



**MINORITY SHAREHOLDERS WATCH GROUP**  
*Shareholder Activism and Protection of Minority Interest*

19 September 2022

**BY EMAIL/FAX/HAND**

The Board of Directors  
**D'NONSE TECHNOLOGY BHD**  
 A1-2-2 Solaris Dutamas  
 No 1, Jalan Dutamas 1  
 50480 Kuala Lumpur  
 Wilayah Persekutuan

**Attention: Tan Kok Siong**  
**Company Secretary**

Dear Directors,

**Re: 22<sup>nd</sup> Annual General Meeting (AGM) of D'nonce Technology Bhd ("D'nonce" or "the Company") to be held on Monday, 26 September 2022**

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following questions: -

**Operational & Financial Matters**

- As shown in the table below, D'nonce has posted fluctuating top-line and bottom-line performance for the past four fiscal periods.

	Revenue (RM)	Net profit attributable to owners of the Company (RM)	Monthly pro-rated profit (RM)
FPE2022*	166,406,009	8,348,000	758,909
FY2021	184,248,840	13,501,744	1,125,145
FPE2020**	228,618,244	580,822	36,301
FY2018***	269,718,075	2,605,367	162,835

\*11-month financial period from 30 April 2021 to 31 March 2022

\*\*16-month financial period from 1 January 2019 to 30 April 2020

\*\*\*16-month financial period 1 September 2017 to 31 December 2018

- Under the leadership of new executive director Mr. Choong Lee Aun, who was appointed with effect from 14 September 2021, what are the strategies to deliver more sustainable financial performance and deliver better shareholder value?

**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

Incorporated in Malaysia Registration No: 200001022382 (524989-M)

LEVEL 23, UNIT 23-2, MENARA AIA SENTRAL

No. 30, JALAN SULTAN ISMAIL

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- b) Due to the constant changes in financial year end, there are no corresponding comparative figures for shareholders to compare the financial performance of D'nonce.

What are the reasons for the constant changes in fiscal year-end in the past few years?

2. The Company's annual report does not disclose any 5-year financial highlights to provide some useful financial indicators such as revenue, profit/loss before tax, profit/loss after tax, gearing level, return on equity, net assets per share, dividend per share, dividend payout ratio, share price.

The financial highlight provides a quick snapshot for shareholders to see the past financial performance of a company.

Please provide this information in the form of i.e., tables, charts or graphs in future annual reports, as it would provide meaningful information to shareholders.

3. As shown in the table below, all business segments of D'nonce namely Healthcare, Electrical & Electronics, and Other Industries recorded lower segment margin in FPE2022 compared to FY2011.

	FPE2022			FY2021		
	Segment revenue (RM)	Segment result (RM)	Segment margin (%)	Segment revenue (RM)	Segment result (RM)	Segment margin (%)
Healthcare	57,001,964	8,009,675	14.05	61,016,537	11,408,680	18.70
Electrical & Electronics	87,561,411	9,263,136	10.58	97,315,031	11,591,045	11.91
Other Industries	21,842,634	696,045	3.19	25,917,272	1,019,315	3.93

Source: Annual Report 2022

Given the impact of rising raw materials costs, labour costs, logistics costs and supply chain disruptions on profit margin, how has the Management factored in these uncertainties in the new work orders secured?

To what extent can D'nonce could pass the cost increase to customers?

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4. On 11 August 2022, the Group announced the business diversification to include manufacturing and selling of self-adhesive labels by acquiring 99.9991% equity interest in Komark (Thailand) Company Limited (KTCL) from Komarkcorp Berhad.

- a) KTCL has been making losses over the last four fiscal years with net losses ranging between THB10.68 million and THB22.39 million (page 70 of D'nonce announcement dated 11 August 2022).

Given the loss track record of KTCL, what is the commercial sense of acquiring this loss-generating and value depreciating asset?

How does this proposed acquisition create value for D'nonce shareholders?

Would the consolidation of KTCL's financial result affect the overall financial performance of D'nonce moving forwards?

- b) As Komarkcorp has been unsuccessful in turning around KTCL for years, how would KTCL perform differently under the management of D'nonce?
- c) How does the Group derive the projection of KTCL contributing 25% of D'nonce net profit (page 6 of D'nonce announcement dated 11 August 2022)?
5. On 11 August 2022, the Group also proposed a rights issue exercise of issuing up to 434.7 million shares on the basis of 1 rights share for every 1 D'nonce share held.

The rights issue exercise is to raise fund for the purposes stated below (page 20 of D'nonce announcement dated 11 August 2022):

- Construction of a new warehouse and additional production area/ Purchase of a separate factory building, in Penang
- Capital expenditure for purchase of machinery and equipment and installation of enterprise resource planning system
- Repayment of bank borrowings
- Working capital
- Construction of new factory building in Thailand

As of 30 June 2022, D'nonce's had a net cash position with total borrowings of RM21.54 million, against cash and bank balances of RM33.98 million. Besides, it also generated positive cashflow from operating activities.

With the net cash status and positive operating cash flow, what is the urgency of proposing a highly dilutive rights issue to raise fund for these business expansion activities?

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6. As of FPE2022, D'nonce has invested total RM13.4 million (FY2021: nil) in local quoted shares and short-term investments (page 140, Note 14 – Other Investments, AR2022). The size of other investment further increased to RM17.26 million as of 30 June 2022.
  - a) What is the investment objective of investing in these instruments? Please provide the stock name and value of the investments in quoted shares.
  - b) What is the yield on these investments?
  - c) Please elaborate on the risk management and decision-making processes of investing in these instruments.

**Corporate Governance Matters**

1. As of the end of FPE2022, D'nonce executive director Mr. Choong Lee Aun held executive directorship in four PLCs including AT Systematization Berhad, AE Multi Holdings Berhad and Trive Property Group Berhad.

Executive directors are full-time employees of a company. They are expected to demonstrate full commitment in discharging their duties and roles in managing a company, notwithstanding the assistance from key senior managements and executive committee.

Given Mr. Choong's multiple executive roles in these PLCs, what is the rationale of appointing him to as the ED of D'nonce especially from the viewpoint of time commitment? What are the criteria imposed by the Nomination Committee in recommending Mr. Choong as an executive director of D'nonce?

2. The Company has departed from adopting Practice 1.4 of the Malaysian Code on Corporate Governance (MCCG) which states that the Chairman of the board should not be a member of the Audit Committee (AC), Nomination Committee (NC) or Remuneration Committee (RC).

Currently, the Chairman of the Board Dato' Moktar Bin Mohd Noor is also the member of the Audit and Risk Management Committee (ARMC).

The Board believes that the Chairman's position as an independent director safeguards his ability to impart objective views and decisions at the ARMC.

Does the Board plan to adopt Practice 1.4 to further enhance the independence and objectivity of the AC, NC and RC? And if so, by when?

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3. To better promote boardroom diversity and inclusivity, public-listed companies in Bursa Malaysia are required to appoint at least one woman director on their boards with effect from 1 June 2023. Currently, D'nonce has no woman director (out of four directors) on its board.

What is the progress in identifying suitable women candidates? How many women candidates were interviewed and shortlisted?

4. The Company also departed from applying Practice 5.9 of MCCG which stipulates that 30% of the Board should comprise of women directors. The Board said it will review its composition as and when it is required and will formalise and adopt a Gender Diversity Policy in due course (page 31 of CGR2022).

Does the Company intend to apply Practice 5.9? If so, by when?

Please present the questions raised herein, and the related answers, to the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely



**Devanesan Evanson**

Chief Executive Officer

DE/RF/LCY/D'NONCE/AGM2022

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