

# Annual Report 2007



**D'nonce**  
**TECHNOLOGY BHD**  
503292-K

Your Dependable Partner

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*Global Initiative is the key design concept portraying D'nonce's corporate direction in this annual report. Elements such as futuristic structural design within a global sphere and diversification complement the whole concept strongly.*



**NOTICE IS HEREBY GIVEN** that the Eighth Annual General Meeting of **D'nonce Technology Bhd.** (“the Company”) will be held at Function Hall 3 Level 2, The Gurney Resort Hotel and Residences, Pulau Pinang on Thursday, 28 February 2008 at 11.30 a.m.

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Statutory Financial Statements for the financial year ended 31 August 2007 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of Directors' fees for the financial year ended 31 August 2007. **Resolution 2**
3. (i) To re-elect Mr Lim Teik Hoe who retires in accordance with Article 95(1) of the Company's Articles of Association. **Resolution 3**  
(ii) To re-appoint Dato' Oon Choo Eng @ Oon Choo Khye who retires in accordance with Section 129(6) of the Companies Act, 1965. **Resolution 4**
4. To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration. **Resolution 5**

### AS SPECIAL BUSINESS

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

#### Special Resolution

5. **Proposed Amendments to the Articles of Association of the Company** **Resolution 6**  
“THAT the Proposed Amendments to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 31 January 2008 be and are hereby approved and adopted.”

#### Ordinary Resolution

6. **Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965** **Resolution 7**  
“THAT, subject to the Companies Act 1965, the Articles of Association of the Company and the approvals from the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 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 does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad.”

# Notice Of Annual General Meeting

7. 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  
 31 January 2008

## 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. 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.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
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. 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.
6. 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

### 1. Resolution 6 – Proposed Amendments to the Articles of Association of the Company

The Special Resolution proposed under item 5 of the agenda, if passed, will update the Articles of Association of the Company to reflect the current provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and to provide clarity to the provisions of certain existing Articles of Association.

For further information on the Proposed Amendments to the Articles of Association of the Company, please refer to the Circular to Shareholders dated 31 January 2008.

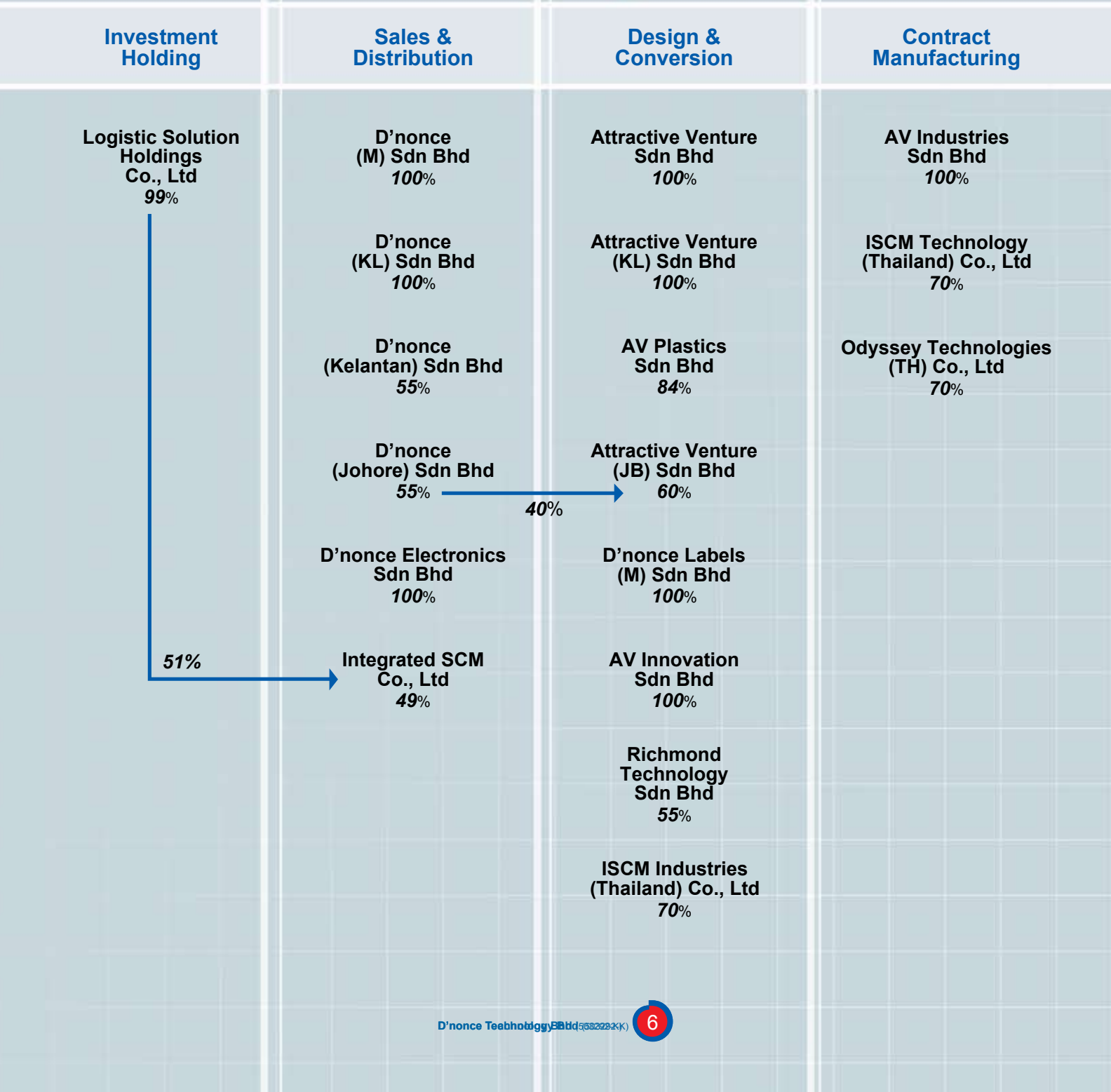
2. **Resolution 7 – Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965**

The Ordinary Resolution proposed under item 6 of the agenda, if passed, will from the date of the above meeting give the Directors of the Company authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

# Statement Accompanying Notice Of Annual General Meeting

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

The profile and shareholdings of the Directors who are standing for re-appointment under Section 129(6) of the Companies Act, 1965 and re-election are set out on pages 16 to 18 and 106 respectively of the annual report.



## BOARD OF DIRECTORS

- Dato' Ahmad Ibnihajar  
- Independent Non-Executive Chairman
- Dato' Oon Choo Eng @ Oon Choo Khye  
- Independent Non-Executive Director
- Wong Thai Sun  
- Independent Non-Executive Director
- Law Kim Choon  
- Chief Executive Officer/Executive Director
- Lim Teik Hoe  
- Executive Director

## AUDIT COMMITTEE

- Wong Thai Sun - Chairman
- Dato' Ahmad Ibnihajar - Member
- Dato' Oon Choo Eng @ Oon Choo Khye - Member

## NOMINATION COMMITTEE

- Dato' Oon Choo Eng @ Oon Choo Khye - Chairman
- Dato' Ahmad Ibnihajar - Member
- Wong Thai Sun - Member

## REMUNERATION COMMITTEE

- Wong Thai Sun - Chairman
- Dato' Ahmad Ibnihajar - Member
- Dato' Oon Choo Eng @ Oon Choo Khye - Member
- Law Kim Choon - Member

## EMPLOYEES' SHARES OPTION SCHEME COMMITTEE

- Dato' Oon Choo Eng @ Oon Choo Khye  
- Independent Non-Executive Director  
- Chairman
- Nellie Poh Saw Ei  
- Group Human Resource Manager
- Chong Hooi Na  
- Group Finance Senior Manager

## COMPANY SECRETARIES

Gunn Chit Geok (MAICSA 0673097)  
Yeap Kok Leong (MAICSA 0862549)

## REGISTERED OFFICE

21 Persiaran Midlands, 10250 Pulau Pinang, Malaysia  
Tel No.: 04-229 6318  
Fax No.: 04-226 8318  
E-mail: [tccsbpg@streamyx.com](mailto:tccsbpg@streamyx.com)

## HEAD OFFICE

51-14 B&C Menara BHL  
Jalan Sultan Ahmad Shah, 10050 Pulau Pinang, Malaysia  
Tel No.: 04-228 1198  
Fax No.: 04-228 3016

## SHARE REGISTRARS

Tenaga Koperat Sdn. Bhd. (Company No. 118401-V)  
20<sup>th</sup> Floor Plaza Permata  
Jalan Kampar, Off Jalan Tun Razak  
50400 Kuala Lumpur, Malaysia  
Tel No.: 03-4047 3883  
Fax No.: 03-4042 6352

## AUDITORS

Ernst & Young (AF: 0039)  
Chartered Accountants  
22<sup>nd</sup> Floor MWE Plaza, No. 8 Lebuhr Farquhar  
10200 Pulau Pinang, Malaysia

## PRINCIPAL BANKERS

Public Bank Berhad  
No. 6862-6864 Jalan Bagan Jermal, Bagan Ajam  
Butterworth, 13000 Pulau Pinang, Malaysia

Bangkok Bank PLC  
108 Kanchanavanitch Road  
T Sadao, 90120 Songkhla, Thailand

## SOLICITORS

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

## STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia Securities Berhad  
Stock code: 7114  
Stock name: DNONCE



## OUR POLICY

We view Corporate Social Responsibility (CSR) as part of our life and through the people that we are engaged with, we can make a lasting and meaningful impact on society. We support the notion that not all programmes for the well being of society can be solely managed by the Government and on this premise, we need to support and contribute in any way possible.

## WORKPLACE

We believe in setting examples to others and before we aspire to be a benefit to the community, we need to have good human capital policies and working environment in place on our own premises. Our human resource development strategy focuses on building self-confidence, leadership, and personal and work competence. Core areas of training include leadership, people skills, business management, financial management, quality, safety and technical skills. We ensure that our employees are equipped with competencies and motivated to carry out their duties well. Health and safety is the emphasis in our work place at every location where we strive to maintain a work place that is safe and without risk to the health and welfare of all those in the premises. We aim to become the preferred employer in our industry.

## COMMUNITY

We fully support CSR initiatives to give back something to society be it in monetary or non-monetary form as a show of appreciation for the benefit that we have enjoyed thus far. Our CSR programmes, although comparatively small, are mainly responding to the immediate needs of the people around us. We started our CSR initiatives, although in a small way, by supporting several sporting events in Penang and we hope that this will pave the way for other initiatives in different community activities. We were one of the main sponsors for the Chief Minister Cup Asian Basketball 2007 (Penang) and the main sponsor for the Penang Open Basketball Tournament whereby the Lady Team that we have sponsored emerged open champion for 2006 and 2007. We have also sponsored a mens' team for the Tan Sri Loh Boon Siew Cup Penang Volleyball Championship 2006. Apart from the direct initiatives, we have also supported several Penang State Government initiatives which have indirectly passed on the contribution to benefit the society in many forms.

## ENVIRONMENT

We do not looked upon ourselves solely as a company but as part of the society and together, we are responsible for any impact on the environment. Stemming from our philosophy of being environment friendly and to be responsible, we have taken many steps to mitigate or minimise adverse impacts arising from our plant operations, including inconvenience to the community. We will continue to initiate environmental improvement programmes at our plants to surpass the standards set by the local authorities.

D'NONCE TECHNOLOGY BHD

# Chairman's Statement

On behalf of the Board of Directors of D'nonce Technology Bhd, I am pleased to present to you the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 August 2007 ("current year").

During the current year, the Malaysian economy continued to chalk up positive growth in spite of the challenging global environment as a result of a persistently high crude oil price, inflationary pressures and monetary tightening. Notwithstanding the tough market environment, the Group continued to implement effective strategies, processes and cost management to enhance efficiency and productivity. However, the business environment within the electronic and electrical sector remained competitive and coupled with other challenging market conditions, our Group has recorded a lower revenue and performance for the current year as compared to the financial year ending 31 August 2006 ("the previous year").

## Corporate Developments

During the current year, the Group undertook the following exercises:

- 1) On 15 March 2007, ISCM Industries (Thailand) Co. Ltd ("ISCM Ind") has acquired from Safeskin Industries (Thailand) Limited a piece of land together with factory buildings erected thereon and printing machinery and equipment for a purchase consideration of USD3,900,000.

In conjunction with the acquisition, Safeskin Corporation (Thailand) Ltd, and Safeskin Medical & Scientific (Thailand) Ltd (collectively known as "Safeskin Group") have also entered into an agreement to appoint ISCM Ind as the sole supplier for packaging materials to Safeskin Group for five years.

The acquisition will not only enable the Group to further expand its packaging business but also for the diversification and penetration into the Thai market.

- 2) On 28 June 2007, ISCM Technology (Thailand) Co. Ltd., has acquired from SD Capital Sdn Bhd ("SD Capital") 75% of the capital of Odyssey Technologies (TH) Co., Ltd. ("Odyssey Thailand"). The balance 25% is held by SD Capital. The paid up capital will be increased progressively to 22,000,000 Baht based on the amount of working capital and capital expenditure needed.

Odyssey Thailand will be engaged in the Aqueous cleaning of thermo-formed trays used in the hard disk drive manufacturing industry in Thailand and D'nonce will be leveraging on its current expertise and capabilities in the Aqueous cleaning business. The Group is optimistic that the Aqueous cleaning business will open doors to many other opportunities where in recent years many large hard disk drive manufacturers have located their assembly facilities in Thailand.

## Operational Financial Review

For the current year, the Group registered a lower revenue of RM163.7 million from RM169.2 million in the previous year, representing a decrease of 3.3%. The Group recorded a profit before taxation of RM40,825 in the current year representing a decrease of 99.3% compared to the profit before tax of RM5.9 million in the previous year. The main contributing factors for the weak performance in the current year are inventories write off at our subsidiary level, profit margin erosion impacted by the appreciation of Ringgit Malaysia and Thai Baht against US Dollar and the cost reduction by customers.

## Integrated Supply Chain Products and Services

Revenue for Integrated Supply Chain Products and Services business segment of RM60 million for the current year was higher than that of the previous year's revenue at RM54.3 million. Correspondingly this segment has also recorded a higher result of RM1.4 million compared to the previous year's result of RM1.0 million. Overall, this segment has experienced a 40% growth in the result as compared to a 10% growth in revenue which indicated an improvement in the margin contribution.

## Contract Manufacturing

Revenue for Contract Manufacturing business segment for the current year dropped significantly from RM38.3 million during the previous year to RM20.9 million for the current year. This was mainly due to the cessation of the Printed Circuit Board Assembly (PCBA) business in the Malaysian operation since the beginning of the current year. The Thai operation in this segment has also experienced a lower revenue due to some quality issues. Similarly the overall segmental results was also reduced from RM3.4 million in the previous year to RM1.7 million in the current year.

## Supply of Packaging Materials

The Supply of Packaging Materials business segment has been widened to include the plastic injection moulding business. This segment has recorded a higher revenue of RM82.7 million for the current year compared to RM76.5 million for previous year, primarily contributed by the revenue from the commencement of the packaging and printing business in Hatyai, Thailand. However, as for the segmental result, this segment recorded a loss of RM0.2 million in the current year compared to a profit of RM4.6 million for the previous year. This was mainly due to the inventories write off at the subsidiary level, profit margin erosion impacted by the appreciation of Ringgit Malaysia and Thai Baht against US Dollar and the cost reduction by customers.

## Prospects

Moving forward, the financial year 2008 would remain challenging due to the uncertainty of the global environment especially the US economy, the depreciating US Dollar and the escalating oil prices. In spite of the challenging times as well as the competitive pressure that the Group will be encountering, the Group will be well prepared to face the challenges ahead with strategies in business penetration, cost management and forex hedging.

The Group's strategy to expand into the non-electronics sector and greater penetration into the Thai market has shown promising results. Revenue contribution from the printing and packaging business that was acquired from Safeskin Industries (Thailand) has augmented the revenue growth from the Thai operation which has been on the increasing trend for the past 5 years. The additional expansion of the cleanroom facilities for Odyssey Technologies Thailand located near Bangkok for the tray washing business has started showing good progress and it is anticipated that it will contribute positively to the contract manufacturing segment.

The Group will continue to embark on profitable businesses and to focus on higher margin products within and outside Malaysia and has already made some progress that would complement the Group's performance. The integration of its marketing, procurement and customer service has shown good results in terms of cost management and efficiency. We are confident that these strategies and measures will continue to give the Group the added advantage in facing the challenging environment and competition ahead.

# Chairman's Statement

The weak performance for the financial year 2007 has given the Group a strong message to continue to be competitive and to adopt various strategies to suit the business and economic environment.

## Corporate Governance

The Board of Directors continues to ensure that the principles of corporate governance and best practices are observed and practised throughout the Group.

## Acknowledgement

On behalf of the Board of Directors, I offer my heartfelt thanks to the management team, employees as well as our shareholders, customers and business partners for their unwavering commitment, support and confidence.

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

Thank you.

**Dato' Ahmad Ibnihajar**  
Chairman

Bagi pihak Lembaga Pengarah D'nonce Technology Bhd, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan bagi Kumpulan dan Syarikat bagi tahun kewangan berakhir 31 Ogos 2007 ("tahun semasa").

Dalam tahun semasa, ekonomi Malaysia terus mencatatkan pertumbuhan positif walaupun didalam persekitaran global yang mencabar berikutan daripada paras harga minyak yang tinggi, tekanan inflasi dan pengukuhan kewangan. Sungguhpun di dalam keadaan pasaran yang menyukarkan, Kumpulan terus mengekalkan strategi-strategi, proses dan pengurusan kos yang berkesan bagi mempertingkatkan kecekapan dan produktiviti. Walau bagaimanapun sektor elektronik dan elektrik terus mengalami persaingan dan ditambah dengan lain-lain keadaan pasaran yang mencabar, Kumpulan telah mencatat perolehan dan prestasi yang lebih rendah bagi tahun semasa berbanding dengan tahun kewangan berakhir 31 Ogos 2006 ("tahun sebelumnya").

## Perkembangan Korporat

Dalam tahun semasa, Kumpulan telah menjalani usaha-usaha berikut:

- 1) Pada 15 Mac 2007, ISCM Industries (Thailand) Co. Ltd. ("ISCM Ind") telah memperolehi daripada Safeskin Industries (Thailand) Limited sebidang tanah berserta dengan bangunan kilang di atasnya dan peralatan serta mesin percetakan dengan nilai pembelian sebanyak Dollar AS 3,900,000.

Selaras dengan perolehan tersebut, Safeskin Corporation (Thailand) Ltd dan Safeskin Medical & Scientific (Thailand) Ltd (secara kolektifnya dipanggil "Kumpulan Safeskin") telah juga memeterai satu perjanjian bagi melantik ISCM Ind sebagai pembekal tunggal bahan-bahan pembungkusan kepada Kumpulan Safeskin untuk tempoh 5 tahun.

Perolehan ini bukan sahaja akan membolehkan Kumpulan mengembangkan perniagaan pembungkusannya, tetapi juga untuk mempelbagaikan dan menembusi pasaran di Thailand.

- 2) Pada 28 Jun 2007, ISCM Technology (Thailand) Co. Ltd. ("ISCM") telah memperolehi daripada SD Capital Sdn. Bhd. ("SD Capital") 75% kepentingan di dalam Odyssey Technologies (TH) Co. Ltd. ("Odyssey Thailand"). Baki 25% kepentingan dipegang oleh SD Capital. Modal berbayar berkenaan akan ditingkatkan secara berperingkat kepada 22,000,000 Baht mengikut jumlah modal kerja dan perbelanjaan modal yang diperlukan.

Odyssey Thailand akan menceburi bidang pembersihan secara Aqueous bagi dulang-dulang "thermo-formed" yang digunakan didalam industri pembuatan pemacu cakera keras di Thailand dan D'nonce akan melonjakkan keupayaan dan kepakarannya yang sedia ada di dalam perniagaan pembersihan secara Aqueous. Kumpulan mengambil pendirian optimis bahawa perniagaan pembersihan secara Aqueous ini akan membuka lebih banyak peluang memandangkan dalam beberapa tahun kebelakangan ini, banyak syarikat-syarikat besar dalam pembuatan pemacu cakera keras telah membuka kilang pemasangan di Thailand.

## Semakan Kewangan Operasi

Bagi tahun semasa, Kumpulan telah mencatat perolehan yang lebih rendah sebanyak RM163.7 juta daripada RM169.2 juta dalam tahun sebelumnya, yang merupakan penurunan sebanyak 3.3%. Kumpulan telah mencatatkan keuntungan sebelum cukai sebanyak RM40,825 dalam tahun semasa, iaitu penurunan sebanyak 99.3% berbanding dengan keuntungan sebelum cukai sebanyak RM5.9 juta bagi tahun sebelumnya. Faktor utama yang menyumbang kepada prestasi yang lemah dalam tahun semasa ini adalah pelupusan inventori ditahap anak syarikat, hakisan margin keuntungan berikutan peningkatan nilai Ringgit Malaysia dan Baht Thailand berbanding Dolar AS dan penurunan kos oleh pelanggan.

# Kenyataan Pengerusi

## Perkhidmatan dan Barangan Rangkaian Bekalan Berintegrasi

Perolehan bagi bidang Perkhidmatan dan Barangan Rangkaian Bekalan Berintegrasi bagi tahun semasa sebanyak RM60 juta adalah lebih tinggi daripada perolehan tahun sebelumnya sebanyak RM54.3 juta. Begitu juga dalam bidang ini, keuntungan yang dicatatkan sebanyak RM1.4 juta adalah lebih tinggi berbanding dengan keuntungan bagi tahun sebelumnya sebanyak RM1.0 juta. Pada keseluruhannya, bidang ini telah mencatat pertumbuhan keuntungan sebanyak 40% berbanding pertumbuhan perolehan sebanyak 10%, yang mana ia menunjukkan sumbangan margin yang bertambah baik.

## Pembuatan Secara Kontrak

Perolehan bagi bidang perniagaan Pembuatan Secara Kontrak bagi tahun semasa telah menurun secara mendadak daripada RM38.3 juta dalam tahun sebelumnya kepada RM20.9 juta bagi tahun semasa. Ini adalah sebahagian besarnya disebabkan oleh pemberhentian operasi perniagaan "Printed Circuit Board - (PCBA)" di Malaysia sejak awal tahun semasa. Operasi di Thailand bagi bidang ini juga telah mengalami perolehan yang berkurangan disebabkan oleh beberapa isu mengenai kualiti. Begitu juga dengan keuntungan yang dicatatkan dalam tahun semasa bagi bidang ini, ia telah berkurangan daripada RM3.4 juta dalam tahun sebelumnya kepada RM 1.7 juta dalam tahun semasa.

## Pembekalan Bahan Pembungkusan

Bidang perniagaan Pembekalan Bahan Pembungkusan telah diperluaskan bagi merangkumi perniagaan "plastic injection moulding". Bidang ini telah mencatatkan perolehan yang lebih tinggi sebanyak RM82.7 juta bagi tahun semasa berbanding dengan RM76.5 juta yang dicatat dalam tahun sebelumnya, yang mana peningkatan ini sebahagian besarnya disebabkan oleh permulaan perniagaan pembungkusan dan percetakan di Hatyai, Thailand. Walau bagaimanapun, dari segi keuntungan bagi bidang ini, ia telah mencatat kerugian sebanyak RM0.2 juta bagi tahun semasa berbanding dengan keuntungan sebanyak RM4.6 juta bagi tahun sebelumnya. Ini adalah sebahagian besarnya disebabkan oleh pelupusan inventori ditahap anak syarikat, hakisan margin keuntungan berikutan peningkatan nilai Ringgit Malaysia dan Baht Thailand berbanding Dolar AS dan penurunan kos oleh pelanggan.

## Prospek

Pada pandangan ke hadapan, tahun kewangan 2008 akan kekal mencabar disebabkan oleh ketidakpastian persekitaran global terutamanya ekonomi Amerika Syarikat, penyusutan matawang Dolar AS dan kenaikan harga minyak. Dalam keadaan yang mencabar ini serta tekanan persaingan yang dihadapi oleh Kumpulan, Kumpulan akan lebih bersedia untuk menghadapi cabaran-cabaran yang akan datang dengan menyediakan strategi dalam penembusan perniagaan, pengurusan kos dan perlindungan risiko perubahan nilai matawang.

Strategi Kumpulan untuk berkembang kepada sektor bukan-elektronik dan peningkatan penembusan di dalam pasaran Thailand telah menunjukkan hasil yang memberangsangkan. Sumbangan perolehan daripada perniagaan percetakan dan pembungkusan yang diperolehi daripada Safeskin Industries (Thailand) telah meningkatkan pertumbuhan perolehan daripada operasi di Thailand yang selama ini mengalami peningkatan sejak 5 tahun kebelakangan. Pembesaran tambahan kemudahan bilik-bersih bagi Odyssey Technologies Thailand yang terletak berdekatan dengan Bangkok bagi perniagaan pembersihan dulang telah mula menunjukkan kemajuan yang baik dan ia dijangka akan memberi sumbangan yang positif dalam bidang pembuatan secara kontrak.

Kumpulan akan terus menceburkan diri di dalam perniagaan yang memberi keuntungan dan akan menumpukan perhatian kepada barangan-barangan yang memberi margin yang besar di dalam dan di luar Malaysia dan telah pun membuat beberapa kemajuan yang akan meningkatkan prestasi Kumpulan. Integrasi pemasaran, perolehan dan khidmat pelanggan yang dijalankan telah pun menunjukkan kemajuan yang baik dari segi pengurusan kos dan kecekapan. Kami yakin bahawa strategi-strategi serta langkah-langkah tersebut akan terus memberi kelebihan kepada Kumpulan dalam menghadapi persekitaran yang mencabar serta persaingan masa hadapan.

Prestasi yang lemah bagi tahun kewangan 2007 ini telah memberi satu pesanan kepada Kumpulan untuk terus bersaing dan menerimapakai strategi-strategi yang sesuai dengan persekitaran ekonomi dan perniagaan.

## **Urustadbir Korporat**

Lembaga Pengarah akan terus memastikan agar prinsip urustadbir korporat dan tatacara terbaik diberi perhatian dan diamalkan disemua peringkat dalam Kumpulan.

## **Penghargaan**

Bagi pihak Lembaga Pengarah, secara ikhlasnya saya ingin merakamkan ucapan terima kasih kepada kumpulan pengurusan, kakitangan dan juga kepada pemegang-pemegang saham, pelanggan-pelanggan dan rakan-rakan niaga di atas semua komitmen, sokongan dan keyakinan yang diberi.

Akhir sekali, saya ingin merakamkan penghargaan kepada semua ahli Lembaga Pengarah di atas sumbangan dan dedikasi kepada Kumpulan.

Terima kasih.

**Dato' Ahmad Ibnihajar**  
Pengerusi



## Board of Directors

*Standing from left to right*

**Wong Thai Sun**

**Law Kim Choon**

**Dato Ahmad Ibnihajar**

**Dato Oon Choo Eng @ Oon Choo Khye**

**Lim Teik Hoe**



## **Dato' Ahmad Ibnihajar**

**Aged 57, Malaysian**

**Independent Non-Executive Chairman, Member of the Audit Committee, Nomination Committee and Remuneration Committee**

Dato' Ahmad Ibnihajar was appointed to the Board of D'nonce Technology Bhd. on 2 November 2000. He is a member of the Audit, Nomination and Remuneration Committees.

He 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 and is a Member of the Chartered Institute of Logistics & Transport, Malaysia. 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 till now, he is the Chairman of 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 Chairman of Persatuan Petanque Pulau Pinang and serves as Divisional Head for UMNO Tanjung Division.

Dato' Ahmad Ibnihajar holds directorship in Malaysian Resources Corporation Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company, has never been convicted of any offence within the past 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 71, Malaysian**

**Independent Non-Executive Director, Chairman of the Nomination and Employees' Shares Option Scheme Committees, Member of the Audit Committee and Member of the Remuneration Committee**

Dato' Oon Choo Eng @ Oon Choo Khye was appointed to the Board of D'nonce Technology Bhd. on 2 November 2000. He is Chairman of the Nomination and Employees' Shares Option Scheme Committees and is a member of the Audit and Remuneration Committees.

He was the Managing Director for 25 years of Kwong Wah Yit Poh Press Bhd. ("Kwong Wah"), a company principally involved in publishing of newspapers and upon retirement he remains as a Director on the Board of Kwong Wah. He is also the Chairman of the Board of Directors of Howe Keat Sdn. Bhd. He is the Honorary Assistant Secretary of Sekolah Menengah Kebangsaan Chung Ling from 1961 and also sits on the Boards of several other Chinese High Schools and Primary Schools in Penang. He also acts as Chairman, Patron or Trustee for various associations and sports clubs in Penang. He also sits on the Boards of several other private limited companies principally involved in publication, printing, tourism and trading of chemicals and he is also a director of Lam Wah Ee Hospital and was an Ex-Committee member of Silver Jubilee Home for the Aged.

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.

# Board Of Directors

## **Wong Thai Sun**

**Aged 52, Malaysian**

**Independent Non-Executive Director, Chairman of the Audit and Remuneration Committees, Member of the Nomination Committee**

Wong Thai Sun was appointed to the Board of D'nonce Technology Bhd. on 6 November 2006 and also appointed as a member of Audit Committee on the same day. He was appointed as a member of the Nomination and Remuneration Committees on 30 January 2007 and subsequently was redesignated as Chairman of the Audit and Remuneration Committees on 16 April 2007.

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

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

## **Law Kim Choon**

**Aged 50, Malaysian**

**Chief Executive Officer/Executive Director and Member of the Remuneration Committee**

Law Kim Choon was appointed to the Board of D'nonce Technology Bhd. on 23 October 2000. He was appointed as a member of the Remuneration Committee on 30 January 2007 and resigned as a member of the Audit Committee on 30 October 2007.

In 1988, he obtained a Diploma in Management from the Malaysian Institute of Management. He started his career working in a bank in 1977 before leaving in 1991 to join the D'nonce Group. He has been the Chief Executive Officer of D'nonce Group since 2002.

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 48, 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 of which 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.

# Statement On Internal Control

Pursuant to Paragraph 15.27(b) of Bursa Securities Listing Requirements, the Board of Directors of D'nonce Technology Bhd. is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the *Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Internal Control Guidance')* issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

## RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall 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, those 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.

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

## RISK MANAGEMENT

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

## INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional accounting and consulting firm, Messrs. UHY Diong to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently followed up to determine the extent of their recommendations that have been implemented.

## INTERNAL CONTROL

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

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- A comprehensive business planning and detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the Board;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' report for the financial year ended 31 August 2007, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of Bursa Securities Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 30 October 2007.

# 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. The Board views this as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the performance of the Company.

The Board is fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Part 1 and Part 2 of the Malaysian Code of Corporate Governance.

The statement below sets out how the Group has applied the principles and the extent of its compliance with the best practices of good governance throughout the financial year ended 31 August 2007.

## 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.

### Board Composition

The Board currently consists of two Executive Directors and three Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business and industry. There is a clear division of responsibility between the Chairman and the Chief Executive Officer.

The Board considers that the current size of the Board is adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the four main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

The presence of the Independent Non-Executive Directors will ensure an independent and unbiased view at Board deliberations and fair judgement to safeguard the interest of the Company and shareholders.

## Board Meetings

The Board meets on a scheduled basis at least four times a year, at quarterly intervals, with additional meetings convened as and when necessary. At each regularly scheduled meetings, full financial business review including business performance is carried out. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major expenditure, risk management policies and appointment of Directors are discussed and decided by the Board.

During the financial year ended 31 August 2007, five (5) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting			Oct 06	Dec 06	Jan 07	Apr 07	Jul 07		
Directors	Position	Attendance					Total	%	
1	Dato' Ahmad Ibnihajar	Independent Non- Executive Chairman	.	.	.	.	.	5/5	100
2	Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non- Executive Director	.	.	.	.	X	4/5	80
3	Law Kim Choon	Chief Executive Officer	.	.	.	.	.	5/5	100
4	Lim Teik Hoe	Executive Director	.	.	.	.	.	5/5	100
5	Wong Thai Sun <i>(appointed w.e.f. 06/11/06)</i>	Independent Non- Executive Director	N/A	.	.	.	.	4/4	100
6	Roslant bin Abu <i>(resigned w.e.f. 30/01/07)</i>	Non-Independent Non- Executive Director	.	.	N/A	N/A	N/A	2/2	100
7	Looi Kok Leong <i>(resigned w.e.f. 16/04/07)</i>	Independent Non- Executive Director	X	.	.	N/A	N/A	2/3	66.7
<b>Total number of meetings held:</b>							5		

## Supply of Information

The Board is supplied with full and timely information to discharge their duties and responsibilities effectively. All Directors are supplied with an agenda and a set of Board Papers issued in sufficient time prior to Board meetings to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

# Statement Of Corporate Governance

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 require 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, risk management policies, 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 also seek independent professional advice from external consultants at the Company's expense if deemed reasonable and necessary.

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

## Appointments to the Board

The Nomination Committee currently comprises the following Independent Non-Executive Directors:

Dato' Oon Choo Eng @ Oon Choo Khye - Chairman	Independent Non-Executive Director
Dato' Ahmad Ibnihajar – Member (appointed w.e.f. 16/04/07)	Independent Non-Executive Director
Wong Thai Sun – Member (appointed w.e.f. 30/01/07)	Independent Non-Executive Director

The Nomination Committee assists the Board on the following functions:

1. Recommends to the Board, all directorships to be filled by the shareholders or the Board.
2. Proposes new nominees for the Board and assess directors on an on-going basis.
3. Recommends to the Board of Directors to fill the seats on Board committees.
4. Recommends on the re-election of directors due for retirement under the Articles of Association of the Company taking into account the directors' contribution.
5. Reviews the Board structure, size, mix of skills, experience and other qualities and its composition.
6. Reviews the performance of members of the Board.

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 2007, the Nomination Committee had one meeting.

## Re-election of Directors

In accordance with the Company's Articles of Association, at least one third of the Board are subject to retirement by rotation at each Annual General Meeting ("AGM"). All Directors shall retire once in every three years and are eligible for re-election.

The names of Directors who are standing for re-election at the Eighth AGM of the Company to be held on Thursday, 28 February 2008 are contained in the Statement Accompanying Notice of Annual General Meeting.



## Directors' Training

As required under the Listing Requirements of Bursa Securities, all the Directors have attended the Mandatory Accreditation Programme. They have also participated in the Continuing Education Programme ("CEP") organized by the relevant regulatory authorities and professional bodies and have all obtained the requisite CEP points within the stipulated time frame.

The Board shall determine the training needs of the Directors on a continuous basis. The Directors are encouraged to attend various talks, seminars, workshops and other training programmes to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates to effectively discharge their duties as Directors. The workshops, roadshows, seminars and other training programmes attended by the Directors included Enterprise Risk Management, Updates on Listing Requirements: Issues and Challenges, Hasil Tax Seminar 2007, Reconciling Shareholder Value with Customer Value, etc.

## Employees' Share Option Scheme (ESOS) Committee

The ESOS Committee was established 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
Nellie Poh Saw Ei	Manager - Group Human Resource
Chong Hooi Na	Senior Manager

During the financial year ended 31 August 2007, the ESOS Committee had one meeting.

## DIRECTORS' REMUNERATION

### Remuneration Committee

The Remuneration Committee currently comprises the following members, the majority of whom are Independent Non-Executive Directors :-

Wong Thai Sun	Independent Non-Executive Director – Chairman
Dato' Ahmad Ibnihajar	Independent Non-Executive Director – Member
Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non-Executive Director – Member
Law Kim Choon	Chief Executive Officer/Executive Director – Member

During the financial year ended 31 August 2007, the Remuneration Committee had one meeting.

### Remuneration Policy

The Remuneration Committee recommends to the Board for approval the remuneration package of the 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 AGM.

# Statement Of Corporate Governance

## Details of the Directors' remuneration

The aggregate remuneration of the Directors during the financial year ended 31 August 2007 is set out below:-

### A. Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Fees	92,000	116,000
Salaries	1,445,369	12,500
Bonus	255,448	-
Benefits in kind	-	-
Other benefits	-	-

### B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors	Total
Less than 50,000	-	5	5
More than 800,000	2	-	2

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

## COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of timely and thorough dissemination of information on all material business and corporate developments to shareholders and investors.

The Company keeps shareholders informed by announcements and timely release of quarterly financial results through the Bursa 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, all within the legal and regulatory framework in respect of information.

Any queries and concerns regarding the Group may be conveyed to the following person:-

Dato' Ahmad Ibnihajar, Senior Independent Non-Executive Director  
 Telephone number : 04-2281198  
 Facsimile number : 04-2283016

Shareholders and investors of the public are invited to access the BMSB website at [www.bursamalaysia.com](http://www.bursamalaysia.com) 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 BMSB for public dissemination. Members of the Board are present at the AGM to answer questions raised at the meeting. Auditors of the Company will also be present.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

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

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 28 of this Annual Report.

### Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. Due to limitations that are inherent in any system of internal control, it should be noted that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Further, such system can only provide reasonable but not absolute assurance against material risks or loss.

The Group has in place an on-going process for identifying, evaluating and managing significant risks that may be faced by the Group. The system of internal control covers operational, financial, compliance with applicable laws and risk management. The internal control system helps to safeguard shareholders' investment and the Group's assets.

The information on the Group's internal control is presented in the Statement on Internal Control set out on pages 19 to 20. The Internal Auditors facilitate the overall internal control system and an internal control working committee comprising the Group Chief Executive Officer and heads of major departments assists the Board to oversee the existing risk management framework that had been in place within the Group. The risk management framework had been reviewed subsequent to updates given by executives and heads of various key departments to the Internal Auditors and internal control working committee.

### Relationship with the External Auditors

The Audit Committee's terms of reference formalises the relationship with the External Auditors to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the Auditors to meet their professional requirements and seeking professional advice and ensuring compliance with accounting standards. In the course of audit of the Group's operation, the External Auditors have highlighted to the Audit Committee and the Board on matters that require the Board's attention. The role of the Audit Committee in relation to the External Auditors is described on pages 29 to 32 of this Annual Report.

# Statement Of Corporate Governance

## ADDITIONAL COMPLIANCE INFORMATION

### During the financial year:

- a) No proceeds were raised by the Company from any corporate proposal.
- 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 on 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) The amount of non-audit fees payable to external auditors for the financial year was RM73,500/-.

### Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPT”)

Details of the aggregate value of recurrent transactions entered into by the D’nonce Group with related parties pursuant to the mandate given by the shareholders’ of the Company at the last Annual General Meeting held on 12 February 2007 up to 31 December 2007 being the latest practicable date prior to the printing of the Annual Report, are as follows:

Nature of Transactions	Transacting Party (Company)	12 Feb 2007 - 31 December 2007 Actual (RM’000)	Interested related party
Purchase of packaging materials for manufacturing by Richmond Technology Sdn. Bhd. (Richmond)	Master-Pack Sdn. Bhd. (Master-Pack)	3,737	Master-Pack which holds 20% of the equity of Richmond is a substantial shareholder of Richmond.

Nature of Transactions	Transacting Party (Company)	12 Feb 2007 - 31 December 2007 Actual (RM'000)	Interested related party
Sales of packaging materials and tapes for coating process by D'nonce (M) Sdn. Bhd.	Coraza Systems Malaysia Sdn. Bhd. (Company No. 559146-T) ("Coraza")	1	Mr. Lim Teik Hoe being a Director of the Company is deemed to have interest in Coraza as his spouse Madam Liew Sow Ying is a director of Coraza
To deal in wet paint, powder coating, chromating, silk screening	R-Plus Technology (M) Sdn. Bhd. (Company No. 540719-A) ("R-Plus")	-	Mr. Lim Teik Hoe being a Director of the Company is deemed to have interest in R-Plus as his spouse Madam Liew Sow Ying is a director and major shareholder of R-Plus

## 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

## MEMBERS

The present members of the Audit Committee are as follows:-

Wong Thai Sun, Chairman	Independent Non-Executive Director
Dato' Ahmad Ibnihajar, Member	Independent Non-Executive Director
Dato' Oon Choo Eng @ Oon Choo Khye, Member	Independent Non-Executive Director

## TERMS OF REFERENCE

### Membership

1. The Company must appoint an Audit Committee from amongst its Board of Directors which fulfils 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:
      - (aa) he must have passed the examinations specified in Part 1 of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
      - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967.
2. No alternate director should be appointed as a member of the Committee.
3. In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the Exchange pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.
4. 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 be an independent director.

### Secretary

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

## Meetings

1. Meetings shall be held not less than four times a year.
2. The Financial Director, the Head of Internal Audit (where such a function exists) and a representative of the external auditor shall normally attend meetings.
3. Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
4. Upon the request of the external auditor, 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.
5. 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 voting and proceedings of such meetings;
  - (d) the keeping of minutes; and
  - (e) the custody, production and inspection of such minutes.
6. 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.

## Rights

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

- (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 auditor 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 members of the Committee, whenever deemed necessary.

## Functions

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

1. to review:
  - (i) with the external auditor, the audit plan and to ensure co-ordination where more than one audit firm is involved;
  - (ii) with the external auditor, his evaluation of the system of internal controls;
  - (iii) with the external auditor, his audit report, his management letter and the management's response;
  - (iv) the assistance given by the Company's employees to the 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 the recommendations of the internal audit function;
  - (vii) to review any appraisal or assessment of the performance of members of the internal audit function;
  - (viii) to approve any appointment or termination of senior staff members of the internal audit function;
  - (ix) to inform itself of any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - (x) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:
    - (a) changes in or implementation of major accounting policy changes;
    - (b) significant and unusual events;
    - (c) significant adjustments arising from the audit;
    - (d) the going concern assumption; and
    - (e) compliance with accounting standards and other legal requirements;
  - (xi) any related party transaction 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;
  - (xii) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
  - (xiii) to consider the nomination of a person or persons as external auditors and the audit fee; and
  - (xiv) to consider any questions of resignation or dismissal of external auditors.
2. to recommend the nomination of a person or persons as external auditors.
3. to promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements; and
4. 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 of Directors.



## 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.

## Audit Committee Meetings

During the financial year ended 31 August 2007, the Audit Committee held a total of five meetings. The details of the attendance of the Audit Committee members were as follows:

Name	Status of Directorship	Position	No. of meetings attended
Wong Thai Sun	Independent Non-Executive Director	Chairman	4/4
Dato' Ahmad Ibnihajar	Independent Non-Executive Director	Member	5/5
Dato' Oon Choo Eng @ Oon Choo Khye	Independent Non-Executive Director	Member	4/5
Law Kim Choon (resigned w.e.f. 30 October 2007)	Chief Executive Director/ Executive Director	Member	5/5
Looi Kok Leong (resigned w.e.f. 16 April 2007)	Independent Non-Executive Director	Member	2/3

The External Auditors attended five meetings during the financial year.

## Activities of the Audit Committee

During the financial year, the Audit 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.

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

## Statement by Audit Committee

There is no change in the criteria for allocation of ESOS shares since the inception of the scheme. There were no new allocation of ESOS shares during the year.

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2007.

## 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 for the financial year	<u>(793,989)</u>	<u>(4,065,333)</u>
Attributable to:		
Equity holders of the Company	(1,988,160)	(4,065,333)
Minority interests	<u>1,194,171</u>	<u>-</u>
	<u>(793,989)</u>	<u>(4,065,333)</u>

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

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 other than as disclosed in Note 6 to the financial statements.

## DIVIDEND

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 Ibnihajjar  
Dato' Oon Choo Eng @ Oon Choo Khye  
Law Kim Choon  
Lim Teik Hoe  
Wong Thai Sun  
Roslant Bin Abu (resigned on 30 January 2007)  
Looi Kok Leong (resigned on 16 April 2007)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial 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, other than as may arise from the share options granted to certain of the Company's directors under the Employee Share Options Scheme ("ESOS").

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.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company or subsidiary companies during the financial year were as follows:

	← Number of Ordinary Shares of RM1 Each →			
	1 September 2006	Bought	Sold	31 August 2007
<b>The Company Direct Interest</b>				
Law Kim Choon	1,660,000	40,000	-	1,700,000
Lim Teik Hoe	1,827,700	329,000	-	2,156,700

	← Number of Options over Ordinary Shares of RM1 Each →			
	1 September 2006	Granted	Exercised	31 August 2007
<b>The Company</b>				
Law Kim Choon	100,000	-	-	100,000
Lim Teik Hoe	85,000	-	-	85,000

None of the other directors in office at the end of the financial year had any interest in shares and share options in the Company or its subsidiaries during the financial year.

## EMPLOYEE SHARE OPTIONS SCHEME

The Company's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 26 February 2003. The ESOS was implemented on 20 November 2003 and is to be in force for a period of 5 years from the date of implementation. The Board of Directors and ESOS Committee may as deemed fit, extend the ESOS for another 5 years.

The salient features and other terms of the ESOS are disclosed in Note 21(b) to the financial statements.

Details of options granted to directors are disclosed in the Section on Directors' Interests in this report.

## 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:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts in respect of the financial statements of the Group. The directors were also satisfied that there were no known bad debts and that no provision for doubtful debts was necessary in respect of the financial statements of the Company; and
  - (ii) 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:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent nor are they aware of any circumstances which would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (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.

## SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 32 to the financial statements.

## AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 December 2007.

DATO' AHMAD IBNIHAJAR

LAW KIM CHOON

# Statement By Directors and Statutory Declaration

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, DATO' AHMAD IBNIHAJAR and LAW KIM CHOON, 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 39 to 104 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2007 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 December 2007.

DATO' AHMAD IBNIHAJAR

LAW KIM CHOON

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

I, LAW KIM CHOON, being the director primarily responsible for the financial management of D'NONCE TECHNOLOGY BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 104 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 LAW KIM CHOON  
at Georgetown in the State of Penang  
on 19 December 2007 :

LAW KIM CHOON

Before me,

CHEAH BENG SUN  
DJN, AMN, PKT, PJK, PJM, PK  
NO. P103  
Commissioner for Oaths

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

We have audited the financial statements set out on pages 39 to 104. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 Financial Reporting 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 2007 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 material to the consolidated financial statements 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

OO BOON BENG  
No. 1939/12/08(J)  
Partner

Penang, Malaysia  
Date: 19 December 2007

# Income Statements

For The Financial Year Ended 31 August 2007

	Note	GROUP		COMPANY	
		2007 RM	Restated 2006 RM	2007 RM	2006 RM
Revenue	3	163,657,112	169,216,354	1,485,593	1,319,603
Other income	4	541,906	778,531	1,874	43,963
Changes in inventories of finished goods and work-in-progress		(1,513,414)	251,086	-	-
Raw materials and consumables used		(30,206,776)	(30,460,124)	-	-
Trading goods purchased		(84,423,963)	(84,054,531)	-	-
Employee benefits expense	5	(24,691,235)	(27,966,817)	(2,465,075)	(2,265,885)
Depreciation		(4,639,087)	(4,699,970)	(185,817)	(208,637)
Reversal of impairment loss on plant and equipment		-	526,872	-	-
Other expenses		(17,395,871)	(16,655,181)	(2,803,620)	(9,187,192)
<b>Operating profit/(loss)</b>	6	<u>1,328,672</u>	<u>6,936,220</u>	<u>(3,967,045)</u>	<u>(10,298,148)</u>
Finance costs	8	(1,287,847)	(1,011,373)	(98,288)	(14,013)
<b>Profit/(loss) before tax</b>		<u>40,825</u>	<u>5,924,847</u>	<u>(4,065,333)</u>	<u>(10,312,161)</u>
Income tax expense	9	(834,814)	(1,764,328)	-	-
<b>(Loss)/profit for the financial year</b>		<u>(793,989)</u>	<u>4,160,519</u>	<u>(4,065,333)</u>	<u>(10,312,161)</u>
Attributable to:					
Equity holders of the Company		(1,988,160)	2,664,391	(4,065,333)	(10,312,161)
Minority interests		<u>1,194,171</u>	<u>1,496,128</u>	<u>-</u>	<u>-</u>
		<u>(793,989)</u>	<u>4,160,519</u>	<u>(4,065,333)</u>	<u>(10,312,161)</u>
<b>Earnings per share attributable to equity holders of the Company (sen):</b>					
Basic, for (loss)/profit for the year	10(a)	(4.41)	5.91		
Diluted, for (loss)/profit for the year	10(b)	<u>(4.41)</u>	<u>5.91</u>		

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



# Balance Sheets

As At 31 August 2007



	Note	GROUP		COMPANY	
		2007 RM	Restated 2006 RM	2007 RM	2006 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	38,309,464	22,500,305	452,831	456,568
Investments in subsidiaries	12	-	-	37,080,957	35,122,911
Investment properties	13	6,972,868	7,288,059	-	-
Other investments	14	98,720	98,720	-	-
Intangible asset	15	413,371	289,128	-	-
		<u>45,794,423</u>	<u>30,176,212</u>	<u>37,533,788</u>	<u>35,579,479</u>
<b>Current assets</b>					
Inventories	16	19,857,914	21,410,339	-	-
Trade and other receivables	17	32,118,733	35,945,086	7,806,220	10,362,551
Cash and bank balances	18	11,136,514	7,295,118	41,675	233,328
		<u>63,113,161</u>	<u>64,650,543</u>	<u>7,847,895</u>	<u>10,595,879</u>
<b>TOTAL ASSETS</b>		<u>108,907,584</u>	<u>94,826,755</u>	<u>45,381,683</u>	<u>46,175,358</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	19	45,101,000	45,101,000	45,101,000	45,101,000
Share premium	19	12,309,806	12,309,806	12,309,806	12,309,806
Other reserves	20	2,100,783	1,733,195	-	-
Accumulated losses		<u>(13,651,619)</u>	<u>(11,663,459)</u>	<u>(21,088,772)</u>	<u>(17,023,439)</u>
		45,859,970	47,480,542	36,322,034	40,387,367
<b>Minority interests</b>		<u>8,284,714</u>	<u>4,494,742</u>	-	-
<b>Total equity</b>		<u>54,144,684</u>	<u>51,975,284</u>	<u>36,322,034</u>	<u>40,387,367</u>
<b>Non-current liabilities</b>					
Retirement benefit obligations	21	1,000,511	493,311	1,000,511	493,311
Borrowings	22	12,736,657	2,771,494	178,650	159,347
Preference shares	23	5,205	4,998	-	-
Deferred tax liabilities	24	212,025	148,128	-	-
		<u>13,954,398</u>	<u>3,417,931</u>	<u>1,179,161</u>	<u>652,658</u>

# Balance Sheets

As At 31 August 2007

	Note	GROUP		COMPANY	
		2007 RM	Restated 2006 RM	2007 RM	2006 RM
<b>Current liabilities</b>					
Borrowings	22	14,907,385	12,353,333	100,461	76,079
Trade and other payables	25	25,757,316	26,980,139	7,780,027	5,059,254
Current tax payable		143,801	100,068	-	-
		<u>40,808,502</u>	<u>39,433,540</u>	<u>7,880,488</u>	<u>5,135,333</u>
<b>Total liabilities</b>		<u>54,762,900</u>	<u>42,851,471</u>	<u>9,059,649</u>	<u>5,787,991</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>108,907,584</u>	<u>94,826,755</u>	<u>45,381,683</u>	<u>46,175,358</u>

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

# Consolidated Statements Of Changes In Equity

For The Financial Year Ended 31 August 2007



← Attributable to Equity Holders of the Company →

← Non-Distributable →

Foreign

Currency

Other

Capital Reserve

Accumulated Reserve

Losses

Minority Interests

Total Equity

RM

	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Other Capital Reserve RM	Accumulated Losses RM	Total RM	Minority Interests RM	Total Equity RM
<b>At 1 September 2005</b>	45,101,000	12,309,806	(55,000)	1,420,000	(14,327,850)	44,447,956	2,858,343	47,306,299
Foreign currency translation, representing net income recognised directly in equity	-	-	368,195	-	-	368,195	140,271	508,466
Profit for the financial year	-	-	-	-	2,664,391	2,664,391	1,496,128	4,160,519
Total recognised income and expense for the financial year	-	-	368,195	-	2,664,391	3,032,586	1,636,399	4,668,985
<b>At 31 August 2006</b>	45,101,000	12,309,806	313,195	1,420,000	(11,663,459)	47,480,542	4,494,742	51,975,284
<b>At 1 September 2006</b>	45,101,000	12,309,806	313,195	1,420,000	(11,663,459)	47,480,542	4,494,742	51,975,284
Contribution to share capital of a subsidiary by minority interests	-	-	-	-	-	-	2,397,128	2,397,128
Minority interests share of net assets of subsidiary acquired during the year (Note 12(a))	-	-	-	-	-	-	21,336	21,336
Foreign currency translation, representing net income recognised directly in equity	-	-	367,588	-	-	367,588	177,337	544,925
Loss for the financial year	-	-	-	-	(1,988,160)	(1,988,160)	1,194,171	(793,989)
Total recognised income and expense for the financial year	-	-	367,588	-	(1,988,160)	(1,620,572)	1,371,508	(249,064)
<b>At 31 August 2007</b>	45,101,000	12,309,806	680,783	1,420,000	(13,651,619)	45,859,970	8,284,714	54,144,684

# Company Statements Of Changes In Equity

For The Financial Year Ended 31 August 2007

	Share Capital RM	Non- Distributable Share Premium RM	Accumulated Losses RM	Total RM
<b>At 1 September 2005</b>	45,101,000	12,309,806	(6,711,278)	50,699,528
Loss for the financial year, representing total recognised income and expense for the financial year	-	-	(10,312,161)	(10,312,161)
<b>At 31 August 2006</b>	45,101,000	12,309,806	(17,023,439)	40,387,367
<b>At 1 September 2006</b>	45,101,000	12,309,806	(17,023,439)	40,387,367
Loss for the financial year, representing total recognised income and expense for the financial year	-	-	(4,065,333)	(4,065,333)
<b>At 31 August 2007</b>	45,101,000	12,309,806	(21,088,772)	36,322,034

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

# Cash Flow Statements

For The Financial Year Ended 31 August 2007



	GROUP		COMPANY	
	2007 RM	Restated 2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before tax	40,825	5,924,847	(4,065,333)	(10,312,161)
Adjustments for:				
Bad debts written off	11,084	3,743	-	-
Depreciation of property, plant and equipment	4,323,896	4,384,779	185,817	208,637
Depreciation of investment properties	315,191	315,191	-	-
Interest expense	1,287,847	1,011,373	98,288	14,013
Inventories written off	2,041,840	851,400	-	-
Write back of inventories	(37,583)	-	-	-
Pension costs – defined benefit plan	507,200	766,426	445,151	708,662
Property, plant and equipment written off	178,178	217,031	-	-
Provision for doubtful debts	6,217	67,026	-	-
Reversal of impairment loss on plant and equipment	-	(526,872)	-	-
Short-term accumulating compensated absences	(14,055)	239,853	(22,787)	82,500
Impairment losses of:				
- investment in subsidiaries	-	-	2,140,066	8,500,000
- golf club membership	-	89,485	-	-
Write-down of inventories	107,237	147,915	-	-
Unrealised gain on foreign exchange	(87,869)	(332,686)	-	-
Gain on disposal of property, plant and equipment	(9,112)	(91,434)	-	-
Interest income	(167,785)	(41,691)	(251)	(23,493)
Operating profit/(loss) before working capital changes	8,503,111	13,026,386	(1,219,049)	(821,842)
Increase in inventories	(559,069)	(2,205,901)	-	-
Decrease/(increase) in trade and other receivables	4,628,986	(6,243,556)	12,290	90,750
(Decrease)/increase in trade and other payables	(1,216,232)	2,562,431	(342,647)	(596,522)
Cash generated from/(used in) operations	11,356,796	7,139,360	(1,549,406)	(1,327,614)
Taxes paid	(1,376,670)	(672,777)	-	-
Interest paid	(1,287,847)	(1,011,373)	(98,288)	(14,013)
Net cash generated from/(used in) operating activities	8,692,279	5,455,210	(1,647,694)	(1,341,627)

# Cash Flow Statements

For The Financial Year Ended 31 August 2007

	Note	GROUP		COMPANY	
		2007 RM	Restated 2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		167,785	41,691	251	23,493
Proceeds from disposal of property, plant and equipment		86,921	2,209,231	-	-
Additional investment in a subsidiary		-	-	(4,098,112)	-
Acquisition of a subsidiary (Note 12(a))		(178,023)	-	-	(68,740)
Purchase of property, plant and equipment	A	<u>(19,319,745)</u>	<u>(3,842,422)</u>	<u>(62,080)</u>	<u>(76,992)</u>
Net cash used in investing activities		<u>(19,243,062)</u>	<u>(1,591,500)</u>	<u>(4,159,941)</u>	<u>(122,239)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of short term borrowings		(302,066)	(951,677)	-	-
Net change in subsidiaries balances		-	-	5,692,297	898,135
Repayment of hire-purchase and lease financing		(148,504)	(417,956)	(76,315)	(70,574)
Drawdown of term loans		10,500,000	-	-	-
Subscription of shares in a subsidiary by minority interests		2,397,128	-	-	-
Repayment of term loans		<u>(604,382)</u>	<u>(637,226)</u>	-	-
Net cash generated from/(used in) financing activities		<u>11,842,176</u>	<u>(2,006,859)</u>	<u>5,615,982</u>	<u>827,561</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,291,393	1,856,851	(191,653)	(636,305)
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>		295,570	301,525	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		<u>3,420,997</u>	<u>1,262,621</u>	<u>233,328</u>	<u>869,633</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	B	<u>5,007,960</u>	<u>3,420,997</u>	<u>41,675</u>	<u>233,328</u>

# Cash Flow Statements

For The Financial Year Ended 31 August 2007



## A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company acquired property, plant and equipment by way of the following:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash payment	19,319,745	3,842,422	62,080	76,992
Hire-purchase and lease financing	819,734	658,441	120,000	-
	<u>20,139,479</u>	<u>4,500,863</u>	<u>182,080</u>	<u>76,992</u>

## B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Deposits with licensed banks (Note 18)	4,528,923	2,577,112	-	-
Cash and bank balances (Note 18)	6,607,591	4,718,006	41,675	233,328
Bank overdrafts (Note 22)				
- secured	<u>(6,128,554)</u>	<u>(3,874,121)</u>	<u>-</u>	<u>-</u>
	<u>5,007,960</u>	<u>3,420,997</u>	<u>41,675</u>	<u>233,328</u>

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

# Notes To The Financial Statements

31 August 2007

## 1. CORPORATE INFORMATION

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

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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 December 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial period beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia ("RM").

### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiaries and Basis of Consolidation

##### i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statements.

##### ii. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of its subsidiaries are prepared for the same reporting date as the Company.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (a) Subsidiaries and Basis of Consolidation (Contd.)

##### ii. Basis of Consolidation (Contd.)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

#### (b) Intangible Assets

##### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

# Notes To The Financial Statements

31 August 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statements during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. 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%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statements.

#### (d) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment properties is provided for on a straight-line basis to write off the cost of the investment properties to its residual value over the estimated useful life of 60 years and 99 years.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statements in the year in which they arise.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (e) Impairment of Non-financial Assets

The carrying amounts of assets, other than investment properties, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statements in the period in which it arises, unless the asset is carried at revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statements, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is principally determined using the first-in, first-out basis. The costs of finished goods and work-in-progress comprise cost of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (g) 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 recognised directly in 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. 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.

##### ii. 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 statements.

##### iii. 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.

##### iv. Payables

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (g) Financial Instruments (Contd.)

##### v. Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using effective interest method.

##### vi. 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.

##### vii. Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

##### viii. Forward foreign exchange contracts

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statements in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

#### (h) Leases

##### i. Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (h) Leases (Contd.)

##### ii. Finance Leases – the Group as Lessee

Assets acquired by way of hire-purchase or finance leases 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 respective subsidiary company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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 in the income statements 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 in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

##### iii. Operating Leases – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

##### iv. Operating Leases – the Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(o)(iii)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### (i) Borrowing 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statements in the period in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (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 financial 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. In principle, deferred tax liabilities are recognised for all taxable temporary differences. 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.

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 as income or an expense and included in the income statements for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

#### (k) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### (l) Employee Benefits

##### i. Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### ii. Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statements as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

#### iii. Defined Benefit Plans

The Group operates an unfunded, defined benefit Retirement Benefit Scheme (“the Scheme”) for its eligible employees. The Group’s obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past services costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

#### iv. Share-based Compensation

The Company’s Employee Share Options Scheme (“ESOS”), an equity-settled share-based compensation plan, allows the Group’s employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statements, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (l) Employee Benefits (Contd.)

##### v. Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

#### (n) Foreign Currencies

##### i. Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the functional currency, which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

##### ii. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statements for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statements. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in income statements for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statements in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (n) Foreign Currencies (Contd.)

##### ii. Foreign Currency Transactions (Contd.)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statements for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### iii. Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 September 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 September 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition

#### (o) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### i. Sale of Goods

Revenue is recognised net of sales tax and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (o) Revenue Recognition (Contd.)

##### ii. Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

##### iii. Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

##### iv. Dividend Income

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

##### v. Management Fees

Management fees are recognised when services are rendered.

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The Malaysia Accounting Standards Board ("MASB") has issued a number of new and revised FRSs and Interpretations that are effective for financial periods beginning on or after 1 January 2006.

Except for the changes in accounting policies and their effects as discussed below, the new and revised FRSs and Interpretations do not have any other significant impact on the financial statements of the Group and of the Company:

#### (a) FRS 101: Presentation of Financial Statements

Prior to 1 September 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

This change in presentation has been applied retrospectively and as disclosed in Note 2.3(d), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 August 2007 are set out in Note 2.3(c). This change in presentation has no impact on the consolidated income statement and the Company's financial statements.

# Notes To The Financial Statements

31 August 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

#### (b) FRS 140: Investment Property

Prior to 1 September 2006, investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The adoption of FRS 140 has resulted in a change in the accounting policy relating to the classification of investment properties.

The Group has applied FRS 140 retrospectively and as disclosed in Note 2.3(d), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 August 2007 are set out in Note 2.3(c). There were no effects on the consolidated income statement for the year ended 31 August 2007 and the Company's financial statements.

#### (c) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 August 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

##### (i) Effects on balance sheets as at 31 August 2007

Description of Change	← Increase/(decrease) →		Total RM
	FRS 101 Note 2.3(a) RM	FRS 140 Note 2.3(b) RM	
<b>GROUP</b>			
Property, plant and equipment	-	(6,972,868)	(6,972,868)
Investment properties	-	6,972,868	6,972,868
Total equity	8,284,714	-	8,284,714

##### (ii) Effects on Income Statement for the year ended 31 August 2007

Description of Change	Previously Stated RM	← Increase/ (decrease) →		Total RM
		FRS 140 Note 2.3(b) RM		
<b>GROUP</b>				
Revenue	162,893,912	763,200		163,657,112
Other income	1,305,106	(763,200)		541,906

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

#### (d) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs and to conform with current year's presentation:

Description of Change	Previously Stated RM	← Increase/(decrease) →		Restated RM
		FRS 101 Note 2.3(a) RM	FRS 140 Note 2.3(b) RM	
<b>At 31 August 2006</b>				
<b>Balance Sheets</b>				
<b>GROUP</b>				
Property, plant and equipment	29,788,364	-	(7,288,059)	22,500,305
Investment properties	-	-	7,288,059	7,288,059
Total equity	47,480,542	4,494,742	-	51,975,284

#### For the year ended 31 August 2006

Description of Change	Previously Stated RM	Reclassi- fication RM	← Increase/(decrease) →		Restated RM
			FRS 101 Note 2.3(a) RM	FRS 140 Note 2.3(b) RM	
<b>Income Statements</b>					
<b>GROUP</b>					
Revenue	168,683,154	-	-	533,200	169,216,354
Other income	2,063,118	(751,387)	-	(533,200)	778,531
Other expenses	(17,258,581)	603,400	-	-	(16,655,181)
Operating profit	7,084,207	(147,987)	-	-	6,936,220
Finance costs	(1,159,360)	147,987	-	-	(1,011,373)
<b>COMPANY</b>					
Other income	20,558	23,405	-	-	43,963
Other expenses	(9,184,330)	(2,862)	-	-	(9,187,192)
Operating loss	(10,318,691)	20,543	-	-	(10,298,148)
Finance costs	6,530	(20,543)	-	-	(14,013)

# Notes To The Financial Statements

31 August 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.4 Standards and Interpretations Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendments to FRSs and Interpretations	Effective for financial periods beginning on or after	
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 <sub>2004</sub>	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 117, FRS 124 and FRS 139.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.4 Standards and Interpretations Issued But Not Yet Effective (Contd.)

The above FRSs, amendments to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except as follows:-

#### FRS 112 Income Taxes

The Group does not recognise deferred tax assets on unused reinvestment allowances as required by paragraph 36 of FRS 112<sub>2004</sub> Income Taxes. Under the revised FRS112 Income Taxes, the Group will have to recognise deferred tax asset on such unused reinvestment allowances to the extent that it is probable that future taxable profit will be available against which the unused reinvestment allowances can be utilised. Early adoption of this revised FRS would not have resulted in any deferred tax assets on unutilized reinvestment allowances being recognised in the financial statements of the Group for the year ended 31 August 2007.

### 2.5 Significant Accounting Estimates and Judgements

#### (a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

##### i. Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

##### ii. Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on its investment property. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating lease basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.5 Significant Accounting Estimates and Judgements (Contd.)

#### (b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### i. Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 August 2007 was RM413,371 (2006: RM289,128). Further details are disclosed in Note 15.

##### ii. Deferred tax

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of unrecognised tax losses and capital allowances of the Group and of the Company was RM25,612,188 (2006: RM20,184,733) and RM5,836,664 (2006: RM5,113,145) respectively. Further details are disclosed in Note 24.

##### iii. Impairment of Investments in Subsidiaries

During the current year, the Company has recognised impairment losses in respect of investments in subsidiaries. The Company carried out the impairment test based on the estimate of the higher of the value-in-use or the fair value less cost to sell of the cash-generating unit ("CGU") to which the investments in subsidiaries belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of investments in subsidiaries of the Company as 31 August 2007 was RM37,080,957 (2006: RM35,122,911). Further details of the impairment losses recognised are disclosed in Note 12(b).



### 3. REVENUE

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Sales of goods	162,893,912	168,683,154	-	-
Management fees	-	-	1,485,593	1,319,603
Rental income from investment properties	763,200	533,200	-	-
	<u>163,657,112</u>	<u>169,216,354</u>	<u>1,485,593</u>	<u>1,319,603</u>

### 4. OTHER INCOME

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest income	167,785	41,691	251	23,493
Rental income	73,479	214,378	-	-
Scrap sales	106,625	25,080	-	-
Management income	59,739	56,661	-	-
Miscellaneous	134,278	440,721	1,623	20,470
	<u>541,906</u>	<u>778,531</u>	<u>1,874</u>	<u>43,963</u>

### 5. EMPLOYEE BENEFITS EXPENSE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Wages and salaries	20,025,843	21,995,605	1,677,613	1,234,436
Social security contribution	357,302	359,877	8,726	6,399
Short term accumulating compensated absences	(14,055)	239,853	(22,787)	82,500
Contributions to defined contribution plan	1,597,843	1,659,734	232,864	172,583
Defined benefit plan (Note 21(a))	507,200	766,426	445,151	708,662
Termination benefits	173,789	-	-	-
Other benefits	2,043,313	2,945,322	123,508	61,305
	<u>24,691,235</u>	<u>27,966,817</u>	<u>2,465,075</u>	<u>2,265,885</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,134,995 (2006: RM3,449,119) and RM1,185,228 (2006: RM1,612,122) respectively as further disclosed in Note 7.

# Notes To The Financial Statements

31 August 2007

## 6. OPERATING PROFIT/(LOSS)

The following amounts have been included in arriving at operating profit/(loss):

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Auditors' remuneration				
- statutory audits				
- current year	220,483	184,327	13,000	12,000
- under provision in prior financial year	13,883	6,806	800	-
- special audit	95,913	43,965	-	-
Bad debts written off	11,084	3,743	-	-
Inventories written off	2,041,840	851,400	-	-
Gain on disposal of property, plant and equipment	(9,112)	(91,434)	-	-
Property, plant and equipment written off	178,178	217,031	-	-
Provision for doubtful debts	6,217	67,026	-	-
Write-down of inventories	107,237	147,915	-	-
Write-back of inventories	(37,583)	-	-	-
Impairment losses of:				
- investment in subsidiaries	-	-	2,140,066	8,500,000
- golf club membership	-	89,485	-	-
Directors' remuneration	3,065,495	3,327,819	1,105,728	1,558,122
Directors' fees	198,000	307,300	208,000	240,000
Freight costs	1,867,041	2,310,462	-	-
Realised loss on foreign exchange	734,172	511,437	3,964	2,483
Restructuring costs	-	20,000	-	20,000
Rental expense	1,112,501	706,804	7,200	-
Unrealised gain on foreign exchange	(87,869)	(332,686)	(2,981)	-
Utilities	2,911,943	3,142,027	31,894	22,735

## 7. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Directors of the Company</b>				
Executive directors' remuneration				
Salaries and other emoluments	881,115	1,199,674	429,661	608,099
Fees	92,000	101,300	92,000	54,000
Bonus				
- current year's provision	82,359	232,708	34,721	131,238
- under provision in prior year	173,089	-	93,003	-
Defined contribution plan	216,461	260,099	90,692	110,123
Defined benefit plan	347,793	708,662	445,151	708,662
	<u>1,792,817</u>	<u>2,502,443</u>	<u>1,185,228</u>	<u>1,612,122</u>

## 7. DIRECTORS' REMUNERATION (CONTD.)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-executive directors' remuneration				
Salaries and other emoluments	12,500	-	12,500	-
Fees	116,000	186,000	116,000	186,000
	<u>128,500</u>	<u>186,000</u>	<u>128,500</u>	<u>186,000</u>
	<u>1,921,317</u>	<u>2,688,443</u>	<u>1,313,728</u>	<u>1,798,122</u>
<b>Directors of Subsidiaries</b>				
Executive:				
Salaries and other emoluments	1,160,653	814,511	-	-
Bonus	191,525	112,165	-	-
Fee	(10,000)	20,000	-	-
	<u>1,342,178</u>	<u>946,676</u>	<u>-</u>	<u>-</u>
Total	<u>3,263,495</u>	<u>3,635,119</u>	<u>1,313,728</u>	<u>1,798,122</u>

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

	Number of Directors	
	2007	2006
Executive directors:		
RM350,001 – RM400,000	-	1
RM550,001 – RM600,000	-	1
RM700,001 – RM750,000	-	1
RM750,001 – RM800,000	-	1
More than RM800,000	2	-
Non-Executive directors:		
Less than RM50,000	5	5

## 8. FINANCE COSTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest expense on:				
Bank borrowings	632,760	668,140	87,791	-
Term loans	561,520	269,346	-	-
Hire purchase and finance lease liabilities	93,567	73,887	10,497	14,013
Total interest expense	<u>1,287,847</u>	<u>1,011,373</u>	<u>98,288</u>	<u>14,013</u>

# Notes To The Financial Statements

31 August 2007

## 9. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Current income tax:				
Malaysian income tax	771,634	1,117,347	-	-
(Over)/under provided in prior financial years	(717)	10,874	-	-
	<u>770,917</u>	<u>1,128,221</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	(5,910)	(68,150)	-	-
Relating to changes in tax rates	480	-	-	-
Reversal of deferred tax assets recognised in prior financial year	-	713,000	-	-
Under/(over) provided in prior financial years	69,327	(8,743)	-	-
	<u>63,897</u>	<u>636,107</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>834,814</u>	<u>1,764,328</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008. The computation of deferred tax as at 31 August 2007 has reflected this change.

Two overseas subsidiaries in Thailand have been granted certain promotional privileges, subject to certain terms and conditions being complied with, inter alia, the following:

- (i) full tax exemption from corporation income tax on the net profit from the promoted business for a period of between 1 to 8 years; and
- (ii) 50% deduction of normal corporate income tax for a period of 5 years following the end of the promotional period of 1 year in respect of a subsidiary.

## 9. INCOME TAX EXPENSE (CONTD.)

A reconciliation of income tax expense applicable to profit/(loss) 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	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit/(loss) before tax	<u>40,825</u>	<u>5,924,847</u>	<u>(4,065,333)</u>	<u>(10,312,161)</u>
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	11,023	1,658,957	(1,097,640)	(2,887,405)
Different tax rates in other countries	(66,128)	(91,398)	-	-
Income not subject to tax	(932,741)	(1,019,121)	-	(1,846)
Expenses not deductible for tax purposes	447,355	438,222	656,095	2,491,070
Expenses allowable for double deductions	(464)	(2,398)	-	-
Reversal of deferred tax assets recognised in prior financial year	-	713,000	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	-	(147,586)	-	(5,562)
Deferred tax assets not recognised during the financial year	1,435,901	373,000	293,045	319,743
(Over)/under provided in prior years				
- tax expense	(717)	10,874	-	-
- deferred tax	69,327	(8,743)	-	-
Tax savings of 7% (2006: 8%) on the first RM500,000 chargeable income	(128,742)	(160,479)	-	-
Group relief surrendered to a subsidiary	-	-	148,500	84,000
Income tax expense for the financial year	<u>834,814</u>	<u>1,764,328</u>	<u>-</u>	<u>-</u>

Tax savings recognised during the financial year arising from:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Utilisation of current year's tax losses	<u>557,000</u>	<u>65,003</u>	<u>-</u>	<u>-</u>

# Notes To The Financial Statements

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## 10. EARNINGS PER SHARE

### GROUP

#### (a) Basic

Basic earnings per share is calculated by dividing the (loss)/profit for the financial year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year.

	2007	2006
(Loss)/profit attributable to ordinary equity holders of the Company (RM)	<u>(1,988,160)</u>	<u>2,664,391</u>
Number of ordinary shares in issue ('000)	<u>45,101</u>	<u>45,101</u>
Basic (loss)/earnings per share (sen)	<u>(4.41)</u>	<u>5.91</u>

#### (b) Diluted

The effect on the basic (loss)/earnings per share arising from the assumed conversion of the options over shares are anti-dilutive. Accordingly, the diluted loss/earnings per share is presented as equal to basic (loss)/earnings per share.

## 11. PROPERTY, PLANT AND EQUIPMENT

	* Land and Buildings RM	Plant and Machinery RM	Office Furniture, Fittings and Computer Equipment RM	Motor Vehicles RM	Renovation RM	Capital Work-In- Progress RM	Total RM
<b>GROUP</b>							
<b>2007</b>							
<b>Cost</b>							
At 1 September							
2006	11,670,112	17,179,839	7,389,322	1,998,199	3,952,054	106,828	42,296,354
Additions	8,922,549	7,596,344	825,027	764,873	632,004	1,398,682	20,139,479
Transfers	-	53,710	-	-	-	(53,710)	-
Disposals	-	(49,800)	(9,759)	(24,000)	-	(64,216)	(147,775)
Write off	-	(222,705)	(202,531)	-	(36,017)	-	(461,253)
Exchange differences	-	150,786	30,535	12,866	109,572	2,549	306,308
At 31 August 2007	<u>20,592,661</u>	<u>24,708,174</u>	<u>8,032,594</u>	<u>2,751,938</u>	<u>4,657,613</u>	<u>1,390,133</u>	<u>62,133,113</u>

## 11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	* Land and Buildings RM	Plant and Machinery RM	Office Furniture, Fittings and Computer Equipment RM	Motor Vehicles RM	Renovation RM	Capital Work-In- Progress RM	Total RM
<b>GROUP (CONTD.)</b>							
<b>Accumulated Depreciation and Impairment</b>							
At 1 September 2006							
Accumulated depreciation	1,914,719	10,247,214	5,113,765	1,208,142	990,283	-	19,474,123
Accumulated impairment	-	321,926	-	-	-	-	321,926
	<u>1,914,719</u>	<u>10,569,140</u>	<u>5,113,765</u>	<u>1,208,142</u>	<u>990,283</u>	<u>-</u>	<u>19,796,049</u>
Depreciation charge for the financial year	281,351	2,387,715	941,379	292,443	421,008	-	4,323,896
Disposals	-	(38,130)	(7,837)	(23,999)	-	-	(69,966)
Write off	-	(81,538)	(194,486)	-	(7,051)	-	(283,075)
Exchange differences	-	20,634	15,653	5,341	15,117	-	56,745
At 31 August 2007	<u>2,196,070</u>	<u>12,857,821</u>	<u>5,868,474</u>	<u>1,481,927</u>	<u>1,419,357</u>	<u>-</u>	<u>23,823,649</u>
Analysed as:							
Accumulated depreciation	2,196,070	12,535,895	5,868,474	1,481,927	1,419,357	-	23,501,723
Accumulated impairment	-	321,926	-	-	-	-	321,926
	<u>2,196,070</u>	<u>12,857,821</u>	<u>5,868,474</u>	<u>1,481,927</u>	<u>1,419,357</u>	<u>-</u>	<u>23,823,649</u>
<b>Net Carrying Amount</b>							
At 31 August 2007	<u>18,396,591</u>	<u>11,850,353</u>	<u>2,164,120</u>	<u>1,270,011</u>	<u>3,238,256</u>	<u>1,390,133</u>	<u>38,309,464</u>

# Notes To The Financial Statements

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## 11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	* Land and Buildings RM	Plant and Machinery RM	Office Furniture, Fittings and Computer Equipment RM	Motor Vehicles RM	Renovation RM	Capital Work-In- Progress RM	Total RM
<b>2006 (restated)</b>							
<b>Cost</b>							
At 1 September 2005	11,670,112	28,024,855	7,090,955	1,879,004	2,610,855	430,705	51,706,486
Additions	-	2,725,288	493,960	174,890	999,897	106,828	4,500,863
Transfers	-	65,697	-	-	365,008	(430,705)	-
Disposals	-	(13,153,337)	(14,790)	(74,114)	-	-	(13,242,241)
Write off	-	(395,640)	(222,688)	-	(98,584)	-	(716,912)
Exchange differences	-	(87,024)	41,885	18,419	74,878	-	48,158
At 31 August 2006	11,670,112	17,179,839	7,389,322	1,998,199	3,952,054	106,828	42,296,354
<b>Accumulated Depreciation and Impairment</b>							
At 1 September 2005							
Accumulated depreciation	1,628,642	15,654,113	4,239,059	1,033,675	717,305	-	23,272,794
Accumulated impairment	-	750,120	55,513	-	43,165	-	848,798
	1,628,642	16,404,233	4,294,572	1,033,675	760,470	-	24,121,592
Depreciation charge for the financial year	286,077	2,626,013	991,460	220,268	260,961	-	4,384,779
Reversal of impairment losses	-	(428,194)	(55,513)	-	(43,165)	-	(526,872)
Disposals	-	(7,460,446)	(10,968)	(53,029)	-	-	(7,524,443)
Write off	-	(367,053)	(127,269)	-	(5,559)	-	(499,881)
Exchange differences	-	(205,413)	21,483	7,228	17,576	-	(159,126)
At 31 August 2006	1,914,719	10,569,140	5,113,765	1,208,142	990,283	-	19,796,049



## 11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	* Land and Buildings RM	Plant and Machinery RM	Office Furniture, Fittings and Computer Equipment RM	Motor Vehicles RM	Renovation RM	Capital Work-In-Progress RM	Total RM
<b>2006 (restated)</b>							
Analysed as:							
Accumulated depreciation	1,914,719	10,247,214	5,113,765	1,208,142	990,283	-	19,474,123
Accumulated impairment	-	321,926	-	-	-	-	321,926
	<u>1,914,719</u>	<u>10,569,140</u>	<u>5,113,765</u>	<u>1,208,142</u>	<u>990,283</u>	<u>-</u>	<u>19,796,049</u>

### Net Carrying Amount

At 31 August 2006	<u>9,755,393</u>	<u>6,610,699</u>	<u>2,275,557</u>	<u>790,057</u>	<u>2,961,771</u>	<u>106,828</u>	<u>22,500,305</u>
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### \* LAND AND BUILDINGS OF THE GROUP:

	Freehold Land RM	Short Leasehold Land RM	Buildings RM	Total RM
<b>2007</b>				
<b>Cost</b>				
At 1 September 2006	585,414	1,429,635	9,655,063	11,670,112
Additions	3,722,738	-	5,199,811	8,922,549
At 31 August 2007	<u>4,308,152</u>	<u>1,429,635</u>	<u>14,854,874</u>	<u>20,592,661</u>

### Accumulated Depreciation

At 1 September 2006	-	267,471	1,647,248	1,914,719
Depreciation charge for the financial year	-	27,978	253,373	281,351
At 31 August 2007	<u>-</u>	<u>295,449</u>	<u>1,900,621</u>	<u>2,196,070</u>

### Net Carrying Amount

At 31 August 2007	<u>4,308,152</u>	<u>1,134,186</u>	<u>12,954,253</u>	<u>18,396,591</u>
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# Notes To The Financial Statements

31 August 2007

## 11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold Land RM	Short Leasehold Land RM	Buildings RM	Total RM
<b>2006 (restated)</b>				
<b>Cost</b>				
At 1 September 2005 and 31 August 2006	585,414	1,429,635	9,655,063	11,670,112
<b>Accumulated Depreciation</b>				
At 1 September 2005	-	239,493	1,389,149	1,628,642
Depreciation charge for the financial year	-	27,978	258,099	286,077
At 31 August 2006	-	267,471	1,647,248	1,914,719
<b>Net Carrying Amount</b>				
At 31 August 2006	585,414	1,162,164	8,007,815	9,755,393
<b>COMPANY</b>				
<b>2007</b>				
<b>Cost</b>				
At 1 September 2006		365,000	717,194	1,082,194
Additions		139,306	42,774	182,080
At 31 August 2007		504,306	759,968	1,264,274
<b>Accumulated Depreciation</b>				
At 1 September 2006		79,083	546,543	625,626
Depreciation charge for the financial year		77,643	108,174	185,817
At 31 August 2007		156,726	654,717	811,443
<b>Net Carrying Amount</b>				
At 31 August 2007		347,580	105,251	452,831
<b>2006</b>				
<b>Cost</b>				
At 1 September 2005		365,000	640,202	1,005,202
Additions		-	76,992	76,992
At 31 August 2006		365,000	717,194	1,082,194

## 11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

COMPANY	Motor Vehicle RM	Office Furniture, Fittings and Computer Equipment RM	Total RM
<b>Accumulated Depreciation</b>			
At 1 September 2005	6,083	410,906	416,989
Depreciation charge for the financial year	73,000	135,637	208,637
At 31 August 2006	79,083	546,543	625,626
<b>Net Carrying Amount</b>			
At 31 August 2006	285,917	170,651	456,568

- (a) Net carrying amounts of property, plant and equipment held under hire-purchase and finance lease arrangements are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Plant and machinery	905,987	661,076	-	-
Motor vehicles	1,024,691	634,962	347,580	285,917
	<u>1,930,678</u>	<u>1,296,038</u>	<u>347,580</u>	<u>285,917</u>

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclose in Note 22.1.

- (b) The net carrying amounts of property, plant and equipment charged to licensed banks as securities for borrowings (Note 22) are as follows:

	GROUP	
	2007 RM	2006 RM
Land and buildings	17,398,141	8,808,435
Plant and machinery	6,631,047	1,275,105
Office furniture, fittings and computer equipment	670,106	555,525
Motor vehicles	92,720	18,340
Renovation	1,303,202	1,168,814
	<u>26,095,216</u>	<u>11,826,219</u>

- (c) Included in plant and equipment of the Group and of the Company are fully depreciated assets which are still in use costing RM7,569,102 (2006: RM5,378,790) and RM581,248 (2006: nil) respectively.
- (d) Certain motor vehicles of the Group and of the Company with cost RM448,500 (2006: RM365,000) and RM365,000 (2006: RM365,000) respectively are held in trust by a director and an employee.
- (e) The unexpired lease periods of leasehold land of the Group range between 39 years to 40 years (2006: 40 years to 41 years).

# Notes To The Financial Statements

31 August 2007

## 12. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2007	2006
	RM	RM
Unquoted shares, at cost	47,864,816	43,766,704
Accumulated impairment losses	(10,783,859)	(8,643,793)
	<u>37,080,957</u>	<u>35,122,911</u>

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of Ownership Interest		Principal Activities
		2007 %	2006 %	
D'nonce (M) Sdn. Bhd.	Malaysia	100	100	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce (K.L.) Sdn. Bhd.	Malaysia	100	100	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce (Kelantan) Sdn. Bhd.	Malaysia	55	55	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce (Johore) Sdn. Bhd.	Malaysia	55	55	Sales and distribution of advanced packaging materials, electronics products and consumables.
D'nonce Electronics Sdn. Bhd.	Malaysia	100	100	Dormant
Attractive Venture Sdn. Bhd.	Malaysia	100	100	Design and conversion of advanced packaging materials.
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.

## 12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Country of Incorporation	Equity Interest Held		Principal activities
		2007 %	2006 %	
AV Innovation Sdn. Bhd.	Malaysia	100	100	Dormant
AV Plastics Sdn. Bhd.	Malaysia	84	84	Processing of plastic injected moulded products.
D'nonce Labels (M) Sdn. Bhd.	Malaysia	100	100	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.
ISCM Technology (Thailand) Co., Ltd. ++	Thailand	70	70	Contract manufacturer of electronic components.
ISCM Industries (Thailand) Co., Ltd. ++	Thailand	70	70	Printing of packaging materials
Odyssey Technologies (TH) Co., Ltd. ++	Thailand	***52.5	-	Dormant

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

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

\*\*\* The Company has an indirect interest in Odyssey Technologies (TH) Co., Ltd via ISCM Technology (Thailand) Co., Ltd. who holds 75% equity in Odyssey Technologies (TH) Co., Ltd.

++ Audited by firm of auditors other than Ernst & Young

# Notes To The Financial Statements

31 August 2007

## 12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

### (a) Acquisition of a Subsidiary

On 28 June 2007, the Company acquired 52.5% equity interest in Odyssey Technologies (TH) Co. Ltd. through its subsidiary ISCM Technology (Thailand) Co. Ltd., an unlisted company incorporated in Thailand and its intended activity is that of aqueous cleaning business.

The cost of acquisition comprises the following:

	RM
Purchase consideration satisfied by cash, representing total cost of acquisition	<u>188,250</u>

The acquired subsidiary has contributed the following results to the Group:

	2007 RM
Revenue	-
Net loss for the financial year	<u>78,493</u>

If the acquisition had occurred on 1 September 2006, the impact on Group's revenue and loss for the year would have been RM nil and RM244,364 respectively.

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Other receivables	170,449	170,449
Cash and bank balances	<u>10,227</u>	<u>10,227</u>
	<u>180,676</u>	<u>180,676</u>
Trade and other payables	<u>(95,333)</u>	<u>(95,333)</u>
Fair value of net assets	85,343	
Minority interests	<u>(21,336)</u>	
Group's share of net assets	64,007	
Goodwill on acquisition (Note 15)	<u>124,243</u>	
Total cost of acquisition	<u>188,250</u>	

## 12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

### (a) Acquisition of Subsidiary (Contd.)

The cash outflow on acquisition is as follows:

	2007 RM
Purchase consideration satisfied by cash, representing total cash outflow of the Group	188,250
Cash and cash equivalents of the subsidiary acquired	<u>(10,227)</u>
Net cash outflow of the Group	<u>178,023</u>

### (b) Impairment Loss Recognised

The management of the Company has carried out a review of the recoverable amount of its investments in subsidiaries during the period. The review has led to the recognition of an impairment loss of RM2,140,066 as disclosed in Note 6. The recoverable amount was based on the value-in-use and was determined at the cash generating unit ("CGU") which consists of the assets of all investment in subsidiaries. In determining value-in-use for the CGU, the discount rate applied to cash flow projections is the Group's weighted average cost of capital.

## 13. INVESTMENT PROPERTIES

	GROUP	
	2007 RM	2006 RM
<b>Cost</b>		
At 1 September and 31 August	<u>8,890,699</u>	<u>8,890,699</u>
<b>Accumulated Depreciation</b>		
At 1 September	1,602,640	1,287,449
Depreciation charge for the financial year	<u>315,191</u>	<u>315,191</u>
At 31 August	<u>1,917,831</u>	<u>1,602,640</u>
<b>Net Carrying Amount</b>		
At 31 August	<u>6,972,868</u>	<u>7,288,059</u>
<b>Analysis of investment properties</b>		
Leasehold land	1,012,813	1,035,246
Leasehold buildings	<u>5,960,055</u>	<u>6,252,813</u>
	<u>6,972,868</u>	<u>7,288,059</u>

# Notes To The Financial Statements

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## 13. INVESTMENT PROPERTIES (CONTD.)

The investment properties have an open market value of approximately RM11,735,000 (2006: RM 11,735,000). Investment properties comprise a number of commercial and residential properties leased to third parties.

Investment properties with an aggregate carrying value of RM6,849,087 (2006: RM7,161,106) are pledged to licensed banks as securities for borrowings (Note 22).

The leasehold properties have unexpired lease periods between 46 to 84 (2006: 47 to 85) years.

	GROUP	
	2007	2006
	RM	RM
Direct operating expenses of investment properties:		
- revenue generating during the year	<u>226,371</u>	<u>278,091</u>

## 14. OTHER INVESTMENTS

	GROUP	
	2007	2006
	RM	RM
Golf club memberships, at cost		
At 1 September	188,205	188,205
Accumulated impairment	<u>(89,485)</u>	<u>(89,485)</u>
At 31 August	<u>98,720</u>	<u>98,720</u>

## 15. INTANGIBLE ASSET

	GROUP	
	2007	2006
	RM	RM
<b>Goodwill</b>		
<b>Cost</b>		
At 1 September	289,128	289,128
Acquisition of a subsidiary (Note 12)	<u>124,243</u>	<u>-</u>
At 31 August	<u>413,371</u>	<u>289,128</u>
<b>Accumulated Amortisation and Impairment</b>		
At 1 September and 31 August	<u>-</u>	<u>-</u>
<b>Net Carrying Amount</b>		
At 31 August	<u>413,371</u>	<u>289,128</u>



## 15. INTANGIBLE ASSET (CONTD.)

### (a) Impairment tests for goodwill

#### Allocation of goodwill

Goodwill has been allocated to the Group's cash generating units ("CGU") identified according to country of operation and business segment as follows:

	<b>Thailand 2007 RM</b>	<b>Thailand 2006 RM</b>
Contract Manufacturing	<u>413,371</u>	<u>289,128</u>

#### Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial forecast approved by management covering a five year period.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

#### (i) Selling price

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

#### (ii) Material price

The raw material price used is based on the latest actual market price obtained immediately before the forecast year. Values assigned are consistent with external sources of information.

#### (iii) Exchange rate

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

#### (iv) Discount rate

The discount rate applied to the cash flow projections is based on the weighted average cost of capital of the Group.

# Notes To The Financial Statements

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## 15. INTANGIBLE ASSET (CONTD.)

### (a) Impairment tests for goodwill (Contd.)

#### Key assumptions used in value-in-use calculations (Contd.)

The value-in-use calculations covered periods greater than 5 years as the management believes that the CGUs are able to maintain the production efficiency and quality of their products with adequate maintenance of the assets.

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of all CGUs, management believes that no reasonable change in any of the above key assumptions would cause the carrying value of the units materially exceed their recoverable amounts.

## 16. INVENTORIES

	GROUP	
	2007 RM	2006 RM
At cost:		
Raw materials	5,340,980	7,706,790
Work-in-progress	1,975,356	2,353,912
Finished goods	3,215,544	2,876,475
Trading goods	9,326,034	8,438,647
	<u>19,857,914</u>	<u>21,375,824</u>
At net realisation value:		
Work-in-progress	-	12,526
Finished goods	-	21,989
	<u>19,857,914</u>	<u>21,410,339</u>

## 17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Trade receivables</b>				
Third parties	26,937,026	29,526,401	-	-
Provision for doubtful debts	<u>(57,403)</u>	<u>(76,642)</u>	-	-
Trade receivables, net	<u>26,879,623</u>	<u>29,449,759</u>	-	-
<b>Other receivables</b>				
Subsidiaries	-	-	7,798,160	10,342,201
Deposits	450,439	486,976	4,060	1,110
Prepayments - taxation	1,287,884	638,398	4,000	19,240
- others	830,131	397,086	-	-
Sundry receivables	<u>2,670,656</u>	<u>4,972,867</u>	-	-
	<u>5,239,110</u>	<u>6,495,327</u>	<u>7,806,220</u>	<u>10,362,551</u>
	<u>32,118,733</u>	<u>35,945,086</u>	<u>7,806,220</u>	<u>10,362,551</u>

## 17. TRADE AND OTHER RECEIVABLES (CONTD.)

### (a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The normal credit terms range from 15 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group has significant concentration of credit risk primarily arising from groups of trade debtors which constitute approximately 33.5% (2006: 34.8%) of the total trade receivables as at 31 August 2007. Trade receivables are non-interest bearing.

### (b) Amount due from subsidiaries

Amounts due from subsidiaries are non-interest bearing and are repayable on demand. Subsidiaries receivables are unsecured and are to be settled in cash.

### (c) Other receivables

Included in sundry receivables is an amount of RM670,776 (2006: RM3,600,000) representing the balance of the disposal proceeds from sales of plant and equipment.

Further details on related party transactions are disclosed in Note 29.

Other information on financial risks of receivables are disclosed in Note 30.

## 18. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks	6,607,591	4,718,006	41,675	233,328
Deposits with licensed banks	4,528,923	2,577,112	-	-
	<u>11,136,514</u>	<u>7,295,118</u>	<u>41,675</u>	<u>233,328</u>

Deposits with licensed banks of the Group amounting to RM3,697,344 (2006: RM621,415) are pledged as securities for borrowings and banking facilities (Note 22).

Certain deposits with a licensed bank of the Group amounting to RM58,502 (2006: RM56,415) are registered in the name of a director of the subsidiary who holds them in trust for the Group.

Other information on financial risks of cash and cash equivalents are disclosed in Note 30.

# Notes To The Financial Statements

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## 19. SHARE CAPITAL AND SHARE PREMIUM

	Number of Ordinary Shares of RM1 Each	← Amount →		
	Share Capital (Issued and Fully Paid)	Share Capital (Issued and Fully Paid) RM	Share Premium RM	Total Share Capital and Share Premium RM
At 1 September 2005 and 31 August 2006	45,101,000	45,101,000	12,309,806	57,410,806
At 1 September 2006 and 31 August 2007	45,101,000	45,101,000	12,309,806	57,410,806

	Number of Ordinary Shares of RM1 Each		Amount	
	2007	2006	2007 RM	2006 RM
<b>Authorised share capital</b>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 20. OTHER RESERVES

	Foreign Currency Translation Reserve RM	Other Capital Reserve RM	Total RM
<b>GROUP</b>			
<b>At 1 September 2005</b>	(55,000)	1,420,000	1,365,000
Foreign currency translation	368,195	-	368,195
<b>At 31 August 2006</b>	313,195	1,420,000	1,733,195
<b>At 31 September 2006</b>	313,195	1,420,000	1,733,195
Foreign currency translation	367,588	-	367,588
<b>At 31 August 2007</b>	680,783	1,420,000	2,100,783

## 20. OTHER RESERVES (CONTD.)

### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

### Other capital reserve

The other capital reserve arose as a result of the capitalisation of retained profits for bonus issues by two subsidiaries in the financial year ended 31 August 2004.

## 21. EMPLOYEE BENEFITS

### (a) Retirement Benefit Obligations

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to retirement benefits at the age of 60 years.

The Scheme will completely vest on the eligible employees within 5 years from financial year ended 31 August 2006.

The amounts recognised in the balance sheets are determined as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Present value of unfunded defined benefit obligations	1,921,605	1,721,437	1,921,605	1,721,437
Amount unvested	<u>(921,094)</u>	<u>(1,228,126)</u>	<u>(921,094)</u>	<u>(1,228,126)</u>
Net liability	<u>1,000,511</u>	<u>493,311</u>	<u>1,000,511</u>	<u>493,311</u>
Analysed as:				
Non-current	<u>1,000,511</u>	<u>493,311</u>	<u>1,000,511</u>	<u>493,311</u>

# Notes To The Financial Statements

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## 21. EMPLOYEE BENEFITS (CONTD.)

The amounts recognised in the income statements are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Current service cost	120,981	148,828	120,981	148,828
Interest cost	79,187	82,043	79,187	82,043
Losses on curtailments and settlements	-	178,844	-	178,844
Transitional liability	307,032	356,711	307,032	356,711
	<u>507,200</u>	<u>766,426</u>	<u>507,200</u>	<u>766,426</u>
Charged to a subsidiary company	-	-	(62,049)	(57,764)
Total, included in employee benefits expense (Note 5)	<u>507,200</u>	<u>766,426</u>	<u>445,151</u>	<u>708,662</u>

Movements in the net liability in the current financial year were as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
At 1 September	493,311	-	493,311	-
Recognised in the income statements	507,200	766,426	445,151	708,662
Amount owing by a subsidiary company	-	-	62,049	57,764
Contributions paid	-	(273,115)	-	(273,115)
At 31 August	<u>1,000,511</u>	<u>493,311</u>	<u>1,000,511</u>	<u>493,311</u>

Principal actuarial assumptions used:

	2007 %	2006 %
Discount rate	4.6	4.6
Expected rate of salary increases	<u>6.0</u>	<u>6.0</u>

### (b) Employee Share Options Scheme ("ESOS")

The Company's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 26 February 2003. The duration of ESOS was from 20 November 2003 and is to be in force for a period of 5 years from the date of implementation. The Board of Directors and ESOS Committee may as deemed fit, extend the ESOS for another 5 years.

## 21. EMPLOYEE BENEFITS (CONTD.)

### (b) Employee Share Options Scheme (“ESOS”) (Contd.)

The salient features of the ESOS are as follows:

- (i) The ESOS Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1 each in the Company.
- (ii) Subject to the discretion of the ESOS Committee, any employee whose employment has been confirmed and any executive director holding office in a full-time executive capacity of the Group, shall be eligible to participate in the ESOS.
- (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.
- (iv) The option price for each share shall be the weighted average of the market price as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date on which the option is granted less, if the ESOS Committee shall so determine at their discretion from time to time, a discount of not more than 10% or the par value of the shares of the Company of RM1.
- (v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

The terms and details of share options outstanding as at the end of the financial year are as follows:

Grant Date	Expiry Date	Exercise Price RM	At 1	Granted '000	Exercised '000	Lapsed '000	At 31
			September 2006 '000				August 2007 '000
20 November 2003	19 December 2008	1.00	2,169	-	-	-	2,169

# Notes To The Financial Statements

31 August 2007

## 21. EMPLOYEE BENEFITS (CONTD.)

### (b) Employee Share Options Scheme ("ESOS") (Contd.)

Number of share options vested:

	2007 '000	2006 '000
At 1 September	2,169	2,169
At 31 August	<u>2,169</u>	<u>2,169</u>

The share options were granted and vested on 23 November 2003. Thus, FRS 2 is not applicable.

## 22. BORROWINGS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Short Term Borrowings</b>				
Secured:				
Bank overdrafts	6,128,554	3,874,121	-	-
Bankers' acceptances	6,319,725	6,742,898	-	-
Trust receipts	446,212	270,715	-	-
Term loans	1,163,158	960,478	-	-
Hire-purchase and finance lease liabilities (Note 22.1)	<u>849,736</u>	<u>505,121</u>	<u>100,461</u>	<u>76,079</u>
	<u>14,907,385</u>	<u>12,353,333</u>	<u>100,461</u>	<u>76,079</u>
<b>Long Term Borrowings</b>				
Secured:				
Term loans	11,412,853	2,068,706	-	-
Hire-purchase and finance lease liabilities (Note 22.1)	<u>1,323,804</u>	<u>702,788</u>	<u>178,650</u>	<u>159,347</u>
	<u>12,736,657</u>	<u>2,771,494</u>	<u>178,650</u>	<u>159,347</u>
<b>Total Borrowings</b>				
Bank overdrafts	6,128,554	3,874,121	-	-
Bankers' acceptances	6,319,725	6,742,898	-	-
Trust receipts	446,212	270,715	-	-
Term loans	12,576,011	3,029,184	-	-
Hire-purchase and finance lease liabilities (Note 22.1)	<u>2,173,540</u>	<u>1,207,909</u>	<u>279,111</u>	<u>235,426</u>
	<u>27,644,042</u>	<u>15,124,827</u>	<u>279,111</u>	<u>235,426</u>



## 22. BORROWINGS (CONTD.)

The above banking facilities of the Group are secured by the following:

- (a) legal charges over certain subsidiaries' property, plant and equipment and investment properties as disclosed in Note 11(b) and Note 13 respectively;
- (b) deposits with licensed banks of the Group as disclosed in Note 18;
- (c) a subsidiary director's and a third party fixed deposit;
- (d) Credit Guarantee Corporation ("CGC") guarantee under Flexi Guarantee Scheme ("FGS") to a subsidiary; and

Other information on financial risks of borrowings are disclosed in Note 30.

### 22.1. HIRE-PURCHASE AND FINANCE LEASE LIABILITIES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Future minimum lease payments:</b>				
Not later than 1 year	985,933	572,310	111,276	84,578
Later than 1 year and not later than 2 years	866,767	429,294	111,238	84,578
Later than 2 years and not later than 5 years	569,299	342,431	77,840	84,578
Total future minimum lease payments	2,421,999	1,344,035	300,354	253,734
Future finance charges	(248,459)	(136,126)	(21,243)	(18,308)
Present value of finance lease liabilities (Note 22)	2,173,540	1,207,909	279,111	235,426
<b>Analysis of present value of finance lease liabilities:</b>				
Not later than 1 year	849,736	505,121	100,461	76,079
Later than 1 year and not later than 2 years	793,441	385,793	105,438	78,479
Later than 2 years and not later than 5 years	530,363	316,995	73,212	80,868
	2,173,540	1,207,909	279,111	235,426
Amount due within 12 months (Note 22)	(849,736)	(505,121)	(100,461)	(76,079)
Amount due after 12 months (Note 22)	1,323,804	702,788	178,650	159,347

The Group has finance leases and hire purchase contracts for various items of property, plant and equipment (see Note 11(a)).

# Notes To The Financial Statements

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## 22. BORROWINGS (CONTD.)

### 22.1. HIRE-PURCHASE AND FINANCE LEASE LIABILITIES (CONTD.)

Certain hire-purchase and finance lease liabilities of the Group and of the Company are secured by way of corporate guarantees from the Company.

Other information on financial risks of hire purchase and finance lease liabilities are disclosed in Note 30.

## 23. PREFERENCE SHARES

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.

## 24. DEFERRED TAX LIABILITIES

	GROUP	
	2007 RM	2006 RM
At 1 September	148,128	(487,979)
Recognised in the income statements (Note 9)	63,897	636,107
At 31 August	<u>212,025</u>	<u>148,128</u>

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

### Deferred Tax Assets of the Group:

	Unused Tax Losses, Unabsorbed Capital Allowances RM	Others RM	Total RM
At 1 September 2006	-	(141,350)	(141,350)
Recognised in the income statements	-	69,713	69,713
At 31 August 2007	-	<u>(71,637)</u>	<u>(71,637)</u>
At 1 September 2005	(719,124)	(59,005)	(778,129)
Recognised in the income statements	719,124	(82,345)	636,779
At 31 August 2006	-	<u>(141,350)</u>	<u>(141,350)</u>

## 24. DEFERRED TAX LIABILITIES (Contd.)

### Deferred Tax Liabilities of the Group:

	<b>Accelerated Capital Allowances</b>	<b>Others</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 September 2006	289,478	-	289,478
Recognised in the income statements	<u>(5,816)</u>	<u>-</u>	<u>(5,816)</u>
At 31 August 2007	<u>283,662</u>	<u>-</u>	<u>283,662</u>
At 1 September 2005	320,029	(29,879)	290,150
Recognised in the income statements	<u>(30,551)</u>	<u>29,879</u>	<u>(672)</u>
At 31 August 2006	<u>289,478</u>	<u>-</u>	<u>289,478</u>

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unused tax losses	(15,997,182)	(12,046,403)	(5,598,785)	(4,946,688)
Unabsorbed capital allowances	<u>(9,615,006)</u>	<u>(8,138,330)</u>	<u>(237,879)</u>	<u>(166,457)</u>
	<u>(25,612,188)</u>	<u>(20,184,733)</u>	<u>(5,836,664)</u>	<u>(5,113,145)</u>

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Malaysian subsidiaries in the Group are subject to no substantial changes in shareholdings of the Malaysian subsidiaries under Section 44(5A) and (5B) and Schedule 3 Paragraphs 75(A) and 75(B) of the Income Tax Act, 1967 respectively.

## 25. TRADE AND OTHER PAYABLES

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade payables</b>				
Third parties	<u>17,920,982</u>	<u>18,031,291</u>	<u>-</u>	<u>-</u>
<b>Other payables</b>				
Subsidiaries	-	-	7,153,137	4,066,930
Accruals	3,018,799	3,045,012	230,573	248,758
Accrued directors' remuneration	1,057,617	878,199	297,722	263,103
Due to directors of subsidiaries	659,366	97,360	-	-
Sundry payables	2,713,257	4,291,145	76,276	274,988
Short term accumulating compensated absences	<u>387,295</u>	<u>637,132</u>	<u>22,319</u>	<u>205,475</u>
	<u>7,836,334</u>	<u>8,948,848</u>	<u>7,780,027</u>	<u>5,059,254</u>
	<u>25,757,316</u>	<u>26,980,139</u>	<u>7,780,027</u>	<u>5,059,254</u>

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## 25. TRADE AND OTHER PAYABLES (CONTD.)

### (a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days

### (b) Amount due to subsidiaries

Amount due to subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 29.

Other information on financial risks of other payables are disclosed in Note 30.

## 26. OPERATING LEASE ARRANGEMENTS

### (a) The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the use of factory/ office building and warehouse. These leases have an average life of between 1 and 3 years with no renewal or purchase option included in the contracts. There were no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities and the total of future aggregate minimum sublease receipts expected to be received under non-cancellable subleases, are as follows:

	<b>GROUP</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Future minimum rentals payables:		
Not later than 1 year	1,174,314	896,075
Later than 1 year and not later than 5 years	<u>706,877</u>	<u>720,660</u>
	<u>1,881,191</u>	<u>1,616,735</u>
Future minimum sublease receipts:		
Not later than 1 year	-	9,000
Later than 1 year and not later than 5 years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>9,000</u>

The lease payments recognised in the income statements during the financial year are disclosed in Note 6.

## 26. OPERATING LEASE ARRANGEMENTS (CONTD.)

### (b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment property portfolio. These leases have remaining non-cancellable lease terms of from one to three years.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:

	<b>GROUP</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	723,200	753,600
Later than 1 year and not later than 5 years	229,600	981,600
	<u>952,800</u>	<u>1,735,200</u>

Investment properties rental income recognised in the income statements during the financial year is as disclosed in Note 3.

## 27. CAPITAL COMMITMENTS

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Capital expenditure				
(i) Purchase of plant and equipment approved and contracted for	103,581	14,355,818	-	-
(ii) Purchase of plant and equipment approved but not contracted for	438,562	215,000	-	-
(iii) Further investment in equity of a foreign subsidiary approved and contracted for	-	-	-	4,044,446
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,044,446</u>

## 28. CONTINGENT LIABILITIES (UNSECURED)

	<b>COMPANY</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
(a) Corporate guarantees given to licensed banks for banking facilities granted to certain subsidiaries	20,848,040	16,551,272
	<u>20,848,040</u>	<u>16,551,272</u>

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

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## 28. CONTINGENT LIABILITIES (CONTD.)

(b) The following are the contingent liabilities involving the Group:

Mr. Goh Hong Lim (“GHL”), the ex Managing Director of the Company filed an industrial claim through the Industrial Court Case No. 9/4-2896/2006 seeking monetary compensation due to wrongful termination. GHL’s position in the Company has ceased as he was not re-elected to the Board of Directors of the Company at the members Annual General Meeting.

The estimated claim is about RM580,000 if the Industrial Court rules in favour of GHL, which is 24 months of his last drawn salary. The Company’s legal advisers have advised that there is a likelihood that GHL’s claim may not succeed. Thus no provision has been made in respect of the claim.

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Purchases from Master-Pack Sdn. Bhd, a company which holds 20% equity interest in a subsidiary	4,130,686	3,587,649	-	-
Accounting fees charged to subsidiaries	-	-	-	(2,000)
Interest expenses charged to subsidiaries	-	-	-	(19,866)
Management and advisory fees charged to subsidiaries	-	-	(1,485,593)	(1,319,603)
Other expenses charged to subsidiaries	-	-	-	(1,470)
Other expenses charged by a subsidiary	-	-	18,768	18,768
Professional fees charged to subsidiaries	-	-	-	(17,000)

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.

## 30. 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 risks (both fair value and cash flow), foreign exchange risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### (b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the highest and lowest interest rates as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	Highest %	Lowest %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
<b>2007</b>										
<b>GROUP</b>										
<b>Fixed rate</b>										
Term loans	22	7.50	5.00	831,876	1,352,163	1,658,313	1,836,900	1,836,900	3,010,474	10,526,626
Bankers' acceptances	22	8.75	1.50	6,319,725	-	-	-	-	-	6,319,725
Hire-purchase and finance lease liabilities	22	9.75	2.24	849,736	793,441	317,152	139,849	73,362	-	2,173,540
<b>Floating rate</b>										
Deposits with licensed banks	18	4.00	2.50	4,528,923	-	-	-	-	-	4,528,923
Bank overdrafts	22	9.75	5.00	6,128,554	-	-	-	-	-	6,128,554
Trust receipts	22	9.50	7.75	446,212	-	-	-	-	-	446,212
Term loans	22	8.50	7.50	331,282	356,446	366,305	374,615	402,695	218,042	2,049,385

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## 30. FINANCIAL INSTRUMENTS (CONTD.)

### (b) Interest Rate Risk (Contd.)

	Note	Highest %	Lowest %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
<b>COMPANY</b>										
<b>Fixed rate</b>										
Hire-purchase and finance lease liabilities	22	2.64	2.24	100,461	105,438	24,088	25,146	23,978	-	279,111
<b>2006</b>										
<b>GROUP</b>										
<b>Fixed rate</b>										
Term loans	22	7.50	5.00	2,705	-	-	-	-	-	2,705
Bankers' acceptances	22	8.75	3.00	6,742,898	-	-	-	-	-	6,742,898
Hire-purchase and finance lease liabilities	22	5.50	2.64	505,121	385,793	238,253	45,059	33,683	-	1,207,909
<b>Floating rate</b>										
Deposits with licensed banks	18	3.70	2.35	2,577,112	-	-	-	-	-	2,577,112
Bank overdrafts	22	11.00	5.00	3,874,121	-	-	-	-	-	3,874,121
Trust receipts	22	9.50	7.25	270,715	-	-	-	-	-	270,715
Term loans	22	8.50	7.50	957,773	325,079	350,313	360,046	368,781	664,487	3,026,479
<b>COMPANY</b>										
<b>Fixed rate</b>										
Hire-purchase and finance lease liabilities	22	2.64	2.64	76,079	78,479	80,868	-	-	-	235,426

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months except for term loans and floating rate loans which are repriced annually. Interest on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.



## 30. FINANCIAL INSTRUMENTS (CONTD.)

### (c) Foreign Exchange Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The Group operates in the Asia region and is exposed to various currencies, mainly Japanese Yen, Singapore Dollar, United States Dollar and Thai Baht. Foreign exchange exposures in transactional currencies other than 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.

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.

The unhedged financial assets and financial liabilities of the Group companies and of the Company that are not denominated in their functional currencies are as follows:

	Net Financial Assets/(Liabilities) Held in				
	Non-Functional Currency				
Functional Currency of Group Companies	Japanese Yen RM	Singapore Dollar RM	US Dollar RM	Others RM	Total RM
<b>2007</b>					
<b>Trade Receivables</b>					
Ringgit Malaysia	-	271,707	5,207,486	33,545	5,512,738
Thai Baht	-	-	189,892	-	189,892
	-	271,707	5,397,378	33,545	5,702,630
<b>Other Receivables</b>					
Thai Baht	-	-	529,065	-	529,065
<b>Cash and Bank Balances</b>					
Ringgit Malaysia	-	279,337	307,440	3,805	590,582
Thai Baht	-	-	1,050	-	1,050
	-	279,337	308,490	3,805	591,632

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## 30. FINANCIAL INSTRUMENTS (CONTD.)

### (c) Foreign Exchange Risk (Contd.)

	Net Financial Assets/(Liabilities) Held in				
	Non-Functional Currency				Total RM
	Japanese Yen RM	Singapore Dollar RM	US Dollar RM	Others RM	
<b>Trade Payables</b>					
Ringgit Malaysia	-	(108,076)	(3,000,615)	-	(3,108,691)
Thai Baht	-	(45,291)	(603,856)	(4,726)	(653,873)
	-	(153,367)	(3,604,471)	(4,726)	(3,762,564)
<b>Other Payables</b>					
Ringgit Malaysia	-	-	(2,853)	-	(2,853)
Thai Baht	-	(17,627)	(27,567)	-	(45,194)
	-	(17,627)	(30,420)	-	(48,047)
<b>2006</b>					
<b>Trade Receivables</b>					
Ringgit Malaysia	-	34,869	4,680,064	-	4,714,933
Thai Baht	-	-	4,532,813	-	4,532,813
	-	34,869	9,212,877	-	9,247,746
<b>Other Receivables</b>					
Ringgit Malaysia	-	145	29,981	-	30,126
Thai Baht	-	-	290,792	-	290,792
	-	145	320,773	-	320,918
<b>Cash and Bank Balances</b>					
Ringgit Malaysia	777	43,127	958,923	3,046	1,005,873
Thai Baht	-	-	12,480	-	12,480
	777	43,127	971,403	3,046	1,018,353
<b>Trade Payables</b>					
Ringgit Malaysia	-	(103,850)	(3,569,910)	-	(3,673,760)
Thai Baht	-	-	(716,925)	-	(716,925)
	-	(103,850)	(4,286,835)	-	(4,390,685)

## 30. FINANCIAL INSTRUMENTS (CONTD.)

### (c) Foreign Exchange Risk (Contd.)

	Net Financial Assets/(Liabilities) Held in Non-Functional Currency				Total RM
	Japanese Yen RM	Singapore Dollar RM	US Dollar RM	Others RM	
<b>Other Payables</b>					
Ringgit Malaysia	-	(28,990)	(444)	-	(29,434)

As at balance sheet date, the Group had 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	
<b>2007</b>					
Forwards used to hedge trade receivables	US Dollar	5,599,891	-	-	5,599,891
<b>2006</b>					
Forwards used to hedge trade receivables	US Dollar	1,335,498	-	-	1,335,498

### (d) Liquidity Risk

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

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## 30. FINANCIAL INSTRUMENTS (CONTD.)

### (e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets other than as disclosed in Note 17.

### (f) Fair Values

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximate their fair values except for the following:

	Note	GROUP		COMPANY	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>2007</b>					
Term loans	22	12,576,011	10,273,451	-	-
Hire-purchase and lease payables	22	2,173,540	1,930,457	279,111	271,793
Preference shares	23	5,205	*	-	-
Forward exchange contracts	30(c)	5,599,891	5,096,717	-	-
<b>2006</b>					
Term loans	22	3,029,184	3,282,050	-	-
Hire-purchase and lease payables	22	1,207,909	1,024,335	235,426	225,369
Preference shares	23	4,998	*	-	-
Forward exchange contracts	30(c)	1,335,498	1,366,754	-	-

\* It is not practical to estimate the fair values of the preference shares due principally to a lack of fixed repayment terms entered into by the parties involved without incurring excessive costs. However, the Group believes the carrying amount represents the recoverable values.

## 30. FINANCIAL INSTRUMENTS (CONTD.)

### (f) Fair Values (Contd.)

The methods and assumptions used by the management to determine fair values of the financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

#### **Borrowings**

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

## 31. SEGMENT INFORMATION

### (a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

### (b) Business Segments

The Group is organised into three 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.

### (c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's three major business segments operate in two main geographical areas:

- (i) Malaysia - the operations in this area are principally supply of packaging materials.
- (ii) Thailand - the operations in this area are mainly engaged in integrated supply chain products and services and contract manufacturing

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## 31. SEGMENT INFORMATION (CONTD.)

### (d) Allocation basis and transfer pricing

Segments results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are sets on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

### Business Segments

The following table provides an analysis of the Group' revenue, results, assets, liabilities and other information by business segment:

	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Eliminations RM	Consolidation RM
<b>2007</b>					
<b>Revenue</b>					
Sales to external customer	60,034,585	20,916,790	82,705,737	-	163,657,112
Inter-segments sales	1,812,594	1,336,380	15,194,540	(18,343,514)	-
Total revenue	<u>61,847,179</u>	<u>22,253,170</u>	<u>97,900,277</u>	<u>(18,343,514)</u>	<u>163,657,112</u>
<b>Results</b>					
Segment results	1,381,186	1,681,182	(223,305)	-	2,839,063
Unallocated expenses					<u>(1,510,391)</u>
Operating profit					1,328,672
Finance costs					<u>(1,287,847)</u>
Profit before tax					40,825
Income tax expense					<u>(834,814)</u>
Net loss for the financial year					<u>(793,989)</u>
<b>Assets</b>					
Segment assets	8,883,414	19,616,026	80,410,778	-	108,910,218
Unallocated assets					<u>(2,634)</u>
Total assets					<u>108,907,584</u>
<b>Liabilities</b>					
Segment liabilities	6,941,168	4,382,459	41,533,551	-	52,857,178
Unallocated liabilities					<u>1,905,722</u>
Total liabilities					<u>54,762,900</u>

## 31. SEGMENT INFORMATION (CONTD.)

### Business Segments (Contd.)

	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Eliminations RM	Consolidation RM
<b>Other Information</b>					
Capital expenditure	21,450	3,605,814	16,512,215	-	20,139,479
Depreciation	158,061	1,734,155	2,746,871	-	4,639,087
Other significant non-cash expenses					<u>2,703,137</u>
<b>2006</b>					
<b>Revenue</b>					
Sales to external customer	54,349,920	38,317,996	76,548,438	-	169,216,354
Inter-segments sales	9,235,567	2,799,048	24,303,061	(36,337,676)	-
Total revenue	<u>63,585,487</u>	<u>41,117,044</u>	<u>100,851,499</u>	<u>(36,337,676)</u>	<u>169,216,354</u>
<b>Results</b>					
Segment results	1,038,179	3,441,616	4,552,083	-	9,031,878
Unallocated expenses					<u>(2,095,658)</u>
Operating profit					6,936,220
Finance costs					<u>(1,011,373)</u>
Profit before tax					5,924,847
Income tax expense					<u>(1,764,328)</u>
Net profit for the financial year					<u>4,160,519</u>
<b>Assets</b>					
Segment assets	10,787,286	23,662,348	59,594,832	-	94,044,466
Unallocated assets					<u>782,289</u>
Total assets					<u>94,826,755</u>

# Notes To The Financial Statements

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## 31. SEGMENT INFORMATION (CONTD.)

### Business Segments (Contd.)

	Integrated Supply Chain Products and Services RM	Contract Manufacturing RM	Supply of Packaging Materials RM	Eliminations RM	Consolidation RM
<b>Liabilities</b>					
Segment liabilities	6,711,397	6,392,564	28,044,450	-	41,148,411
Unallocated liabilities					1,703,060
Total liabilities					42,851,471
<b>Other Information</b>					
Capital expenditure	62,977	2,925,021	1,512,865	-	4,500,863
Depreciation	172,202	2,197,115	2,330,653	-	4,699,970
Reversal of impairment on plant and equipment					(526,872)
Other significant non- cash expenses					1,958,759

### Geographical Segments:

The following table provides an analysis of the Group's revenue, assets and capital expenditure by geographical segment:

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Malaysia	98,567,586	107,988,602	67,646,881	73,985,110	1,810,362	1,727,071
Thailand	65,089,526	61,227,752	41,260,703	20,841,645	18,329,117	2,773,792
Consolidated	163,657,112	169,216,354	108,907,584	94,826,755	20,139,479	4,500,863



## 32. SIGNIFICANT EVENTS

- (a) On 28 June 2007, a subsidiary incorporated in Thailand, ISCM Technology (Thailand) Co. Ltd. (ISCM Tech), entered into a Shareholders' Agreement with SD Capital Sdn Bhd, a company incorporated in Malaysia, to acquire 18,750 ordinary shares of 100 Baht each in the issued and paid up capital of Odyssey Technologies (TH) Co., Ltd (Odyssey Thailand) for a total consideration of 1,875,000 Baht.

The said acquisition is equivalent to 75% of the issued and paid up capital of Odyssey Thailand.

As the Company owns 70% of the shares of ISCM Tech, the effective equity interest of the Group in Odyssey Thailand is 52.5%.

The intended principal activity of Odyssey Thailand is aqueous cleaning business.

- (b) ISCM Industries (Thailand) Co., Ltd ("ISCM Ind"), a 70%-owned foreign subsidiary of the Company in Thailand, has on 16 June 2006 entered into an Asset Purchase Agreement with Safeskin Industries (Thailand) Limited to acquire a piece of land measuring approximately 81,398.8 square metres in Songkhla, Thailand together with factory buildings erected thereon and machinery and equipment for the running of a printing of packaging materials for a total cash purchase consideration of USD3,900,000. The acquisition was completed on 15 March 2007.

On 7 December 2006, the Shareholders of ISCM Industries have passed a resolution to increase the Company's authorized and paid up share capital from 10,000 shares at 100 Baht each at par value to 600,000 shares at 100 Baht each at par value.

The Company has registered the increase in such share capital with the Ministry of Commerce in Thailand on 17 January 2007.

# List Of Properties Owned

As At 31 August 2007

Beneficial owner/ Location	Description/ Existing Use	Land/Built up area	Age of building (years)	Type of land/ tenure (Year of expiry for lease- hold)	Net book value as at 31 Aug 2007	Date of acquisition
		(sq.ft.)	31.08.2007		RM'000	
<b>D'nonce (M) Sdn Bhd</b>						
No. 12 Hujung Perusahaan 2, Kawasan MIEL, Prai Industrial Estate, 13600 Penang	Industrial land and building/Factory	1,875 / 2,500	23	60 years - leasehold (2045)	89	05.11.1990
51-14 B&C, Menara BHL, Jalan Sultan Ahmad Shah, 10500 Penang	Building/Corporate Head Office	* / 3,670	13	Freehold	752	14-B: 21.03.1994 14-C: 18.04.1994
BAM Villa, Unit 42C-7-5C, Taman Maluri, Cheras, 56000 Kuala Lumpur	Condominium	* / 975	16	99 years - leasehold (2090)	124	02.01.1992
<b>Attractive Venture Sdn Bhd</b>						
No.1 Puncak Perusahaan 1, Kawasan MIEL, Prai Industrial Estate, 13600 Penang	Industrial land and building/Factory	21,590 / 12,208	22	60 years - leasehold (2045)	663	19.12.1991
Plot 425, Tingkat Perusahaan 6A, Free Trade Zone, 13600 Prai, Penang	Industrial land and building/Factory	46,800 / 29,614	19	60 years - leasehold (2046)	3,336	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	12	Freehold	297	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	12	Freehold	270	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	6	60 years - leasehold (2052)	6,064	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	13	60 years - leasehold (2052)	3,042	13.06.2002
<b>Attractive Venture (JB) Sdn Bhd</b>						
1273, Jalan Sri Putri 3/4 Taman Putri Kulai, 81000 Kulai, Johor	Building/Factory	2,400 / 2,777	12	Freehold	236	10.09.1999
<b>D'nonce (Johore) Sdn Bhd</b>						
8 Jalan Mutiara Emas 5/17, Taman Mount Austin, Johore Bahru, 81100 Johore	Industrial land and building/Office	3,120 / 2,568	11	Freehold	315	05.08.1996
<b>D'nonce (KL) Sdn Bhd</b>						
No 39, Jalan 1/119, Taman Bukit Hijau, 6th Mile, Jalan Cheras, 56000 Kuala Lumpur	Building and land/Office	1,540 / 4,510	11	Freehold	543	15.07.1997
<b>ISCM Industries (Thailand) Co., Ltd</b>						
188 Moo 1, Kanchanavanich Road, Tambol Samnakkam, Sadao, Songkhla Thailand	Industrial land and building/Factory	43,055,642	8	Freehold	8,863	15.03.2007
<b>Total</b>					<b>24,594</b>	

\* Not applicable

# Analysis Of Shareholdings

31 December 2007



Authorised Capital	:	RM100,000,000.00
Issued and Fully Paid	:	RM45,101,000.00
Class of Shares	:	Ordinary shares of RM1.00 each fully paid
Total Number of Shareholders	:	2,121
Voting right	:	One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDERS

Size of holdings	Number of Shareholders	% of Total Shareholders	Number of Shares	% of Issued Share Capital
1 – 99	5	0.24	176	0.00
100 – 1,000	843	39.75	830,023	1.84
1,001 – 10,000	993	46.82	4,539,400	10.06
10,001 – 100,000	236	11.13	6,918,480	15.34
100,001 – 2,255,049	42	1.98	24,302,778	53.89
2,255,050 & above	2	0.08	8,510,143	18.87

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct Interest	% Number of Share Held	Deemed Interest	%
Enrich Joy Sdn. Bhd.	8,105,895	17.97	-	-
General Produce Agency Sdn. Bhd.	2,510,143	5.57	-	-
Chan Seng Sun	2,326,800	5.16	-	-

## DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest	% Number of Share Held	Deemed Interest	%
Lim Teik Hoe	2,156,700	4.78	-	-
Law Kim Choon	1,700,000	3.77	-	-

## In the Subsidiaries

None of the directors have any direct shareholdings in the subsidiaries

# Thirty Largest Shareholders

Name of Shareholder	Number of Shares	% of Issued Share Capital
1. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Mayban-Jaic Management Ltd for Enrich Joy Sdn. Bhd. (MJAF)	6,000,000	13.30
2. General Produce Agency Sdn. Berhad	2,510,143	5.57
3. Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa	2,200,000	4.88
4. ECM Libra Avenue Nominees (Tempatan) Sdn. Bhd. Kestrel Capital Partners (M) Sdn. Bhd. for Ee Wee Lee	2,073,000	4.60
5. Chan Seng Sun	2,026,800	4.49
6. Ho Yu Min	2,000,000	4.43
7. Lim Teik Hoe	1,800,000	3.99
8. Siow Wei Sheng	1,709,800	3.79
9. Law Kim Choon	1,700,000	3.77
10. Ke-Zan Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Enrich Joy Sdn. Bhd.	1,291,400	2.86
11. Sunrise Paper (M) Sdn. Bhd.	1,095,505	2.43
12. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khor Chee Kong (473344)	1,016,000	2.25
13. Koperasi Polis Diraja Malaysia Berhad	911,000	2.02
14. Enrich Joy Sdn. Bhd.	814,495	1.81
15. Goh Shze Yinn	498,000	1.10
16. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lam Mei Fong (474021)	449,971	1.00
17. Mercsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Pauline Koh Siok Huang	360,000	0.80
18. Chan Seng Sun	300,000	0.67

19. Bong Nyon	285,000	0.63
20. HDM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Cheng Chon (M09)	251,900	0.56
21. Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Teik Hoe	235,000	0.52
22. Amsec Nominees (Tempatan) Sdn. Bhd. Ambank (M) Berhad for Beh Cheng Siong (SMART)	224,200	0.50
23. Arthur Varkey Samuel	200,000	0.44
24. Lam Mei Fong	200,000	0.44
25. Yeoh Guan Liew	200,000	0.44
26. Chia Yet Mee	170,000	0.38
27. Tam Kam Leng	167,400	0.37
28. BHLB Trustee Berhad Exempted – Trust Account for EPF Investment for member savings scheme	164,000	0.36
29. Lilian Leong Lai Lin	159,000	0.35
30. Quek Phaik Im	152,900	0.34
	31,165,514	69.10

# PROXY FORM

## D'NONCE TECHNOLOGY BHD.

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

#CDS account no. of authorised nominee
--

I/We ..... (name of shareholder as per NRIC, in capital letters)  
 NRIC No. .... (new) ..... (old)/ID No./Company No. .... of  
 ..... (full address)  
 being a member(s) of the abovenamed Company, hereby appoint .....  
 (name of proxy as per NRIC, in capital letters) NRIC No. .... (new) ..... (old)  
 or failing him/her ..... (name of proxy as per NRIC, in capital letters)  
 NRIC No. .... (new) ..... (old) or failing him/her the CHAIRMAN OF THE  
 MEETING as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company to be held  
 at Function Hall 3 Level 2, The Gurney Resort Hotel and Residences, Penang on Thursday, 28 February 2008 at 11.30 a.m. and  
 at any adjournment thereof. My/our proxy is to vote as indicated below:-

RESOLUTIONS			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 Lim Teik Hoe		
Resolution 4	-	Dato' Oon Choo Eng @ Oon Choo Khye		
Resolution 5	-	Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration		
Resolution 6	-	Proposed Amendments to the Articles of Association of the Company		
Resolution 7	-	Approval for issuance of new ordinary shares pursuant to Section 132D of Companies Act, 1965		

(Please indicate with "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this ..... day of ..... 2008

Number of shares held	
-----------------------	--

For appointment of more than one proxy, number of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1	_____	_____ %
Proxy 2	_____	_____ %

.....  
Signature/Common Seal of Appointer

### NOTES:

- Applicable to shares held through a nominee account.
- In accordance with Paragraph 7.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 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.
- If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointor is acceptable.
- 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.
- 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.
- 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.
- 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.
- Those proxy forms which are indicated with "✓" in the spaces provided to show how the votes are to be cast will also be accepted.

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

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Your Dependable Partner

51-14 B&C, Menara BHL, Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia

Tel: 604-228 1198 Fax: 604-228 3016

Website: [www.dnoncetech.com](http://www.dnoncetech.com)