements.

Statement Of Corporate Governance



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

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

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of good governance as set out in Part 1 and Part 2 respectively of the Code pursuant to paragraph 15.26 of the Kuala Lumpur Stock Exchange Listing Requirements.

The statement below sets out how the Group has applied the principles and the extent of its compliance with the best practices throughout the financial year ended 31 August 2003.

THE BOARD OF DIRECTORS

The Board

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

(i) Board Composition

The Board consists of five Executive Directors and five Non-Executive Directors, of whom three are independent. The other two non-independent and non-executive directors are representatives of Khazanah Nasional Berhad, a substantial shareholder of the Company.

There is a clear division of responsibility between the Chairman, the Managing Director and the Chief Executive Officer and their roles are clearly defined in their respective Job Descriptions. Generally, the Chairman of the Board provides leadership to the Board and encourages debate on issues and brings to the Board a healthy level of deliberation during meetings. The Managing Director manages and directs the entire Group of Companies towards their primary and strategic objects and is responsible for the financial management of the Group. The Chief Executive Officer manages and directs the entire Group of Companies in terms of Operations and Business Development towards their primary and strategic objectives. The management of the Group’s business and implementation of policies and day to day running of the business is delegated to the Executive Directors.

The Board has within it, professionals drawn from varied backgrounds; bringing in depth, and diversity in experience, expertise and perspectives to the Group’s business operations. A brief profile of each member of the Board is set out in this Annual Report in pages 11 to 14. The Board is ensured of a balanced and independent view at all Board deliberations due to the presence of its non-executive Directors. More importantly, the Board has as members, independent non-executive Directors who are independent from Management and major shareholders of the Company. The independent Directors are also free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Together with the Executive Directors who have intimate knowledge of the Company’s business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. As part of its commitment, the Board supports the highest standards of corporate governance and the development of best practices for the Company.

The Board considers that the current size of the Board adequate and facilitates effective decision-making. The Board is satisfied that the Directors collectively bring to the Board diversity in business experience, in-depth financial and technical expertise and perspective for it to operate effectively.

The Board is satisfied that the investment of the minority shareholders is fairly reflected through Board representation.

Statement Of Corporate Governance

(ii) Board Meetings

The Board meets on a scheduled basis at least four times a year, with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions.

During the financial year ended 31 August 2003, four(4) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting			Oct 02	Jan 03	Apr 03	Jul 03		
	Directors	Position	Attendance				Total	%
1	Dato' Ahmad Ibnihajar	Independent Non-Executive Chairman	•	•	•	•	4/4	100
2	Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non- Executive Director	•	•	•	•	4/4	100
3	Goh Hong Lim	Managing Director	•	•	•	•	4/4	100
4	Law Kim Choon	Executive Director	•	•	•	•	4/4	100
5	Lim Teik Hoe	Executive Director	•	•	•	•	4/4	100
6	Chan Seng Sun	Executive Director	•	•	•	•	4/4	100
7	Chin Yam Sin	Executive Director	•	•	•	•	4/4	100
8	Lee Kok Khee	Independent Non-Executive Director	•	•	•	N/A	3/4	75
9	Roslant bin Abu	Non-Independent Non- Executive Director	•	•	•	•	4/4	100
10	Nuranisah binti Mohd Anis <i>(appointed w.e.f. 30-12-2002)</i>	Non-Independent Non-Executive Director	N/A	•	•	•	3/3	100
11	Emeri bin Johari <i>(resigned w.e.f. 30-12-2002)</i>	Non-Independent Non-Executive Director	•	—————			1/1	100
Total number of meetings held:							4	

(iii) Supply of Information

All Directors are supplied with board papers pertaining to agenda items prior to the Board meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

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

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in furtherance of their duties.

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

Statement Of Corporate Governance

(iv) Appointments to the Board

The Nomination Committee was set up on 15 August 2001 comprising three Non-Executive Directors, two of whom are independent. Encik Roslant bin Abu (Non-Independent Non-Executive Director) was appointed as a member of the Nomination Committee on 27 January 2003 in place of Encik Emeri bin Johari (Non-Independent Non-Executive Director). With this change the present members of the Nomination Committee are as follows:-

Dato' Ahmad Ibnihajar	Independent Non-Executive – Chairman
Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non-Executive
Roslant bin Abu	Non-Independent Non-Executive

The Nomination Committee assists the Board on the following functions:

- (1) Recommends to the Board candidates for Directorships
- (2) Consider candidates proposed by the Managing Director or any director
- (3) Recommends to the Board of Directors to fill the seats on Board committees
- (4) Review the Board structure, size and composition

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

During the financial year ended 31 August 2003, one meeting was held on 29 October 2002, which was attended by all members of the Nomination Committee. The Nomination Committee had a meeting on 28 October 2003 during which it reviewed the present composition of the Board of Directors and is of the opinion that it has the required mix of skills and experience and other qualities to function completely and efficiently. As such, the Board through the Nomination Committee feels that the annual assessment and review of the Board's and Committee's competency and assessment on the contribution from each individual Director are unnecessary until there is any change to the Board.

(v) Re-election of Directors

In accordance with the Company's Articles of Association, all Directors, shall retire from office once at least in each three years but shall be eligible for re-election.

The names of Directors who are standing for re-election at the Fourth Annual General Meeting of the Company to be held on 27 February 2004 are contained in the Statement Accompanying Notice of Annual General Meeting.

Nuranisah binti Mohd Anis was appointed as a Director of the Company on 30 December 2002 to replace Emeri bin Johari who resigned as a Director on 30 December 2002.

(vi) Directors' Training

All the Directors have attended the Directors' Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate company of the Kuala Lumpur Stock Exchange. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge as well as the latest statutory and/or regulatory requirements on a continuous basis in compliance with Practice Note No. 15/2003 of the Listing Requirements on the Continuing Education Programme.

(vii) ESOS Committee

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

Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non-Executive Director – Chairman
Chin Yam Sin	Executive Director
George Aeria	Group Human Resource Manager
Chong Hooi Na	Group Finance Manager
Yeoh Bee Sim	Personnel Officer

During the year ended 31 August 2003, no meeting(s) was/were held.

Statement Of Corporate Governance

DIRECTORS' REMUNERATION

(i) Remuneration Committee

The Remuneration Committee was formed on 15 August 2001. It comprises mainly Non-Executive Directors. The members were Dato' Ahmad Ibniহার (Independent Non-Executive Director) who is the Chairman, Mr Goh Hong Lim (Managing Director) and Encik Emeri bin Johari (Non-Independent Non-Executive Director).

There was a change of the Remuneration Committee on 27 January 2003 comprising two Non-Executive Directors, one of whom are independent. The present members are:-

Dato'Ahmad Ibniহার	Independent Non-Executive – Chairman
Goh Hong Lim	Managing Director
Roslant bin Abu	Non-Independent Non-Executive

During the financial year ended 31 August 2003, one meeting was held on 29 October 2002. All the members attended the meeting.

Remuneration Policy

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

(ii) Details of the Directors' remuneration

The aggregate remuneration of the Directors during the financial year ended 31 August 2003 is set out below:-

A. Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Fees	60,000	126,000
Salaries	2,357,403	-
Bonus	240,121	-
Benefits in kind	-	-
Other benefits	-	-

B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors	Total
Less than 50,000	5	-	5
250,001 – 300,000	1	5	6
300,001 – 350,000	0	-	0
350,001 – 400,000	2	-	2
400,001 – 450,000	1	-	1
450,001 – 500,000	1	-	1

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

Statement Of Corporate Governance



RELATIONS WITH SHAREHOLDERS

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

Shareholders and members of the public are invited to access the KLSE website at www.klse.com.my to obtain the latest information on the Group.

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

ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

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

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out in the ensuing section.

(ii) Internal Control

The Board acknowledges its responsibility for establishing an efficient and effective system of internal control covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders' investment and the Group's assets. Internal control monitoring will be carried out all year round by the Company's Internal Auditors.

The information on the Group's internal control is presented in the Statement on Internal Control set out on pages 15 to 16.

(iii) Relationship with the External Auditors

The Board has established a close and transparent relationship with the external auditors of the Company. As disclosed on pages 23 to 25 the Audit Committee is the independent channel of communication for the external and internal auditors. It also reviews the activities of the internal audit function as well as the effectiveness of the system of internal control.

Statement Of Corporate Governance

ADDITIONAL COMPLIANCE INFORMATION

During the financial year:

- a) The proceeds amounting to RM4,060,000 arising from the Private Placement of 4,000,000 new ordinary shares of RM1.00 each will be utilised as the working capital for the Group. As at 13 January 2004, the said proceeds have not yet been utilised.
- b) There were no share buybacks by the Company during the financial year.
- c) None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.
- d) The Company did not sponsor any American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") programmes.
- e) There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.
- f) No options, warrants or convertible securities were exercised by the Company during the financial year.
- g) The Company did not release any profit estimate, forecast or projection for the financial year. There is no variance between the results for the financial year and the unaudited results previously released by the Company.
- h) There is no profit guarantee given by the Company.
- i) The company does not have any revaluation policy or landed property for the financial year.
- j) There were no material contracts of the Company and its subsidiaries involving Directors' and major shareholders' interests.
- k) There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding item except Logistic Solution Holdings Co Ltd.
- l) No non-audit fees was paid to external auditors for the financial year.

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

A Shareholders' Mandate was granted at the Annual General Meeting held on 26 February 2003 for the following RRPT:

Nature of Transactions	Transacting Party (Company)	FY 2003 Actual (RM'000)	Interested related party
Arranging for publicity matters such as advertisement in newspapers, press release, event marketing and designing and printing of promotional information leaflets, brochures, greeting cards etc for D'nonce, D'nonce (M) Sdn. Bhd., Attractive Venture Sdn. Bhd., AV Industries Sdn. Bhd. and Integrated SCM Co., Ltd	Segi Reka Integrated Sdn. Bhd.	300	Law Kim Choon
Purchase of packaging materials for manufacturing by Richmond Technology Sdn. Bhd.	Master-Pack Sdn. Bhd.	1,500	Master-Pack which holds 20% of the equity of Richmond is a substantial shareholder of Richmond.

Directors' Responsibilities Statement in respect of Annual Audited Accounts

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

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

Audit Committee Report

1. Members

Lee Kok Khee	Independent non-executive Director	Chairman
Goh Hong Lim	Managing Director	Member
Dato' Oon Choo Eng @ Onn Choo Khye	Independent non-executive Director	Member
Dato' Ahmad Ibnihajar <i>appointed w.e.f. 20 October 2003</i>	Independent non-executive Director	Member
Nuranisah binti Mohd Anis <i>appointed w.e.f. 20 October 2003</i>	Non-independent non-executive Director	Member

2. Terms of Reference

In view of the revamped Listing Requirements of the Kuala Lumpur Stock Exchange (“the Listing Requirements”), which came into effect on 1 June 2001, the Board has revised the terms of reference of the Committee to comply with the provisions of the Listing Requirements.

The terms of reference of the Committee are as follows:

• Membership

The Company must appoint an Audit Committee from amongst its Board which fulfills the following requirements:-

- a. the Committee must be composed of no fewer than 3 members;
- b. a majority of the Committee must be independent directors; and
- c. at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountant Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act 1967.

No alternate Director shall be appointed as a member of the Committee.

In the event of any vacancy in the Committee resulting in non-compliance with the Listing Requirements pertaining to composition of Audit Committee, the Board shall within three months of that event fill the vacancy.

The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

• Chairman

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

• Meetings

Meetings shall be held no fewer than four times a year.

Audit Committee Report

The Finance Director, Internal Audit Manager and the external auditors will normally attend the meetings. Other Directors and employees may attend the meetings upon invitation of the Committee.

Upon request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.

The Committee shall regulate its own procedure, in particular:

- a. the calling of meetings;
- b. the notice to be given of such meetings;
- c. the votings and proceedings of such meetings;
- d. the keeping of minutes; and
- e. the custody, production and inspection of such minutes.

At least once a year the Committee shall meet with the external auditors without executive Board members present.

- **Quorum**

A quorum shall consist of a majority of independent directors.

- **Secretary**

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

- **Rights**

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

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

- **Functions**

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

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

Audit Committee Report

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

3. Role of Audit Committee

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

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

4. Meetings

The Committee presently comprises the Directors listed below. The Committee has appointed a member who is able to meet the conditions stated under paragraph 15.10(1)(c) of the Listing Requirements of the Kuala Lumpur Stock Exchange ("Listing Requirements") on 15 March 2002.

During the financial year ended 31 August 2003 the Committee held four meetings on 29 October 2002, 27 January 2003, 25 April 2003, and 24 July 2003.

Name	Status of Directorship	Position	No. of meetings attended
Lee Kok Khee	Independent non-executive Director	Chairman	4/4
Dato' Oon Choo Eng @ Oon Choo Khye	Independent non-executive Director	Member	4/4
Goh Hong Lim	Non-independent executive Director	Member	4/4
Dato' Ahmad Ibnihajar *	Independent non-executive Director	Member	N/A
Nuranisah binti Mohd Anis *	Non-independent non-executive Director	Member	N/A

* Dato' Ahmad Ibnihajar and Nuranisah binti Mohd Anis were appointed as additional members of the Audit Committee with effect from 20 October 2003.

5. Activities of the Committee

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

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

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

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2003.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	GROUP RM	COMPANY RM
Loss after taxation	(6,371,355)	(1,259,831)
Minority interests	(230,841)	-
Net loss for the year	<u>(6,602,196)</u>	<u>(1,259,831)</u>

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

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

DIVIDENDS

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

DIRECTORS

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

Dato' Ahmad Ibnihajar

Dato' Oon Choo Eng @ Oon Choo Khye

Goh Hong Lim

Law Kim Choon

Lim Teik Hoe

Chan Seng Sun

Chin Yam Sin

Roslant Bin Abu

Lee Kok Khee

Nuranisah Binti Haji Mohd Anis

Emeri Bin Johari

(appointed on 30 December 2002)

(resigned on 30 December 2002)

Directors' Report

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

DIRECTORS' INTERESTS

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

	← Number of Ordinary Shares of RM1 Each →			
	1 September 2002	Bought	Sold	31 August 2003
The Company Direct Interest				
Goh Hong Lim	5,204,628	-	2,421,628	2,783,000
Law Kim Choon	1,360,000	-	-	1,360,000
Lim Teik Hoe	1,480,000	-	-	1,480,000
Chan Seng Sun	1,712,000	-	-	1,712,000
The Company Indirect Interest				
Goh Hong Lim *	100,000	-	-	100,000

* Goh Hong Lim by virtue of the interest of his spouse in shares in the Company is also deemed interested in shares of the Company to the extent his spouse has an interest.

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

OTHER STATUTORY INFORMATION

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

Directors' Report



OTHER STATUTORY INFORMATION (CONTD.)

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

OTHER SIGNIFICANT EVENTS

The other significant events during the financial year are disclosed in Note 33 to the financial statements.

AUDITORS

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

Signed in accordance with a resolution of the directors:

DATO' AHMAD IBNIHAJAR

GOH HONG LIM

Penang, Malaysia
Date: 19 December 2003

Statement By Directors and Statutory Declaration

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

We, DATO' AHMAD IBNIHAJAR and GOH HONG LIM, being two of the directors of D'NONCE TECHNOLOGY BHD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 65 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:

DATO' AHMAD IBNIHAJAR

GOH HONG LIM

Penang, Malaysia
Date: 19 December 2003

STATUTORY DECLARATION

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

I, CHIN YAM SIN, being the director primarily responsible for the financial management of D'NONCE TECHNOLOGY BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 65 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed CHIN YAM SIN
at Georgetown in the State of Penang
on 19 December 2003:

CHIN YAM SIN

Before me,

Commissioner for Oaths

Auditors' Report

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

We have audited the accompanying financial statements set out on pages 31 to 65. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 August 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

LIM FOO CHEW
No. 1748/01/04(J)
Partner

Penang, Malaysia
Date: 19 December 2003

Income Statement

For The Year Ended 31 August 2003

	Note	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	3	132,878,652	68,628,999	463,000	155,000
Other operating income	4	2,776,689	2,070,287	350,750	147,786
Changes in inventories of finished goods and work-in-progress		2,528,362	1,106,196	-	-
Raw materials and consumables used		(19,925,469)	(14,755,293)	-	-
Trading goods purchased		(78,793,329)	(33,453,753)	-	-
Staff costs	5	(20,831,869)	(14,976,065)	(1,067,548)	(929,227)
Depreciation		(4,909,789)	(3,986,966)	(123,319)	(40,667)
Plant and equipment written off		(2,109,076)	(18,603)	-	-
Provision for impairment loss of plant and equipment		(1,384,940)	-	-	-
Other operating expenses	6	(15,562,794)	(11,937,866)	(849,646)	(516,399)
Loss from operation		(5,333,563)	(7,323,064)	(1,226,763)	(1,183,507)
Finance costs, net	8	(1,517,143)	(1,138,141)	(33,068)	(13,781)
Loss before taxation		(6,850,706)	(8,461,205)	(1,259,831)	(1,197,288)
Taxation	9	479,351	173,038	-	-
Loss after taxation		(6,371,355)	(8,288,167)	(1,259,831)	(1,197,288)
Minority interests		(230,841)	(28,267)	-	-
Net loss for the year		<u>(6,602,196)</u>	<u>(8,316,434)</u>	<u>(1,259,831)</u>	<u>(1,197,288)</u>
Loss per share (sen)	10	<u>(16.5)</u>	<u>(20.8)</u>		

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

Income Statement

As At 31 August 2003

	Note	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
NON-CURRENT ASSETS					
Property, plant and equipment	11	42,137,138	44,288,400	466,932	557,181
Investments in subsidiaries	12	-	-	38,088,978	34,793,053
Other investments	13	221,205	221,205	-	-
Deferred tax assets	26	664,100	-	-	-
		<u>43,022,443</u>	<u>44,509,605</u>	<u>38,555,910</u>	<u>35,350,234</u>
CURRENT ASSETS					
Due from subsidiaries	14	-	-	15,180,896	16,391,254
Inventories	15	14,446,683	14,428,521	-	-
Trade receivables	16	20,481,867	16,792,596	-	-
Other receivables	17	2,354,825	3,258,130	42,228	40,625
Deposits with licensed banks	18	606,721	2,184,157	500,000	800,000
Cash and bank balances		3,865,317	2,698,391	127,901	100,109
		<u>41,755,413</u>	<u>39,361,795</u>	<u>15,851,025</u>	<u>17,331,988</u>
CURRENT LIABILITIES					
Short term borrowings	19	14,037,641	13,428,224	193,103	179,234
Trade payables	20	18,586,558	11,027,604	-	-
Other payables	21	4,104,767	2,962,658	257,054	243,300
Due to subsidiaries	14	-	-	4,309,397	1,159,373
Taxation		120,973	252,641	-	-
		<u>36,849,939</u>	<u>27,671,127</u>	<u>4,759,554</u>	<u>1,581,907</u>
NET CURRENT ASSETS		<u>4,905,474</u>	<u>11,690,668</u>	<u>11,091,471</u>	<u>15,750,081</u>
		<u>47,927,917</u>	<u>56,200,273</u>	<u>49,647,381</u>	<u>51,100,315</u>
FINANCED BY:					
Share capital	22	40,000,000	40,000,000	40,000,000	40,000,000
Reserves		(1,110,425)	5,486,305	9,510,940	10,770,771
Shareholders' equity		<u>38,889,575</u>	<u>45,486,305</u>	<u>49,510,940</u>	<u>50,770,771</u>
Minority interests		1,515,902	1,470,072	-	-
		<u>40,405,477</u>	<u>46,956,377</u>	<u>49,510,940</u>	<u>50,770,771</u>
Term loans	23	4,148,319	3,342,318	-	-
Hire-purchase and lease payables	24	1,106,816	1,994,210	136,441	329,544
Long term borrowing	25	4,707	4,585	-	-
Deferred tax liabilities	26	-	271,800	-	-
Reserve on consolidation	27	2,262,598	3,630,983	-	-
		<u>47,927,917</u>	<u>56,200,273</u>	<u>49,647,381</u>	<u>51,100,315</u>

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

Statement Of Changes In Equity

For The Year Ended 31 August 2003

← Non-Distributable →

GROUP	Share Capital RM	Share Premium RM	Foreign Exchange Reserve RM	Retained Profit/ (Accumulated Losses) RM	Total RM
At 1 September 2001	40,000,000	12,249,806	-	1,554,327	53,804,133
Currency translation differences, representing net loss not recognised in income statement	-	-	(1,394)	-	(1,394)
Net loss for the year	-	-	-	(8,316,434)	(8,316,434)
At 31 August 2002	40,000,000	12,249,806	(1,394)	(6,762,107)	45,486,305
Currency translation differences, representing net loss not recognised in income statement	-	-	5,466	-	5,466
Net loss for the year	-	-	-	(6,602,196)	(6,602,196)
At 31 August 2003	40,000,000	12,249,806	4,072	(13,364,303)	38,889,575

COMPANY	Non-Distributable			Total RM
	Share Capital RM	Share Premium RM	Accumulated Losses RM	
At 1 September 2001	40,000,000	12,249,806	(281,747)	51,968,059
Net loss for the year	-	-	(1,197,288)	(1,197,288)
At 31 August 2002	40,000,000	12,249,806	(1,479,035)	50,770,771
Net loss for the year	-	-	(1,259,831)	(1,259,831)
At 31 August 2003	40,000,000	12,249,806	(2,738,866)	49,510,940

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

Cash Flow Statements

For The Year Ended 31 August 2003

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(6,850,706)	(8,461,205)	(1,259,831)	(1,197,288)
Adjustments for:				
Bad debts written off	11,338	168,805	-	-
Depreciation	4,909,789	3,986,966	123,319	40,667
Interest expense	1,355,660	1,080,876	-	-
Inventories written down	2,909	95,509	-	-
Inventories written off	96,991	45,976	-	-
Plant and equipment written off	2,109,076	18,603	-	-
Provision for doubtful debts	67,347	433,539	-	-
Provision for impairment losses				
- investments in subsidiaries	-	-	143,793	-
- plant and equipment	1,384,940	-	-	-
Provision for slow moving inventories	53,362	-	-	-
Unrealised loss on foreign exchange	8,226	34,760	-	-
Amortisation of reserve on consolidation	(1,450,562)	(1,773,246)	-	-
Dividend income	-	-	(33,000)	-
Loss/(gain) on disposal of plant and equipment	356,216	(7,104)	-	-
Interest income	(15,484)	(191,278)	(5,439)	(130,986)
Operating profit/(loss) before working capital changes	2,039,102	(4,567,799)	(1,031,158)	(1,287,607)
Increase in inventories	(171,424)	(2,233,231)	-	-
(Increase)/decrease in receivables	(3,454,606)	1,917,995	8,474	(31,462)
Increase in payables	8,692,837	4,816,332	13,754	117,633
Cash generated from/(used in) operations	7,105,909	(66,703)	(1,008,930)	(1,201,436)
Dividend received	-	-	23,760	-
Tax refunded	521,273	-	-	-
Tax paid	(519,535)	(674,305)	(837)	(8,330)
Interest paid	(1,355,660)	(1,080,876)	-	-
Net cash generated from/(used in) operating activities	5,751,987	(1,821,884)	(986,007)	(1,209,766)

Cash Flow Statements

For The Year Ended 31 August 2003

	Note	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		5,439	130,986	5,439	130,986
Proceeds from disposal of plant and equipment		213,610	87,500	-	-
Purchase of additional shares in subsidiary		(83,572)	-	(3,439,718)	(287,365)
Purchase of property, plant and equipment	A	(2,805,164)	(4,797,363)	(33,070)	(32,408)
Acquisition of subsidiaries, net of cash acquired		-	(2,858,332)	-	(3,068,965)
		<u>-</u>	<u>(2,858,332)</u>	<u>-</u>	<u>(3,068,965)</u>
Net cash used in investing activities		<u>(2,669,687)</u>	<u>(7,437,209)</u>	<u>(3,467,349)</u>	<u>(3,257,752)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of term loan		-	4,000,000	-	-
Interest received		10,045	60,292	-	-
Proceeds from issuance of share capital		2,452	180,463	-	-
Net drawdown of short term borrowings		819,881	2,371,395	-	-
Net change in subsidiaries balances		-	-	4,360,382	(66,492)
Dividend paid		(19,440)	-	-	-
Repayment of hire-purchase and lease payables		(1,827,836)	(924,228)	(179,234)	(56,662)
Repayment of term loans		<u>(2,957,416)</u>	<u>(2,033,767)</u>	<u>-</u>	<u>-</u>
Net cash (used in)/generated from financing activities		<u>(3,972,314)</u>	<u>3,654,155</u>	<u>4,181,148</u>	<u>(123,154)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(890,014)	(5,604,938)	(272,208)	(4,590,672)
EFFECTS OF EXCHANGE RATE CHANGES		(2,721)	(1,530)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		<u>942,065</u>	<u>6,548,533</u>	<u>900,109</u>	<u>5,490,781</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	B	<u>49,330</u>	<u>942,065</u>	<u>627,901</u>	<u>900,109</u>

Cash Flow Statements

For The Year Ended 31 August 2003

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM6,816,334 (2002: RM5,903,737) and RM33,070 (2002: RM597,848) respectively by way of the following:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash payment	2,805,164	4,797,363	33,070	32,408
Hire-purchase and lease payables	911,170	1,106,374	-	565,440
Term loans	3,100,000	-	-	-
	<u>6,816,334</u>	<u>5,903,737</u>	<u>33,070</u>	<u>597,848</u>

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits with licensed banks	606,721	2,184,157	500,000	800,000
Cash and bank balances	3,865,317	2,698,391	127,901	100,109
Bank overdrafts (Note 19)				
- secured	(3,669,504)	(3,519,378)	-	-
- unsecured	(753,204)	(421,105)	-	-
	<u>49,330</u>	<u>942,065</u>	<u>627,901</u>	<u>900,109</u>

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

Notes To The Financial Statements

31 August 2003

1. CORPORATE INFORMATION

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 December 2003.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 31 August 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 22: Segment Reporting
MASB 23: Impairment of Assets
MASB 24: Financial Instruments - Disclosure and Presentation
MASB 25: Income Taxes

The adoption of the above MASB Standards have not given rise to any adjustments to the opening balances of accumulated losses of the prior and current year or to changes in comparatives.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

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

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceed and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interests are measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

Notes To The Financial Statements

31 August 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Reserve on Consolidation

The excess of the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition over the cost of the acquisition is included in the consolidated balance sheet as reserve on consolidation.

Reserve on consolidation is amortised on a straight-line basis over its estimated useful life of 5 years.

(d) Investments

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

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

(e) Property, Plant and Equipment and Depreciation

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

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

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

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

(f) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(g) Cash and Cash Equivalents

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

Notes To The Financial Statements

31 August 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Finance Leases and Hire-Purchase

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

i. Finance Leases and Hire-Purchase

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

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

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

ii. Operating Leases

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

(i) Provisions for Liabilities

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

(j) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Notes To The Financial Statements

31 August 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Income Tax (Contd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1 September 2002, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(k) Revenue Recognition

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

i. Sales of goods

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

ii. Management fees

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

iii. Dividend income

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

(l) Foreign Currencies

i. Foreign Currency Transactions

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

All exchange rate differences are taken to the income statement.

ii. Foreign Entities

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

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

Notes To The Financial Statements

31 August 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

ii. Foreign Entities (Contd.)

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

	2003	2002
	RM	RM
United States Dollar	3.80	3.80
Singapore Dollar	2.16	2.08
Japanese Yen (100)	3.20	3.20
Philippine Peso (100)	N/A	8.00
Thai Baht (100)	9.23	8.99

(m) Impairment of Assets

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

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

(n) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

i. Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

ii. Receivables

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

Notes To The Financial Statements

31 August 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Financial Instruments (Contd.)

iii. Payables

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

iv. Interest-Bearing Borrowings

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

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

v. Equity Instruments

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

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

Notes To The Financial Statements

31 August 2003

3. REVENUE

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Sales of goods	132,878,652	68,628,999	-	-
Management fee	-	-	430,000	155,000
Dividend income	-	-	33,000	-
	<u>132,878,652</u>	<u>68,628,999</u>	<u>463,000</u>	<u>155,000</u>

4. OTHER OPERATING INCOME

Included in other operating income are:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Amortisation of reserve on consolidation	1,450,562	1,773,246	-	-
Bad debts recovered	5,065	-	-	-
Doubtful debts recovered	39,332	-	-	-
Gain on disposal of plant and equipment	-	7,104	-	-
Interest income	5,439	130,986	5,439	130,986
Realised gain on foreign exchange	182,610	-	10,883	-
Rental income	494,041	73,572	-	-
	<u>494,041</u>	<u>73,572</u>	<u>-</u>	<u>-</u>

5. STAFF COSTS

Included in staff costs of the Group and of the Company are directors' remuneration amounting to RM2,597,524 (2002: RM1,970,431) and RM629,452 (2002: RM559,845) respectively.

The number of employees in the Group and in the Company at the end of the year were 930 (2002: 974) and 7 (2002: 6) respectively.

Notes To The Financial Statements

31 August 2003

6. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Auditors' remuneration				
statutory audit				
- current year	132,636	101,068	10,000	10,000
- (over)/under provision in prior year	(5,800)	4,500	-	-
special audit	-	13,000	-	13,000
Bad debts written off	11,338	168,805	-	-
Directors' fees				
- current year	186,000	186,000	186,000	186,000
- over provision in prior year	(12,740)	-	(12,740)	-
Freight charges	2,246,758	1,192,463	-	-
Inventories written down	2,909	95,509	-	-
Inventories written off	96,991	45,976	-	-
Lease rental	92,555	-	-	-
Loss on disposal of plant and equipment	356,216	-	-	-
Provision for doubtful debts	67,347	433,539	-	-
Provision for impairment losses for investment in subsidiaries	-	-	143,793	-
Provision for slow moving inventories	53,362	-	-	-
Realised loss on foreign exchange	-	82,213	-	402
Rental expense	580,721	414,179	-	-
Unrealised loss on foreign exchange	8,226	34,760	-	-
Upkeep of property, plant and equipment	1,358,595	1,213,134	38,502	39,419
Utilities	2,254,411	2,008,210	18,933	6,133

7. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,818,704	1,534,642	629,452	530,775
Fees	60,000	60,000	60,000	60,000
Bonus	80,000	68,020	-	29,070
	<u>1,958,704</u>	<u>1,662,662</u>	<u>689,452</u>	<u>619,845</u>
Non-Executive:				
Fees	126,000	126,000	126,000	126,000

Notes To The Financial Statements

31 August 2003

7. DIRECTORS' REMUNERATION (CONTD.)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Other Directors				
Executive:				
Salaries and other emoluments	538,699	352,963	-	-
Bonus	160,121	14,806	-	-
	<u>698,820</u>	<u>367,769</u>	<u>-</u>	<u>-</u>
Total	<u>2,783,524</u>	<u>2,156,431</u>	<u>815,452</u>	<u>745,845</u>

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

	Number of Directors	
	2003	2002
Executive directors:		
RM250,001 - RM300,000	1	1
RM300,001 - RM350,000	0	2
RM350,001 - RM400,000	2	2
RM400,001 - RM450,000	1	0
RM450,001 - RM500,000	1	0
Non-Executive directors:		
Less than RM50,000	5	5

8. FINANCE COSTS, NET

Included in finance costs, net are:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Interest expense	1,355,660	1,080,876	30,629	13,292
Interest income	<u>(10,045)</u>	<u>(60,292)</u>	<u>-</u>	<u>-</u>

9. TAXATION

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax expense for the year:				
Malaysian income tax	510,760	237,371	-	-
Foreign tax	-	6,084	-	-
	<u>510,760</u>	<u>243,455</u>	<u>-</u>	<u>-</u>
Overprovided in prior years	<u>(54,211)</u>	<u>(156,693)</u>	<u>-</u>	<u>-</u>
	<u>456,549</u>	<u>86,762</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

31 August 2003

9. TAXATION (CONTD.)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Deferred tax:				
Relating to origination and reversal of temporary differences	(780,344)	(185,800)	-	-
Overprovided in prior years	(155,556)	(74,000)	-	-
Transfer from deferred tax (Note 26)	(935,900)	(259,800)	-	-
	<u>(479,351)</u>	<u>(173,038)</u>	<u>-</u>	<u>-</u>

Domestic income tax rate is calculated at the Malaysian statutory tax rate of 28% (2002: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Loss before taxation	<u>(6,850,706)</u>	<u>(8,461,205)</u>	<u>(1,259,831)</u>	<u>(1,197,288)</u>
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	(1,918,198)	(2,369,137)	(352,753)	(335,241)
Effect of different tax rates in other countries	(4,804)	550	-	-
Income not subject to tax	(409,204)	(498,382)	(3,047)	-
Expenses not deductible for tax purposes	928,797	257,526	106,853	58,147
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(31,969)	-	-	-
Utilisation of previously unrecognised other deductible temporary differences	(31,930)	(15,436)	-	-
Deferred tax assets not recognised during the year	1,249,586	2,685,577	248,947	277,094
Overprovided in prior years				
- taxation	(54,211)	(156,693)	-	-
- deferred taxation	(155,556)	(74,000)	-	-
Tax saving arising from tax incentive	(51,862)	(3,043)	-	-
	<u>(479,351)</u>	<u>(173,038)</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

31 August 2003

9. TAXATION (CONTD.)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax savings recognised during the year arising from:				
Utilisation of current year tax losses	284,716	96,831	10,763	36,676
Utilisation of tax losses brought forward from previous years	31,969	-	-	-
Unutilised tax losses carried forward	<u>9,651,117</u>	<u>7,838,239</u>	<u>2,115,582</u>	<u>1,236,715</u>

10. LOSS PER SHARE

Loss per share is calculated by dividing the net loss for the year by the number of ordinary shares in issue during the financial year.

	GROUP	
	2003	2002
Net loss for the year (RM)	6,602,196	8,316,434
Number of ordinary shares in issue	40,000,000	40,000,000
Loss per share (sen)	<u>16.5</u>	<u>20.8</u>

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	* Land and Buildings RM	Plant and Machinery RM	Office Furniture, Fittings and Computer Equipment RM	Motor Vehicles RM	Renovation RM	Total RM
At 1 September 2002	15,400,529	33,696,541	4,664,308	1,102,472	2,669,482	57,533,332
Additions	3,399,894	1,024,080	2,013,157	228,183	151,020	6,816,334
Disposals	(6,750)	(847,259)	(139,594)	-	-	(993,603)
Write off	-	(3,296,493)	(34,984)	-	-	(3,331,477)
Exchange differences	-	-	6,732	-	-	6,732
At 31 August 2003	<u>18,793,673</u>	<u>30,576,869</u>	<u>6,509,619</u>	<u>1,330,655</u>	<u>2,820,502</u>	<u>60,031,318</u>

Notes To The Financial Statements

31 August 2003

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP	* Land and Buildings RM	Plant and Machinery RM	Office Furniture, Fittings and Computer Equipment RM	Motor Vehicles RM	Renovation RM	Total RM
Cost						
Accumulated Depreciation and Impairment Losses						
At 1 September 2002	1,224,146	9,177,390	1,707,789	707,045	428,562	13,244,932
Depreciation charge for the year	375,583	3,484,528	645,189	161,482	243,007	4,909,789
Impairment	-	1,280,689	58,648	-	45,603	1,384,940
Disposals	(646)	(399,998)	(23,133)	-	-	(423,777)
Write off	-	(1,198,108)	(24,293)	-	-	(1,222,401)
Exchange Differences	-	-	697	-	-	697
At 31 August 2003	1,599,083	12,344,501	2,364,897	868,527	717,172	17,894,180
Net Book Value						
At 31 August 2003	17,194,590	18,232,368	4,144,722	462,128	2,103,330	42,137,138
At 31 August 2002	14,176,383	24,519,151	2,956,519	395,427	2,240,920	44,288,400
Depreciation charge for 2002	296,381	3,060,576	349,773	158,368	121,868	3,986,966

* LAND AND BUILDINGS

GROUP	Freehold Land RM	Leasehold Land RM	Buildings RM	Total RM
Cost				
At 1 September 2002	585,414	1,698,437	13,116,678	15,400,529
Additions	-	858,136	2,541,758	3,399,894
Disposals	-	-	(6,750)	(6,750)
At 31 August 2003	585,414	2,556,573	15,651,686	18,793,673

Notes To The Financial Statements

31 August 2003

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP	Freehold Land RM	Leasehold Land RM	Buildings RM	Total RM
Cost				
Accumulated Depreciation and Impairment Losses				
At 1 September 2002	-	155,927	1,068,219	1,224,146
Depreciation charge for the year	-	50,378	325,205	375,583
Disposals	-	-	(646)	(646)
At 31 August 2003	-	206,305	1,392,778	1,599,083
Net Book Value				
At 31 August 2003	585,414	2,350,268	14,258,908	17,194,590
At 31 August 2002	585,414	1,542,510	12,048,459	14,176,383
Depreciation charge for 2002	-	33,006	263,375	296,381

COMPANY	Computer Equipment RM
At 1 September 2002	597,848
Addition	33,070
At 31 August 2003	630,918
Accumulated Depreciation and Impairment Losses	
At 1 September 2002	40,667
Depreciation charge for the year	123,319
At 31 August 2003	163,986
Net Book Value	
At 31 August 2003	466,932
At 31 August 2002	557,181
Depreciation charge for 2002	40,667

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Plant and machinery	3,060,889	3,613,477	-	-
Office furniture, fittings and computer equipment	903,279	563,364	414,656	527,744
Motor vehicles	209,419	226,117	-	-
	<u>4,173,587</u>	<u>4,402,958</u>	<u>414,656</u>	<u>527,744</u>

Notes To The Financial Statements

31 August 2003

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (b) The net book values of property, plant and equipment charged as securities for borrowings as referred to in Notes 19 and 23 are as follows:

GROUP	2003 RM	2002 RM
Land and buildings	16,742,537	13,714,188
Plant and machinery	8,728,356	10,061,237
Office furniture, fittings and computer equipment	1,200,625	321,329
Motor vehicles	8	5,040
Renovation	1,666,129	1,819,586
	<u>28,337,655</u>	<u>25,921,380</u>

- (c) Included in plant and equipment of the Group are fully depreciated assets which are still in use costing RM1,944,029 (2002: RM663,029).

12. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2003 RM	2002 RM
Unquoted shares, at cost	38,232,771	34,793,053
Accumulated impairment losses	(143,793)	-
	<u>38,088,978</u>	<u>34,793,053</u>

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held		Principal Activities
		2003 %	2002 %	
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	75	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce (Kelantan) Sdn. Bhd.	Malaysia	55	55	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce (Johore) Sdn. Bhd.	Malaysia	55	55	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce Electronics Sdn. Bhd.	Malaysia	100	100	International procurement office for the electronics industry. The Company has temporarily ceased operations.
Attractive Venture Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials.

Notes To The Financial Statements

31 August 2003

12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Country of Incorporation	Equity Interest Held		Principal Activities
		2003 %	2002 %	
Attractive Venture (KL) Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials.
Attractive Venture (JB) Sdn. Bhd.	Malaysia	82*	82*	Plastic injection moulding and design and conversion of advanced packaging materials.
AV Industries Sdn. Bhd.	Malaysia	100	100	Contract manufacturer of electronic components.
AV Innovation Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials. The Company has temporarily ceased operations.
AV Plastics Sdn. Bhd.	Malaysia	84	84	Processing of plastic injected moulded products.
D'nonce Labels (M) Sdn. Bhd.	Malaysia	100	100	Manufacturer and dealer in all kinds of adhesive labels and materials for labels.
Richmond Technology Sdn. Bhd.	Malaysia	55	55	Manufacturer of packaging materials.
Integrated SCM Co., Ltd.***	Thailand	99**	99	Sales and distribution of chemicals, packaging materials, spare parts and consumables.
Logistic Solution Holdings Co., Ltd.***	Thailand	99	99	Investment holding.

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

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

*** Audited by member firm of Ernst & Young Global

13. OTHER INVESTMENTS

	GROUP	
	2003 RM	2002 RM
Golf club memberships, at cost	<u>221,205</u>	<u>221,205</u>

Notes To The Financial Statements

31 August 2003

14. DUE FROM/(TO) SUBSIDIARIES

COMPANY

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

15. INVENTORIES

GROUP	2003 RM	2002 RM
At cost		
Raw materials	3,147,385	5,557,616
Work-in-progress	186,433	59,470
Finished goods	6,075,581	2,874,901
Trading goods	5,031,383	5,704,221
	<u>14,440,782</u>	<u>14,196,208</u>
At net realisable value		
Raw materials	-	89,949
Finished goods	5,901	-
Trading good	-	142,364
	<u>5,901</u>	<u>232,313</u>
	<u>14,446,683</u>	<u>14,428,521</u>

16. TRADE RECEIVABLES

GROUP	2003 RM	2002 RM
Trade receivables	21,091,253	17,511,004
Provision for doubtful debts	(609,386)	(718,408)
	<u>20,481,867</u>	<u>16,792,596</u>

The Group's normal trade credit term ranges from 15 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has significant concentration of credit risk primarily arising from the amount due from a single group of debtors which constitutes approximately 17% of the total trade receivables as at 31 August 2003. The sales to this single group of debtors constitutes approximately 37% of the total revenue for the year.

17. OTHER RECEIVABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits	226,037	1,349,550	1,000	1,000
Prepayments - taxation	711,312	1,309,386	19,240	9,163
- others	380,602	321,271	17,488	30,462
Sundry receivables	1,036,874	277,923	4,500	-
	<u>2,354,825</u>	<u>3,258,130</u>	<u>42,228</u>	<u>40,625</u>

In last financial year, included in deposits of the Group was deposit paid for property amounting to RM955,000.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Notes To The Financial Statements

31 August 2003

18. DEPOSITS WITH LICENSED BANKS

Deposits of the Group amounting to RM56,470 (2002: RM335,634) are pledged to banks for credit facilities granted to certain subsidiaries as referred to in Note 19.

The interest rates of the deposits with licensed banks during the financial year range from 2.30% to 4.00% per annum and the maturities of the deposits as at 31 August 2003 range from 4 days to 365 days.

19. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Secured				
Bank overdrafts	3,669,504	3,519,378	-	-
Bankers' acceptance	1,500,000	1,772,000	-	-
Trust receipts	278,415	-	-	-
Hire-purchase and lease payables (Note 24)	1,638,497	1,667,769	193,103	179,234
Term loans (Note 23)	2,156,555	2,819,972	-	-
	<u>9,242,971</u>	<u>9,779,119</u>	<u>193,103</u>	<u>179,234</u>
Unsecured				
Bank overdrafts	753,204	421,105	-	-
Bankers' acceptance	4,001,000	3,228,000	-	-
Trust receipts	40,466	-	-	-
	<u>4,794,670</u>	<u>3,649,105</u>	<u>-</u>	<u>-</u>
	<u>14,037,641</u>	<u>13,428,224</u>	<u>193,103</u>	<u>179,234</u>

The above banking facilities for the Group are secured by:

- (i) legal charges over the Group's property, plant and equipment as disclosed in Note 11;
- (ii) fixed deposits of the Group as disclosed in Note 18; and
- (iii) corporate guarantee from D'nonce Technology Bhd and D'nonce (M) Sdn. Bhd.

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

	GROUP	
	2003 %	2002 %
Bank overdrafts	7.25 – 8.40	7.65 – 8.30
Bankers' acceptance	3.15 – 5.50	3.15 – 5.00
Trust receipts	7.25 – 7.65	N/A

Notes To The Financial Statements

31 August 2003

20. TRADE PAYABLES

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

21. OTHER PAYABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Accruals	1,668,424	662,117	71,054	57,300
Accrued directors' fees	186,000	186,000	186,000	186,000
Due to directors of subsidiaries	255,632	285,076	-	-
Sundry payables	1,994,711	1,829,465	-	-
	<u>4,104,767</u>	<u>2,962,658</u>	<u>257,054</u>	<u>243,300</u>

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

22. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2003 RM	2002 RM	2003	2002
Authorised	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>

23. TERM LOANS

GROUP	2003 RM	2002 RM
Term loans (secured)	6,304,874	6,162,290
Due within 12 months (Note 19)	<u>(2,156,555)</u>	<u>(2,819,972)</u>
Due after 12 months	<u>4,148,319</u>	<u>3,342,318</u>
Maturity of term loans		
Within 1 year	2,156,555	2,819,972
More than 1 year and less than 2 years	1,512,854	1,908,122
More than 2 years and less than 5 years	1,019,056	1,360,572
5 years or more	<u>1,616,409</u>	<u>73,624</u>
	<u>6,304,874</u>	<u>6,162,290</u>

The securities for the term loans are disclosed under Note 19.

The interest rates for the term loans range from 4.30% to 8.15% (2002: 6.40% to 8.55%) per annum.

Notes To The Financial Statements

31 August 2003

24. HIRE-PURCHASE AND LEASE PAYABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Minimum lease payments:				
Not later than 1 year	1,812,635	1,930,127	209,862	209,862
Later than 1 year and not later than 2 years	937,396	1,493,193	139,909	209,862
Later than 2 years and not later than 5 years	244,380	649,156	-	139,909
	<u>2,994,411</u>	<u>4,072,476</u>	<u>349,771</u>	<u>559,633</u>
Future finance charges	(249,098)	(410,497)	(20,227)	(50,855)
Present value of finance lease liabilities	<u>2,745,313</u>	<u>3,661,979</u>	<u>329,544</u>	<u>508,778</u>
Present value of finance lease liabilities:				
Not later than 1 year	1,638,497	1,667,769	193,103	179,234
Later than 1 year and not later than 2 years	880,640	1,372,822	136,441	193,103
Later than 2 years and not later than 5 years	226,176	621,388	-	136,441
	<u>2,745,313</u>	<u>3,661,979</u>	<u>329,544</u>	<u>508,778</u>
Analysed as:				
Due within 12 months (Note 19)	1,638,497	1,667,769	193,103	179,234
Due after 12 months	1,106,816	1,994,210	136,441	329,544
	<u>2,745,313</u>	<u>3,661,979</u>	<u>329,544</u>	<u>508,778</u>

Certain hire-purchase and lease payables of the Group and Company are secured by:

- (i) joint and several guarantee by certain directors of the Group; and
- (ii) corporate guarantee from D'nonce Technology Bhd.; and
- (iii) a director of a subsidiary, AV Plastics Sdn. Bhd.

The hire-purchase and lease liabilities of the Group and of the Company bore interest at the balance sheet date of between 3.78% to 8.00% (2002: 3.78% to 8.00%) per annum and 3.78% (2002: 3.78%) per annum respectively.

25. LONG TERM BORROWING

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

26. DEFERRED TAX

GROUP	2003 RM	2002 RM
At 1 September 2002/2001	271,800	514,800
Arising from acquisition of subsidiaries	-	16,800
Recognised in the income statement (Note 9)	(935,900)	(259,800)
	<u>(664,100)</u>	<u>271,800</u>
At 31 August 2003/2002		

Notes To The Financial Statements

31 August 2003

26. DEFERRED TAX (CONTD.)

Presented after appropriate offsetting as follows:

GROUP	2003 RM	2002 RM
Deferred tax assets	(713,000)	-
Deferred tax liabilities	48,900	271,800
	<u>(664,100)</u>	<u>271,800</u>

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

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowances RM	Others RM	Total RM
At 1 September 2002	676,906	741	677,647
Recognised in the income statement	<u>(566,475)</u>	<u>(741)</u>	<u>(567,216)</u>
At 31 August 2003	<u>110,431</u>	<u>-</u>	<u>110,431</u>

Deferred Tax Assets of the Group:

	Tax Losses, Unabsorbed Capital Allowances and Reinvestment Allowances RM	Others RM	Total RM
At 1 September 2002	(393,743)	(12,104)	(405,847)
Recognised in the income statement	<u>(341,051)</u>	<u>(27,633)</u>	<u>(368,684)</u>
At 31 August 2003	<u>(734,794)</u>	<u>(39,737)</u>	<u>(774,531)</u>

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Capital allowances in excess of depreciation	9,495,472	8,551,215	39,048	16,474
Unused tax losses	(9,651,117)	(7,838,239)	(2,115,582)	(1,236,715)
Unabsorbed capital allowances	(9,254,890)	(6,894,182)	(52,250)	(19,445)
Unabsorbed reinvestment allowances	(9,453,678)	(8,447,541)	-	-
Other deductibles temporary differences	<u>(60,525)</u>	<u>(74,809)</u>	<u>-</u>	<u>-</u>
	<u>(18,924,738)</u>	<u>(14,703,556)</u>	<u>(2,128,784)</u>	<u>(1,239,686)</u>

The unused tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances are available indefinitely for offset against future taxable profits of the Company and the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of the Company and the subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

Notes To The Financial Statements

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27. RESERVE ON CONSOLIDATION

GROUP	2003 RM	2002 RM
At 1 September 2002/2001	7,177,475	8,866,232
Reserve/(Goodwill) arising from acquisition of subsidiaries	<u>82,177</u>	<u>(1,688,757)</u>
	7,259,652	7,177,475
Less: Accumulated amortisation	<u>(4,997,054)</u>	<u>(3,546,492)</u>
At 31 August 2003/2002	<u>2,262,598</u>	<u>3,630,983</u>

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Expenses charged by Segi Reka Integrated Sdn. Bhd., in which a director, Law Kim Choon has an interest	176,985	16,061	-	7,328
Expenses charged by Nikado Enterprise (M) Sdn. Bhd., in which a director, Law Kim Choon has an interest	233,000	189,803	-	2,619
Rental expenses charged by the following directors, Law Kim Choon, Lim Teik Hoe and Chan Seng Sun	24,000	24,000	-	-
Rental expenses charged by Wintry Enterprise Sdn. Bhd., in which certain directors, Law Kim Choon, Lim Teik Hoe and Chan Seng Sun have interests	9,600	9,600	-	-
Expenses charged to subsidiaries	-	-	(244,900)	(16,800)
Management fees charged to subsidiaries	<u>-</u>	<u>-</u>	<u>(430,000)</u>	<u>(162,750)</u>

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

29. COMMITMENTS

	GROUP	
	2003 RM	2002 RM
Approved and contracted for purchase of property, plant and equipment	<u>-</u>	<u>2,402,000</u>

Notes To The Financial Statements

31 August 2003

30. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2003	2002
	RM	RM
(a) Corporate guarantees given to banks for banking facilities granted to certain subsidiaries	16,929,242	16,789,000

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

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

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

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets as at 31 August 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at banks.

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

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

(c) Foreign Exchange Risk

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

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

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

Notes To The Financial Statements

31 August 2003

31. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Exchange Risk (Contd.)

The net unhedged financial assets and financial liabilities of the Group companies as at 31 August 2003 that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Japanese Yen RM	Singapore Dollar RM	United States Dollar RM	Others RM	Total RM
Trade Receivables					
Ringgit Malaysia	-	78,821	2,299,866	-	2,378,687
Other Receivables					
Ringgit Malaysia	-	4,254	225,551	-	229,805
Cash and Bank Balances					
Ringgit Malaysia	777	-	1,575,378	9,928	1,586,083
Trade Payables					
Ringgit Malaysia	307,988	256,304	3,881,996	7,071	4,453,359
Thai Baht	-	-	294,025	-	294,025
	307,988	256,304	4,176,021	7,071	4,747,384
Other Payables					
Ringgit Malaysia	-	16,931	260	-	17,191

As at 31 August 2003, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

Currency	Maturities			Total Notional Amount RM	
	Within 1 Year RM	1 Year Up to 5 Years RM	5 Years or More RM		
Forwards used to hedge trade receivables	US Dollar	1,141,000	-	-	1,141,000

There are no unrecognised gains or loss as at 31 August 2003 on forward contracts used to hedge anticipated sales which are expected to occur.

(d) Liquidity Risk

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

Notes To The Financial Statements

31 August 2003

31. FINANCIAL INSTRUMENTS (CONTD.)

(e) Credit Risk

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

The Group does not have any major concentration of credit risk related to any financial instruments other than as disclosed in Note 16.

(f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company as at the end of the financial year are represented as follows:

	Note	GROUP		COMPANY	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
Non-current other investments	13	221,205	#	-	-
Amount due from subsidiaries	14	-	-	15,180,896	*
Financial Liabilities					
Amount due to subsidiaries	14	-	-	4,309,397	*
Amount due to directors of subsidiaries	21	255,632	*	-	*
Term loans	23	6,304,874	7,191,562	-	-
Hire-purchase and lease payables	24	2,745,313	2,913,308	329,544	344,675
Long term borrowing	25	4,707	*	-	*

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

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

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

	Note	COMPANY	
		Nominal Amount RM	Net Fair Value RM
At 31 August 2003: Contingent liabilities	30	16,929,242	^

^ It is not practical to estimate the fair values of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome. The following methods and assumptions are used to estimate the fair value of the following classes of financial instruments:

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

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

Notes To The Financial Statements

31 August 2003

31. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

ii. Borrowings

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

32. SEGMENTAL INFORMATION

(a) Business Segments:

The Group is organised into four major business segments:

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

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

31 August 2003	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Plastic Injection Mould Products RM	Eliminations RM	Consolidation RM
Revenue						
External sales	51,293,192	21,094,507	59,512,331	978,622	-	132,878,652
Inter-segments sales	13,636,351	1,092,615	13,225,347	2,994,726	(30,949,039)	-
Total revenue	64,929,543	22,187,122	72,737,678	3,973,348	(30,949,039)	132,878,652
Results						
Segment results	(135,487)	(5,713,723)	1,560,137	(1,372,680)		(5,661,753)
Unallocated corporate expenses						(1,122,372)
Unallocated corporate income						1,450,562
Loss from operations						(5,333,563)
Finance costs, net						(1,517,143)
Taxation						479,351
Loss after taxation						(6,371,355)
Minority interest						(230,841)
Net loss for the year						(6,602,196)

Notes To The Financial Statements

31 August 2003

32. SEGMENTAL INFORMATION (CONTD.)

	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Plastic Injection Mould Products RM	Eliminations RM	Consolidation RM
Assets						
Segment assets	11,326,503	18,903,185	51,018,139	2,391,337		83,639,164
Unallocated corporate assets						<u>1,138,692</u>
Consolidated total assets						<u>84,777,856</u>
Liabilities						
Segment liabilities	8,664,965	7,616,818	21,852,513	3,367,040		41,501,336
Unallocated corporate liabilities						<u>2,871,043</u>
Consolidated total liabilities						<u>44,372,379</u>
Other Information						
Capital expenditure	501,995	699,779	5,543,872	37,618		6,783,264
Depreciation	81,919	2,523,531	1,823,735	357,355		4,786,540
Amortisation of reserve on consolidation	-	-	-	-		(1,450,562)
Impairment losses	-	510,794	-	874,146		1,384,940
Non-cash expenses other than depreciation and impairment losses	-	2,445,513	255,296	6,157		2,706,966
31 August 2002						
Revenue						
External sales	11,631,816	14,665,253	39,791,154	2,540,776	-	68,628,999
Inter-segments sales	-	9,461	11,597,519	-	(11,606,980)	-
Total revenue	<u>11,631,816</u>	<u>14,674,714</u>	<u>51,388,673</u>	<u>2,540,776</u>	<u>(11,606,980)</u>	<u>68,628,999</u>

Notes To The Financial Statements

31 August 2003

32. SEGMENTAL INFORMATION (CONTD.)

	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Plastic Injection Mould Products RM	Eliminations RM	Consolidation RM
Results						
Segment results	(20,451)	(7,393,493)	128,964	(617,528)		(7,902,508)
Unallocated corporate expenses						(1,193,802)
Unallocated corporate income						1,773,246
Loss from operations						(7,323,064)
Finance costs, net						(1,138,141)
Taxation						173,038
Loss after taxation						(8,288,167)
Minority interest						(28,267)
Net loss for the year						<u>(8,316,434)</u>
Assets						
Segment assets	7,412,277	24,373,714	45,902,283	4,662,865		82,351,139
Unallocated corporate assets						1,520,261
Consolidated total assets						<u>83,871,400</u>

Notes To The Financial Statements

31 August 2003

32. SEGMENTAL INFORMATION (CONTD.)

	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Plastic Injection Mould Products RM	Eliminations RM	Consolidation RM
Liabilities						
Segment liabilities	3,030,853	10,835,030	17,187,219	1,472,021		32,525,123
Unallocated corporate liabilities						4,389,900
Consolidated total liabilities						36,915,023
Other Information						
Capital expenditure	12,557	2,579,182	2,542,048	172,102		5,305,889
Depreciation	30,601	2,286,776	1,412,225	216,697		3,946,299
Amortisation of reserve on consolidation	-	-	-	-		1,773,246
Impairment losses	-	-	-	-		-
Non-cash expenses other than depreciation and impairment losses	34,289	27,087	786,571	2,432		850,379

(b) Geographical Segments:

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

The Group also operates in Thailand which mainly engage in integrated supply chain products and services activities.

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM
Malaysia	94,693,881	67,428,827	74,965,775	80,920,182	6,314,339	5,891,180
Thailand	38,184,771	1,200,172	9,812,081	2,951,218	501,995	12,557
Consolidated	132,878,652	68,628,999	84,777,856	83,871,400	6,816,334	5,903,737

Notes To The Financial Statements

31 August 2003

33. OTHER SIGNIFICANT EVENTS

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

- (a) On 25 July 2002, the Company has proposed that it issues a maximum of 4,000,000 new ordinary shares of RM1.00 each, being 10% of its present total issued and paid up capital by way of an Employees' Share Option Scheme. The scheme has been implemented on 18 November 2003.
- (b) On 25 September 2002, the Company has entered into a Share Sales Agreement with Lee Chee Fong to acquire from him 12,500 ordinary shares of RM1.00 each, being 25% of total paid up capital of D'nonce (K.L.) Sdn. Bhd. a subsidiary for a total consideration of RM83,572 making it a wholly owned subsidiary. The acquisition has been completed.
- (c) On 26 September 2002, the Company has proposed that it issues a maximum of 4,000,000 new ordinary shares of RM1.00 each, being 10% of its present total issued and paid up capital by way of a private placement exercise. The exercise is still pending.
- (d) On 15 October 2002, the Company has entered into a MOU with Safeskin Industries (Thailand) Ltd. ("Safeskin"), a company incorporated in Thailand, to acquire the printing and packaging business of Safeskin for a total cash consideration of RM8,150,000. Subsequently, both the Company and Safeskin decided to terminate the MOU.

34. COMPARATIVES

- (a) Comparatives are not disclosed for certain information relating to financial instruments as permitted by MASB 24 - Financial Instruments: Disclosure and Presentation upon first application.
- (b) The comparatives figures have been audited by another firm of chartered accountants.

35. CURRENCY

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

Particulars Of Properties

Beneficial owner/ Location	Description/ Existing Use	Land/Built up area	Age of building (years)	Type of land/tenure (Year of expiry for leasehold)	Net book value as at 31.08.2003	Net book value as at 31.08.2003	Date of acquisition
		(sq.ft.)	31.08.2003		RM'000	RM'000	
D'nonce (M) Sdn Bhd							
No. 12 Hujung Perusahaan 2, Kawasan MIEL, Prai Industrial Estate, 13600 Penang	Industrial land and building/ Factory	1,875 / 2,500	13	60 years - leasehold (2045)	98	98,155	05.11.1990
51-14 B & C, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10500 Penang	Building/ Corporate Head Office	*/ 3,670	7	Freehold	829	828,548	14-B: 21.03.1994 14C: 18.04.1994
BAM Villa, Unit 42C-7-5C, Taman Maluri, Cheras, 56000 Kuala Lumpur	Condominium	*/ 975	9	99 years - leasehold (2090)	136	136,481	02.01.1992
Attractive Venture Sdn Bhd							
No.1 Puncak Perusahaan 1, Kawasan MIEL, Prai Industrial Estate, 13600 Penang	Industrial land and building/ Factory	21,590 / 12,208	12	60 years - leasehold (2045)	735	734,825	19.12.1991
Plot 425, Tingkat Perusahaan 6A, Free Trade Zone, 13600 Prai, Penang	Industrial land and building/ Factory	46,800 / 29,614	15	60 years - leasehold (2046)	3,672	3,672,445	17.08.1998
Lot 1218 Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johore	Industrial land and building/ Factory	5,381 / 2,777	5	Freehold	317	317,379	10.05.1995
Lot 1220 Jalan Sri Putri 3/4, Taman Putri Kulai, 81000 Kulai, Johore	Industrial land and building/ Factory	2,400 / 2,777	5	Freehold	293	292,615	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	4	60 years - leasehold (2052)	6,633	6,633,079	27.08.1997
Plot 36, Mukim 11, Lorong Perusahaan Maju 7, Taman Perindustrian Bukit Tengah, Phase IV, 13600 Prai, Penang	Industrial land and building/ Factory	96,500 / 66,342	1	60 years - leasehold (2052)	3,321	3,320,562	13.06.2002
Attractive Venture (JB) Sdn Bhd							
1273, Jalan Sri Putri 3/4 Taman Putri Kulai, 81000 Kulai, Johor	Building/Factory	2,400 / 2,777	5	Freehold	252	251,448	10.09.1999
D'nonce (Johore) Sdn Bhd							
8 Jalan Mutiara Emas 5/17, Taman Mount Austin, Johore Bahru, 81100 Johore	Industrial land and building/ Office	3,120 / 2,568	5	Freehold	335	334,696	05.08.1996
D'nonce (KL) Sdn Bhd							
No 39, Jalan 1/119, Taman Bukit Hijau, 6th Mile, Jalan Cheras, 56000 Kuala Lumpur	Building and land/Office	1,540 / 4,510	12	Freehold	574	574,362	15.07.1997
Total					17,195	17,194,595	

* Not applicable

Analysis Of Shareholdings

31 December 2003

Authorised Capital	:	RM100,000,000.00
Issued and Fully Paid	:	RM42,000,000.00
Class of Shares	:	Ordinary shares of RM1.00 each fully paid
Total No. of Shareholders	:	2,367
Voting right	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS

Size of holdings	No of Shareholders	% of Total Shareholders	No of Shares	% of Issued Share Capital
1 – 99	-	-	-	-
100 – 1,000	1,267	53.53	1,260,300	3.00
1,001 – 10,000	953	40.26	3,729,200	8.88
10,001 – 100,000	121	5.11	3,208,056	7.64
100,001 – 2,099,999	24	1.01	20,112,444	47.89
2,100,000 & above	2	0.09	13,690,000	32.60

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct Interest	No of Share Held %	Deemed Interest	%
Khazanah Nasional Berhad	9,000,000	21.43	-	-
Goh Hong Lim	2,750,000	6.55	100,000	0.24
Cartaban Nominees (Asing) - Pan Asia Special Opportunities Fund	4,690,000	11.17	-	-

DIRECTORS' SHAREHOLDINGS

In the Company Name of Directors	Direct Interest	No of Share Held %	Deemed Interest	%
Goh Hong Lim	2,750,000	6.55	100,000	0.24
Law Kim Choon	1,360,000	3.24	-	-
Lim Teik Hoe	1,480,000	3.52	-	-
Chan Seng Sun	1,712,000	4.08	-	-

In the Subsidiaries

None of the directors have any direct shareholdings in the subsidiaries

Analysis Of Shareholdings

31 December 2003

THIRTY LARGEST SHAREHOLDERS

Name of Shareholder	No. of Shares	% of Issued Share Capital
1. KHAZANAH NASIONAL BERHAD	9,000,000	21.43
2. CARTABAN NOMINEES (ASING) SDN BHD DEXIA BQ INTL A LUX FOR PAN ASIA SPECIAL OPPORTUNITIES FUND	4,690,000	11.17
3. GENERAL PRODUCE AGENCY SDN. BERHAD	2,008,114	4.78
4. LEMBAGA TABUNG ANGKATAN TENTERA	2,000,000	4.76
5. COMMERCE TECHNOLOGY VENTURES SDN BHD	1,800,000	4.29
6. CHAN SENG SUN	1,712,000	4.08
7. LIM TEIK HOE	1,480,000	3.52
8. LAW KIM CHOON	1,260,000	3.00
9. GOH HONG LIM	1,199,971	2.86
10. CITICORP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOR CHEE KONG (473344)	1,022,000	2.43
11. BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KOPERASI POLIS DIRAJA MALAYSIA BERHAD (3309 DAYA)	1,000,000	2.38
12. MERCSEC NOMINEES (TEMPATAN) SDN BHD FOR CHOO BENG SOON	800,000	1.90
13. MERCSEC NOMINEES (TEMPATAN) SDN BHD FOR LEAN YORK LIM	800,000	1.90
14. HONG LEONG FINANCE BERHAD PLEDGED SECURITIES ACCOUNT FOR KANOKPHARN CHARASVIROJNA	607,423	1.45
15. GOH HONG LIM	600,000	1.43
16. CHIN KUET SEN	537,092	1.28
17. TRADERS NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GOH HONG LIM (P001)	502,029	1.20
18. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR UT SECURITIES SDN BHD (2531002)	491,000	1.17
19. AFFIN-ACF NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GOH HONG LIM	448,000	1.07
20. MERCSEC NOMINEES (TEMPATAN) SDN BHD FOR TAN KAM LENG	400,000	0.95
21. WAH TAT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOR CHEE KONG (WTBB PENANG)	360,000	0.86
22. K&N KENANGA BHD IVT (B1)	329,000	0.78
23. QUAH GUAN LAI	228,508	0.54
24. KHOR CHEE KONG	227,300	0.54
25. RENO TEH HAK AIK	200,000	0.48
26. ONG LYE HUAT	100,007	0.24
27. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIM CHOON (WTBUR 1337)	100,000	0.24
28. LAM MEI FONG	100,000	0.24
29. TAI FOOK MIN	95,428	0.23
30. TAN KAM LENG	93,000	0.22
	34,190,872	81.41

Fold this flap for sealing

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AFFIX
STAMP

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

1st fold here

FORM OF PROXY

D'NONCE TECHNOLOGY BHD

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

Shareholding represented by Proxy

I/We
(Full Name In Capital Letters)

of
(Address)

being a member/members of **D'nonce Technology Bhd.** ("the Company"), hereby appoint

.....
(Full Name)

of

or failing him/her

of

or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the FOURTH ANNUAL GENERAL MEETING of the Company to be held at The City Bayview Hotel, Sri Gangsa Room (Level 2), No. 25A Farquhar Street, 10200 Penang on Friday, 27 February 2004 at 10.00 a.m. and at any adjournment thereof in the manner indicated:-

			FOR	AGAINST
Resolution 1	-	Adoption of financial statements and reports of Directors and Auditors		
Resolution 2	-	Approval of Directors' fees		
		Re-election of Directors:		
Resolution 3	-	Mr Law Kim Choon		
Resolution 4	-	Encik Roslant bin Abu		
Resolution 5	-	Mr Chin Yam Sin		
Resolution 6	-	Re-appointment of auditors and to authorise the Directors to fix their remuneration		
Resolution 7	-	Authority to allot shares		
Resolution 8	-	Renewal of Shareholders' Mandate		
Resolution 9	-	Renewal of Shareholders' Mandate		

Please indicate with "X" how you wish your vote to be cast. Unless voting instructions are indicated in the space above, the proxy will vote or abstain from voting as he/she thinks fit.

Dated this day of 2004.

CDS Account Number	
Number of shares held	

.....
Signature/Common Seal of Appointer

Notes:

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