

**D'NONCE TECHNOLOGY BHD**  
[Registration No. 200001000687 (503292-K)]  
(Incorporated in Malaysia)

**SUMMARY OF KEY MATTERS DISCUSSED DURING THE TWENTY-THIRD (“23<sup>RD</sup>”) ANNUAL GENERAL MEETING OF D'NONCE TECHNOLOGY BHD HELD ON A VIRTUAL BASIS THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT LOT 4.1, 4<sup>TH</sup> FLOOR, MENARA LIEN HOE, NO. 8, PERSIARAN TROPICANA, TROPICANA GOLF & COUNTRY RESORT, 47410 PETALING JAYA, SELANGOR DARUL EHSAN ON FRIDAY, 22 SEPTEMBER 2023 AT 10:30 A.M.**

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The Chairman commenced the meeting by introducing the Board members, Company Secretary and auditors. Upon confirming with the Secretary, it was noted that a quorum was present.

The Chairman informed all present that in accordance to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice of general meeting shall be voted by poll electronically. Workshire Share Registration Sdn. Bhd. has been appointed as the polling administrator and Symphony Corporate Services Sdn. Bhd. has been appointed as the independent scrutineer (“Scrutineer”) for the polling process

The polling administrator showed a presentation on how to vote.

The Company Secretary informed all present that the Company has received a letter dated 15 September 2023 from Minority Shareholders Watch Group (“MSWG”) wherein MSWG sought clarification on certain matters and the Company has replied to MSWG accordingly. Mr Choong Lee Aun, the Executive Director and Mr. Aw Yeong Weng Kwong, the Chief Financial Officer of the Company, presented the questions posted by MSWG and the Company’s response to the queries from MSWG. The said questions from MSWG and the Company’s response as set out below were also displayed on screen for ease of reading by the shareholders.

**Operational & Financial Matters**

**Q1. Despite recording approximately 5% growth in revenue to RM174.86 million in FY2023, D’nonce turned loss-making in FY2023 with a net loss of RM258,662. In the previous year (11-month financial period ended 31 March 2022), D’nonce posted revenue and net profit of RM166.4 million and RM8.67 million, respectively.**

**a) Was the higher revenue driven by better average selling prices or more work completed during the year?**

Prorated to 12 months, the FY2022 revenue would be RM181.75 million. Based on the adjusted FY2022 revenue, the Group recorded a 3.7% reduction in revenue in FY2023 as compared to FY2022. The revenue for FY2023 was affected by the normalisation of the glove market in Thailand where our Group manufactures the packaging boxes and also change in product mix in the electrical and electronics (E&E) industry.

- b) The losses were primarily due to high raw materials, which jumped 30.8% year on-year to RM90.39 million from RM69.09 million in the previous year. Has the Group seen signs of high input costs easing? Are there ways to lock in the input costs? What improvements have been made to the Group's procurement framework to ensure competitive input costs?**

The increase in raw material costs was mainly in first half FY2023, and has been stabilizing and improving in the second half FY2023. The Group has employed multiple strategies to manage the raw material costs, including:-

- (i) Managing inventory levels based on the raw material costs fluctuations.
- (ii) Natural hedging to minimise fluctuation of costs from foreign exchange.
- (iii) Managing suppliers to ensure competitive pricing for raw materials, amongst others.

- c) How has the Management factored in cost pressures into new orders secured from customers?**

Costs factors are taken into account dependent on our customers and our marketing strategies. Nevertheless, the Management would strive to maintain a healthy margin on all orders.

- d) How likely is the Group to turn profitable in FY2024?**

While we anticipate the industries that we are operating in to remain challenging, there are encouraging signs that some sectors are recovering. Based on this premise, and our strategic plan and capital investments, the Group is cautiously optimistic that the operational outlook for FY2024 remains promising.

- Q2. Revenue from the Singapore market was halved to RM7.78 million from RM15.89 million in the previous year. Meanwhile, D'nonce recorded zero sales from the United Kingdom in FY2023 (FPE2022: RM2.1 million).**

**Conversely, sales to Denmark and Indonesia recorded encouraging growth of 6242% and 156.16% to RM3.68 million and RM2.16 million, respectively (page 119 of AR2023).**

- Is the robust growth in revenue from Denmark and Indonesia sustainable in the coming years?**

The management is optimistic that the Group would be able to maintain and also grow the revenue to the countries as above over the next few years. The management is also optimistic that the Group would be able to generate and grow the customer base in same or other regions to minimise the impact of discontinued projects in the Singapore and UK markets.

- Q3. D'nonce wrote off RM873,698 worth of inventories in FY2023 (FPE2022: RM24,482)**

- a) To which division were the written-off inventories related to?**

The inventories written off are mainly from the E&E segment.

- b) Why was there a significant increase in inventory write-offs?**

This is due to one off incidents of stock loss and also from higher than expected yield loss mainly from discontinued projects. The Management has looked into these issues and has increased the controls and procedures to minimise the write offs moving forward.

**Q4. D'nonce completed the acquisition of 99.9991% equity interest in Komark (Thailand) Company Limited (KTCL) from Komarkcorp Berhad for RM6.75 million on 29 December 2022.**

**KTCL posted RM4.01 million in revenue and RM128,855 in pre-tax loss from the date of acquisition till 31 March 2023.**

**In a previous reply to MSWG pertaining to this acquisition, D'nonce said the proposed acquisition serves as a strategic entry for the Group into the labelling business.**

**Is KTCL on track to become profitable in FY2024? Considering the tepid financial performance of KTCL, what does it take for KTCL to achieve the investment objective including a 25% net profit contribution to D'nonce at the Group level?**

KTCL has contributed a positive segment results for Q1FY2024, and do continue to have a positive momentum moving forward. The Group has also reviewed and implemented several process and efficiency initiatives for KTCL, and invested in new machineries for KTCL. The Group is cautiously optimistic that KTCL would be able to contribute positively in results to the Group in FY2024.

**Q5. As of FY2023, the size of 'Other Investments' increased by about 80% y-o-y to RM24.06 million from RM13.4 million in the previous year. Other Investment primarily (95%) comprises investment in local quoted shares (page 110, Note 14 – Other Investments, AR2023).**

**a) What companies have D'nonce invested in? What is the nature of business that the investees are involved in?**

The Other Investments are part of the Group's capital management strategy to take up strategic stakes in high growth and recovery play companies in diverse businesses. The Group will make relevant disclosures of its Other Investments when the Group triggers the relevant announcement in due course.

**b) What is the average investment tenure for D'nonce to realise its investments in these investee companies?**

The Group would monitor its Other Investments on a portfolio basis and would consider multiple factors, including valuation and future prospects of the investment portfolio when considering the investment tenure.

The Chairman then tabled the item on the agenda as set out in the notice of the Twenty-Third ("23<sup>rd</sup>") Annual General Meeting ("AGM").

Mr Choong Lee Aun, the Executive Director and Mr. Aw Yeong Weng Kwong, the Chief Financial Officer of the Company, then addressed questions posed by the members during the meeting.

**Q1. Why were there so much capex for FY 2023 (page 65 Annual Report) amounting to RM21, 906,930?**

The expenditure was primarily for our operations is Johor and Kuala Lumpur. Both locations are forecasted to have new major growth in the coming years ie long term potential and many new opportunity. Thus as part of our planning we have decided to now invest in new factory sites and new machineries.

**Q2. It is noted that for FY 2023 the Group just breakeven (PAT of RM65,057) , this was followed by Quarter 1 ended 30 JUNE 2023 Loss After Tax of RM5.9 million, looking at this trend what is the outlook for the rest of FY 2024?**

Currently we are seeing a strong momentum from all our operations both in Malaysia and Thailand. With this tailwind we hope we will benefit in terms of our revenue and bottom line. But we are cautious as global business confidence is still low.

**Q3. On the macro side, how are the group various revenue streams going to perform this coming financial year?**

For E & E; at the moment the sentiment in Malaysia and globally is still uncertain. There are a few customers' projects migrating from their home countries in China and USA to Malaysia which we hope will crystallize to more business for us. But our operations serving this sector are being careful in our commitments servicing the customers in this sector by exercising strict credit control and all also accepting orders.

For healthcare; we are still investing in the business to meet expected increase in orders. We are positive on this revenue stream.

For the other industries; we are buying new machines and upgrading our present machines to try increase our market share.

Overall, we hope to report better performance this coming year.

There being no other question relating to the item on the agenda for the Meeting, the Meeting proceeded to voting by poll on the resolutions on the agenda. The resolutions were duly passed by the shareholders as verified Scrutineer. The poll results of the 23<sup>rd</sup> AGM are attached for reference. There being no further matters to discuss, the Meeting concluded at 11.28 a.m.

The poll results of the 23<sup>rd</sup> AGM is attached for reference.

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Resolutions	Vote For			Vote Against			Results
	No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
<u>Ordinary Resolution 1</u> To approve the payment of Directors' fees and benefits of up to RM400,000.00 for the period from this 23 <sup>rd</sup> Annual General Meeting until the next Annual General Meeting of the Company.	13	209,186,184	99.9995	6	1,112	0.0005	Carried
<u>Ordinary Resolution 2</u> To re-elect Datuk Sham Shamrat Sen Gupta retiring pursuant to Clause 107 of the Company's Constitution as Director of the Company.	15	209,185,784	99.9993	4	1,512	0.0007	Carried
<u>Ordinary Resolution 3</u> To re-elect Ms. Ong Poh Lin Abdullah retiring pursuant to Clause 114 of the Company's Constitution as Director of the Company.	17	209,186,286	99.9995	2	1,010	0.0005	Carried
<u>Ordinary Resolution 4</u> To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	18	209,187,286	99.9999	1	10	0.0000	Carried
<u>Ordinary Resolution 5</u> To empower the Directors to issue and allot up to 10% of the total number of issued shares of the Company.	15	209,186,684	99.9997	4	612	0.0003	Carried