

**7. INFORMATION ON THE GROUP**

**7.1 INCORPORATION AND BUSINESS**

D’nonce Technology was incorporated in Malaysia as a public limited company on 20 January 2000 pursuant to the Companies Act, 1965. It became the investment holding company of the D’nonce Group following the completion of the Acquisitions.

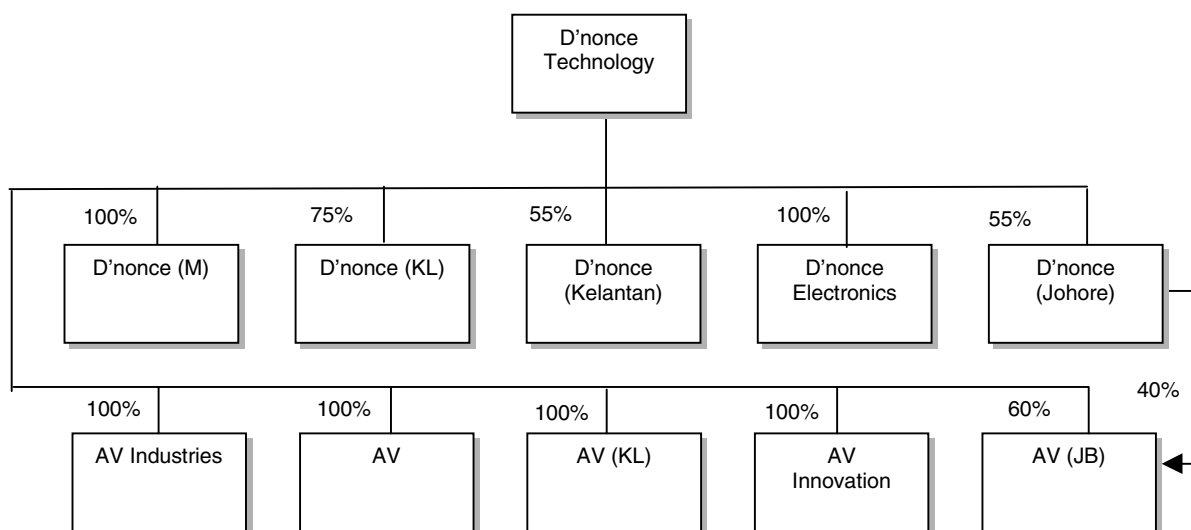
The Group was founded in 1989 and commenced business as a Penang-based trading company principally involved in the sales and distribution of specialised tapes and packaging materials for use in the electronics industry. Fueled by the growth of the electronics industry in Malaysia, the business expanded rapidly. Today, the Sales & Distribution division has offices in Penang, Kuala Lumpur, Johor, Kelantan and has a sales representative office in the Philippines catering to approximately 490 customers.

In 1991, recognising the increasing demand for custom engineered, cost effective and environmentally efficient packaging designs for use in the electronics industry, AV was incorporated to facilitate the Group’s venture into Design & Conversion activities. Since then, the Group has set up one (1) factory each in Prai, Penang, Kuala Lumpur and Johor Bahru to service approximately 236 customers in the northern, central and southern region of Peninsular Malaysia.

In December 1997, the Group further diversifies its principal activities to include the provision of contract manufacturing services for the assembly of HSA, HGA and coil winding through AV Industries. Today, AV Industries’s contract manufacturing services include PCBA, FCBA and OEM product assemblies. Currently, AV Industries operates from its two (2) plants in Prai which are equipped with clean room facilities and with a combined built up area of 70,396 sq. ft.. It has also rented a plant in Baling, Kedah with a built up area of 2,709 sq. ft..

In November 1998, Khazanah acquired a 30% equity interest in D’nonce (M). The Directors view Khazanah’s involvement in the Group as an endorsement of its efforts to be a key player in the supporting sub-sectors of the electronics industry. As such, the Group works closely with Khazanah towards achieving its goal of becoming a world class producer and supplier to the electronics industry.

The existing group structure of the D’nonce Group is as follows:



## 7. INFORMATION ON THE GROUP (Cont'd)

### 7.2 RESTRUCTURING AND LISTING SCHEME

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up ordinary shares of D'nonce Technology on the Second Board of the KLSE, the Company undertook a restructuring exercise as follows:-

#### (a) Acquisition of D'nonce (M)

On 11 October 2000, D'nonce Technology entered into a Shares Sale Agreement with the shareholders of D'nonce (M) for the acquisition of 100% equity interest in D'nonce (M) comprising 7,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM27,062,723, satisfied by the issuance of 23,062,723 new ordinary shares of RM1.00 each in D'nonce Technology at an issue price of approximately RM1.17 per Share as follows:

	Existing Shares in D'nonce (M)		D'nonce Technology Shares To be issued	
	No. of Shares	%	No. of Shares	%
Goh Hong Lim	<sup>1</sup> 2,685,700	38.4	<sup>1</sup> 8,848,509	38.4
Khazanah	2,100,000	30.0	6,918,817	30.0
Pan Asia	<sup>2</sup> 534,300	7.6	<sup>2</sup> 1,760,345	7.6
Law Kim Choon	420,000	6.0	1,383,763	6.0
Lim Teik Hoe	420,000	6.0	1,383,763	6.0
Chan Seng Sun	420,000	6.0	1,383,763	6.0
Khor Chee Kong	420,000	6.0	1,383,763	6.0
	<b>7,000,000</b>	<b>100.0</b>	<b>23,062,723</b>	<b>100.0</b>

<sup>1</sup> Of which, 1,800,000 Shares are registered under HDM Nominees (Tempatan) Sdn Bhd and are held in trust for Goh Hong Lim who is the beneficial owner.

<sup>2</sup> The Shares are registered under Cartaban Nominees (Asing) Sdn Bhd and are held in trust for Pan Asia which is the beneficial owner.

The purchase consideration of RM27,062,723 was arrived at based on the consolidated NTA value of D'nonce (M) as at 31<sup>st</sup> August 1999. The Acquisition of D'nonce (M) was completed on 18 October 2000.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**(b) Acquisition of D'nonce (M) Subsidiaries**

On 19 October 2000, D'nonce Technology entered into a Shares Sale Agreement with D'nonce (M) to acquire from D'nonce (M), the entire equity interest of D'nonce (M) in AV Industries, AV, D'nonce Electronics, AV Innovation, AV (KL), D'nonce (KL), AV (JB), D'nonce (Johore) and D'nonce (Kelantan) for a total cash consideration of RM4,374,000, satisfied via inter-company balances between D'nonce Technology and D'nonce (M). The purchase consideration of RM4,374,000 was arrived at based on the carrying values of D'nonce (M)'s cost of investment in the respective companies as at 31<sup>st</sup> August 1999 as follows:-

Name of Subsidiaries	% Equity Interest to be Acquired	Purchase Consideration (RM)
AV Industries	100	2,000,000
AV	100	1,000,000
D'nonce Electronics	100	610,000
AV Innovation	100	250,000
AV (KL) *	100	50,000
D'nonce (KL)	75	37,500
AV (JB)	60	300,000
D'nonce (Johore)	55	110,000
D'nonce (Kelantan)	55	16,500
		<b>4,374,000</b>

\* This represents the paid-up capital of AV(KL). The cost of investment in AV(KL) was not reflected in D'nonce(M)'s audited accounts as at 31 August 1999 as AV(KL) was only acquired on 17 September 1999.

The Acquisition of D'nonce (M) Subsidiaries was completed on 19 October 2000.

**(c) Rights Issue**

D'nonce Technology undertook rights issue of 6,937,275 new Shares at an issue price of RM1.00 each on the basis of approximately 10 new Shares for every 33 existing Shares held after the Acquisition of D'nonce (M) and the Acquisition of D'nonce (M) Subsidiaries.

The Rights Issue was completed on 6 December 2000.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**(d) Public and Special Issues**

Public and Special Issues of 10,000,000 new ordinary shares of RM1.00 each of D'nonce Technology at an issue price of RM2.00 per Share, will be allocated to the following parties:-

	<b>No. of Shares of RM1.00 each</b>	<b>Percentage %</b>
<i>Public Issue</i>		
Eligible employees and business associates of D'nonce Group	2,000,000	5.0
Malaysian Public	5,000,000	12.5
<i>Special Issue</i>		
Bumiputera investors approved by MITI	3,000,000	7.5
	<b>10,000,000</b>	<b>25.0</b>

The utilisation of proceeds from the Rights Issue, Public and Special Issues is as detailed in Section 5.7 of this Prospectus.

**(e) Listing and Quotation**

The listing of and quotation for the entire issued and paid-up share capital of D'nonce Technology comprising 40,000,000 ordinary shares of RM1.00 each, on the Second Board of the KLSE.

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## 7. INFORMATION ON THE GROUP (Cont'd)

### 7.3 APPROVALS

The approval of the FIC, MITI and SC respectively were granted subject to the following conditions:-

Authority	Date of approval	Conditions	Status of compliance
FIC	9 May 2000	(i) 30% equity interest in D'nonce Technology has to be held directly by Bumiputera investors upon listing  (ii) To increase to 30% Bumiputera equity interest respectively in D'nonce (KL), AV (JB), D'nonce (Johore) and D'nonce (Kelantan)	At least 30% of D'nonce Technology's equity will be owned by Bumiputera shareholders upon listing.  Refer to FIC's approval on 9 August 2000. In the event that the condition is unable to be met within the stipulated time frame, the Company will seek an extension of time from the FIC to comply with this condition.
	9 August 2000	(i) To increase to 30% Bumiputera equity interest in D'nonce (KL), AV (JB), D'nonce (Johore) and D'nonce (Kelantan) respectively by 30 June 2001	Will comply in due course
MITI	1 June 2000	(i) Allocation of 7.5% of the D'nonce Technology Shares under the Bumiputera investors is subject to the approval of MITI	Approval of MITI was obtained on 1 December 2000
SC	17 August 2000	(i) Moratorium imposed on 18 million shares representing 45% of the issued and paid up share capital of D'nonce Technology held by the promoters and major shareholders of D'nonce Technology.  (ii) The Directors and major shareholders of D'nonce Technology are to disclose their existing involvement and equity interest in companies that have similar or related business activities or could be in competition with D'nonce Group's businesses. They are to disclose how this conflict of interest can be overcome, if possible.	Complied as detailed in Section 8 of this Prospectus  Details are disclosed in Section 7.12.1 of this Prospectus

7. INFORMATION ON THE GROUP (*Cont'd*)

Authority	Date of approval	Conditions	Status of compliance
		<p>(iii) Disclosure is to be made in the Prospectus with regards to dependence of D'nonce Group businesses, in particular contract manufacturing, to a small number of customers, together with risk associated due to such dependency and steps to be taken to reduce the risks.</p> <p>(iv) Any future transactions between the D'nonce Group and companies related to the Directors / promoters / substantial shareholders of D'nonce Technology must be on "arm's length" basis. Audit Committee is required to monitor and report such transaction(s) in the Annual Report of D'nonce Technology every year.</p> <p>(v) D'nonce Technology is not allowed to involve in new business which is not related to its core business within three (3) years after its listing.</p>	<p>Details are disclosed in Section 4 of this Prospectus.</p> <p>The Directors / promoters / substantial shareholders of D'nonce Technology have taken note and will comply with the condition.</p> <p>The Directors / promoters / substantial shareholders of D'nonce Technology have taken note and will comply with the condition.</p>

On 30 January 2001, the SC has granted an extension of time to D'nonce Technology to complete the implementation of listing and quotation for the entire enlarged issued and paid-up share capital D'nonce Technology on the Second Board of the KLSE for a further period of three (3) months to 16 May 2001.

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**7. INFORMATION ON THE GROUP (cont'd)**


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**7.4 BUSINESS OVERVIEW****7.4.1 Principal Activities**

D'nonce Technology is principally an investment holding company while the principal activities of its subsidiary companies are as follows:-

<b>Company</b>	<b>Principal Activities</b>
AV Industries	Contract manufacturing of electronic components.
AV	Design and conversion of advanced packaging materials for the electronics industry.
AV(JB)	Design and conversion of advanced packaging materials for the electronics industry.
AV(KL)	Design and conversion of advanced packaging materials for the electronics industry.
AV Innovation	Design and conversion of advanced packaging materials for the electronics industry.
D'nonce (M)	Sales and distribution of advanced packaging materials, electronic products and consumables for the electronics industry.
D'nonce (KL)	Sales and distribution of advanced packaging materials, electronic products and consumables for the electronics industry.
D'nonce (Johore)	Sales and distribution of advanced packaging materials, electronic products and consumables for the electronics industry.
D'nonce (Kelantan)	Sales and distribution of advanced packaging materials, electronic products and consumables for the electronics industry.
D'nonce Electronics	International procurement office for the electronics industry.

**7.4.2 Group Business**

The business activities of the Group may be broadly categorised into the following:

**(a) Contract Manufacturing**

The Group's involvement in Contract Manufacturing started in December 1997 with the hook-up assembly of actuator arm to FCBA for Read-Rite. Read-Rite is a subsidiary of Read-Rite Corporation, a company incorporated in US, one of the world's leading independent manufacturers of magnetic read/write heads, HSAs and HGAs for disk drives and tape drives. Subsequently, the Group was awarded the contract by Read-Rite to provide HSA services to one of its customers, Iomega Corp, a company incorporated in US, a leading manufacturer of smart, portable storage solutions, including drives and disks. Since then, the Group's Contract Manufacturing activities have grown rapidly. Its customer base now includes manufacturers in disk drive, audio, electronics toy cars and hygienic industry. For the financial year ended 31 August 2000, Contract Manufacturing contributed approximately 58% and 47% to the Group's turnover and PAT respectively.

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**7. INFORMATION ON THE GROUP (cont'd)**

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**(b) Design & Conversion**

AV was established in Penang in 1991 to meet the increasing demand by the electronics industry for customised, cost effective and environmentally efficient packaging designs. Through AV, the Group designs and converts advanced packaging materials, such as specialised paper, special chemically treated rubber and foams, insulation and interleaving materials. Since then, the Group has established operations in Kuala Lumpur and Johore Bahru to supply to its customers in other parts of Peninsular Malaysia. Today, Design & Conversion has approximately 236 customers who are predominantly in the electronics industry. For the financial year ended 31 August 2000, Design & Conversion contributed approximately 13% and 34% to the Group's turnover and PAT respectively.

**(c) Sales & Distribution**

D'nonce (M) was incepted in 1989 as a trading company, specialising in the supply of specialised tapes used in electronic and electrical products. Sales & Distribution of the Group has since grown rapidly. Today, the Group's sales offices in Penang, Kuala Lumpur, Johore Bahru, Kota Bharu and sales representative office in Philippines offer a wide range of products, particularly clean room consumables, electronic components, tapes and packaging materials to approximately 490 customers who are predominantly in the electronics industry. For the financial year ended 31 August 2000, Sales & Distribution contributed approximately 29% and 19% to the Group's turnover and PAT respectively.

**7.4.3 Products and Services****(a) Contract Manufacturing**

The Group provides the following contract manufacturing services:

- Coil winding for sliders
- Head Gimbal Assembly (HGA)
- Head Stack Assembly (HSA)
- Surface Mount Technology (SMT) component placement
- Printed Circuit Board Assembly (PCBA)
- Flexible Circuit Board Assembly (FCBA)
- OEM product assemblies and manufacturing
- Assembly and test of wire harnesses

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**7. INFORMATION ON THE GROUP (cont'd)**


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**(b) Design & Conversion**

The major categories of packaging products the Group designs and converts are as follows:

<b>Product Category</b>	<b>Products</b>
Paper	High-end kraft paper, glassine paper, art card spacer, clean room spacer, anti-rust paper, cardboard spool, paper reel, clean room paper, paper core, packing list, envelope padded, carton box, conductive box and paper pulp tray.
Foams	High-end polyethylene foam, polyethylene foam, ethyl vinyl acetate foam, expanded polystyrene foam, etha foam, nitrile foam, miramat sheet/roll/bag, gasket strip, insulation foil and polyethylene foam tape.
Plastic	Polyethylene spacer, polypropylene spacer, film, plastic casing, polypropylene corrugated sheet/box, plastic reel, anti-static case, anti-static card and vacuum forming tray.
Bags	Anti-static bubble bag, zipper bag, anti-static/plain polyethylene bag, static shielding bag, moisture barrier bag and kraft paper bag.

**(c) Sales & Distribution**

The major products distributed by the Group are as follows:

<b>Product Category</b>	<b>Products</b>
Tapes & packaging	K-liner, 3M adhesive & tape, adhesive & non-adhesive tapes, specialised tape, masking tape, oriented polypropylene transparent tape, polyvinyl chloride transparent tape and thermal melting tape.
Components	Lead wire, resistor, capacitor and diode.
Clean room products	Latex glove, vinyl glove, nitrile glove, boufant cap, beardcover, face mask, polypropylene shoecover, chlorinated polyethylene shoecover, finger cot, wiper, swab and clean room garment.
Reels	Plastic reel and paper reel.
ESD products	Wrist strap, grounding cord, heel & toe grounder, footwear tester, wrist strap tester, fieldmeter, static detector, charge plate monitor, ionization product, ultra clean mat, conductive table, floor mat, floor wax/polish, static shielding bag, moisture barrier bag and conductive polyethylene bag.
Others	Shrink film, stretch film, fibre optic, solder paste, replacement bulb & lighting, indium solder paste, loctite adhesive and sealant and epoxy.

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**7. INFORMATION ON THE GROUP (*cont'd*)**

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**7.4.4 Intellectual Property, Proprietary Rights, Patents, Licenses, Brand Names, Trade Marks Franchises and Technical Assistance Agreements**

The Group does not own any intellectual property, proprietary rights, patents, licenses, brand names, trade marks or franchises and has not entered into any technical assistance agreements.

**7.4.5 Production Process**

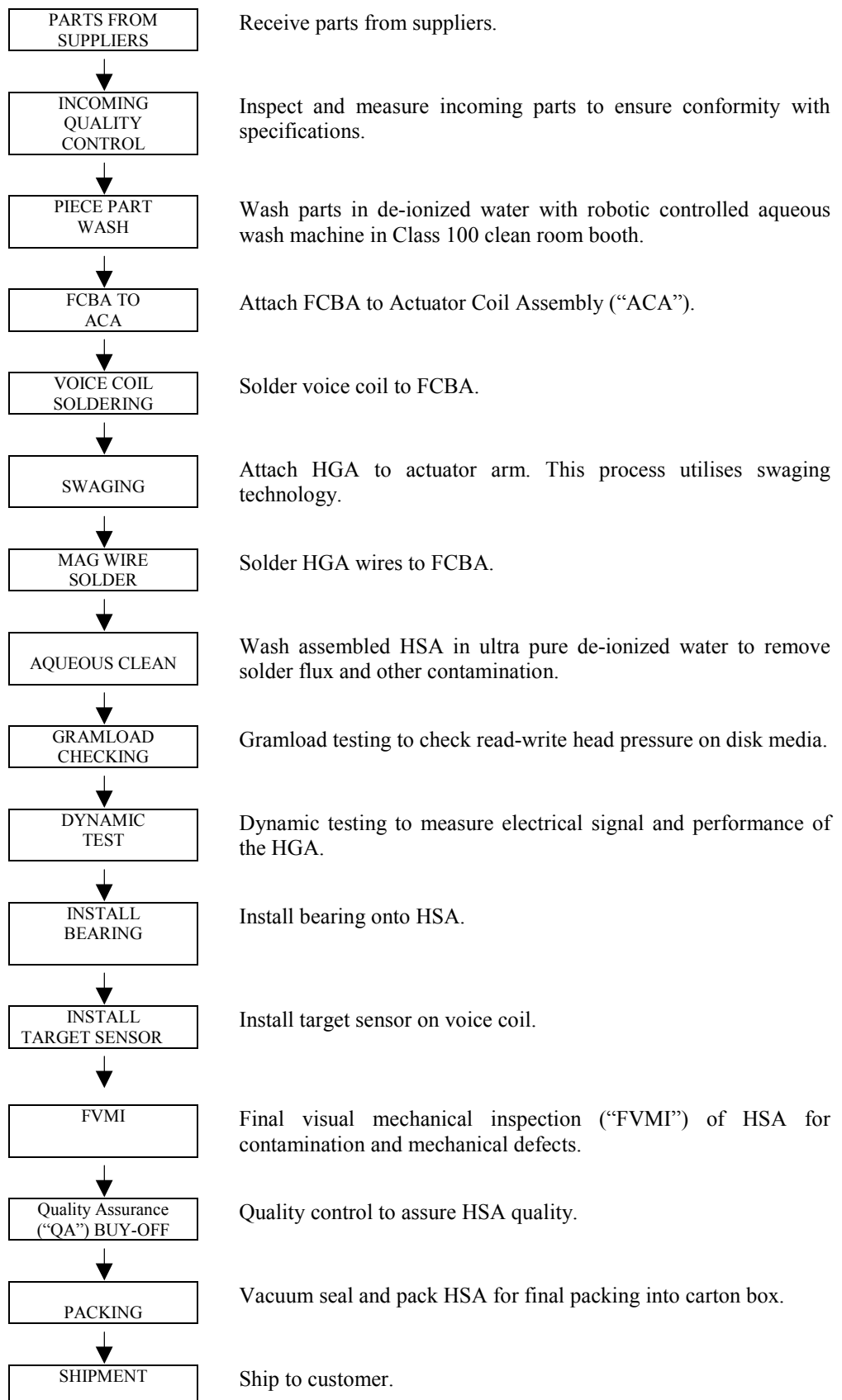
(a) ***Contract Manufacturing of HSA and HGA***

The assembly of HSA and HGA requires clean room environment and facilities. AV Industries currently has a floor space of 20,396 sq. ft. of Class 10K clean room facility with Class 100 laminar flowhood which is located at Plot 425, Tingkat Perusahaan 6A Free Trade Zone, Prai, Penang. It is also equipped with conductive floor tiles, air ionizing systems, ESD safe chairs, stainless steel workbenches and ESD monitoring systems to minimise potential ESD damage to read/write heads, particularly those utilising MR and GMR technology.

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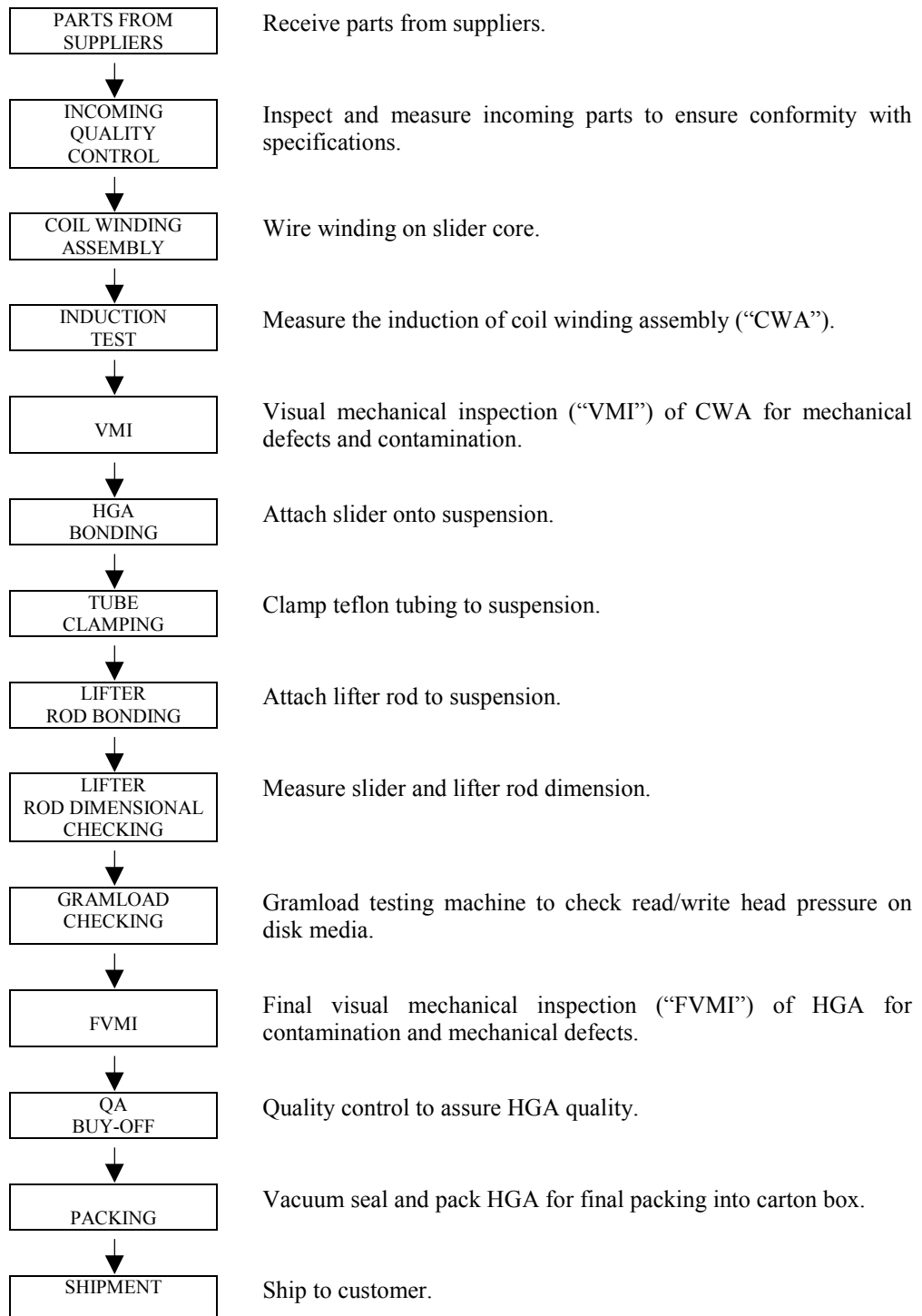
**7. INFORMATION ON THE GROUP (cont'd)**

The production process for HSA is as follows:



**7. INFORMATION ON THE GROUP (cont'd)**

The production process for HGA is as follows:



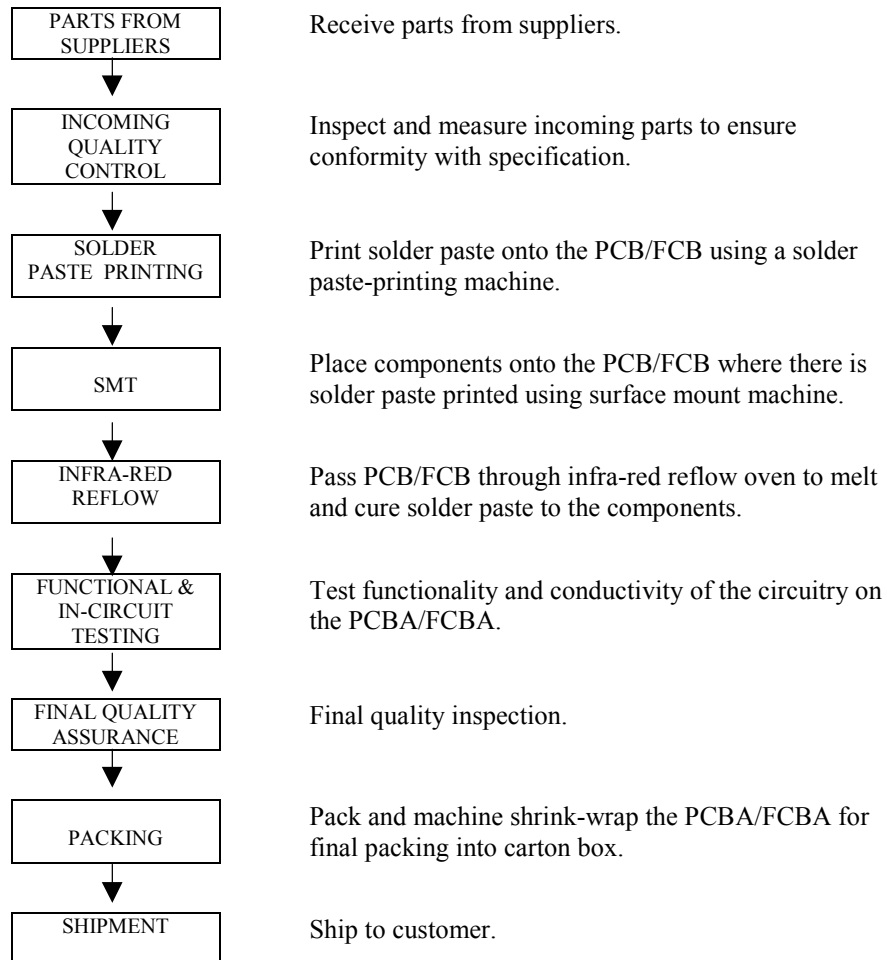
7. INFORMATION ON THE GROUP (cont'd)

(b) **Contract Manufacturing of PCBA and FCBA**

The Group uses SMT for the assembly of PCBA and FCBA. Unlike the conventional auto insertion method, SMT makes it possible to mount electronic components on the surface of the circuit board.

(i) **PCBA and FCBA process**

The production process for PCBA and FCBA is as follows:

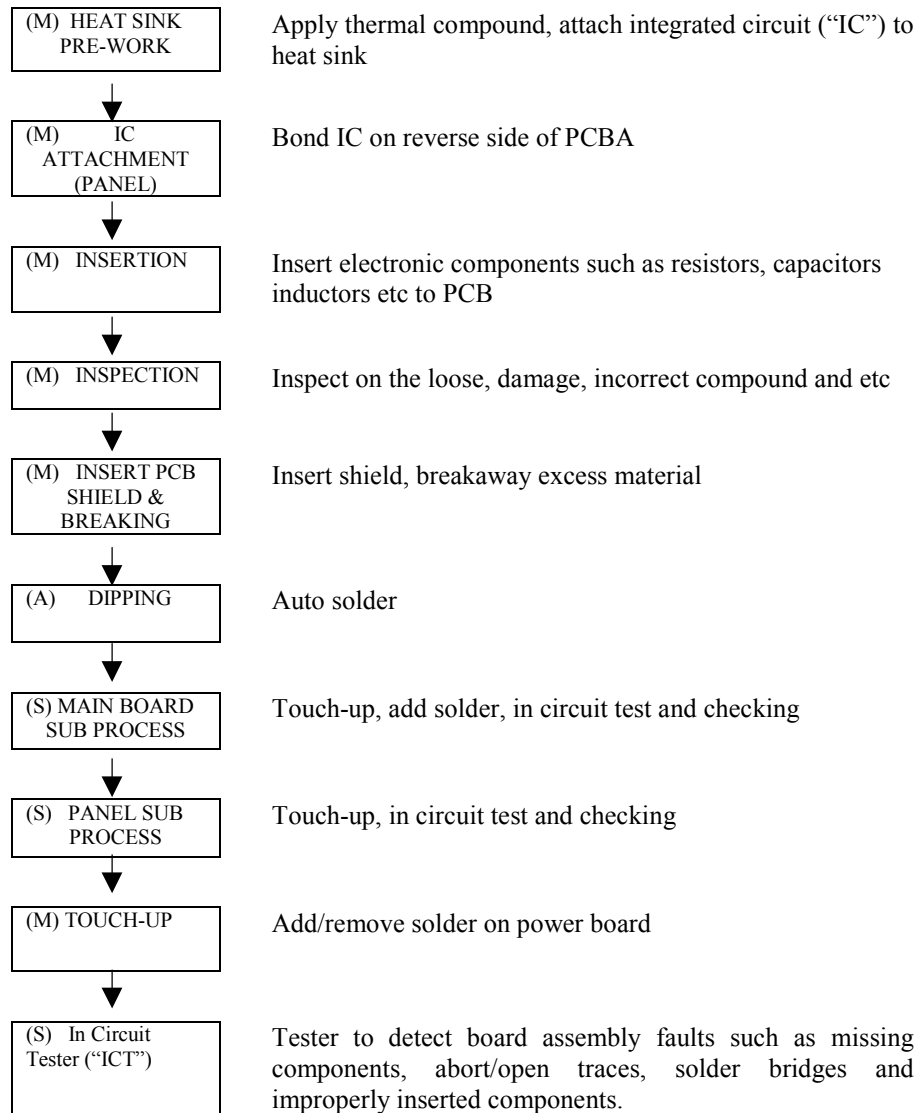


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7. INFORMATION ON THE GROUP (cont'd)

(ii) **Audio Box Build sub-assembly process**

The production process of audio box build sub-assembly is as follows:



Notes:

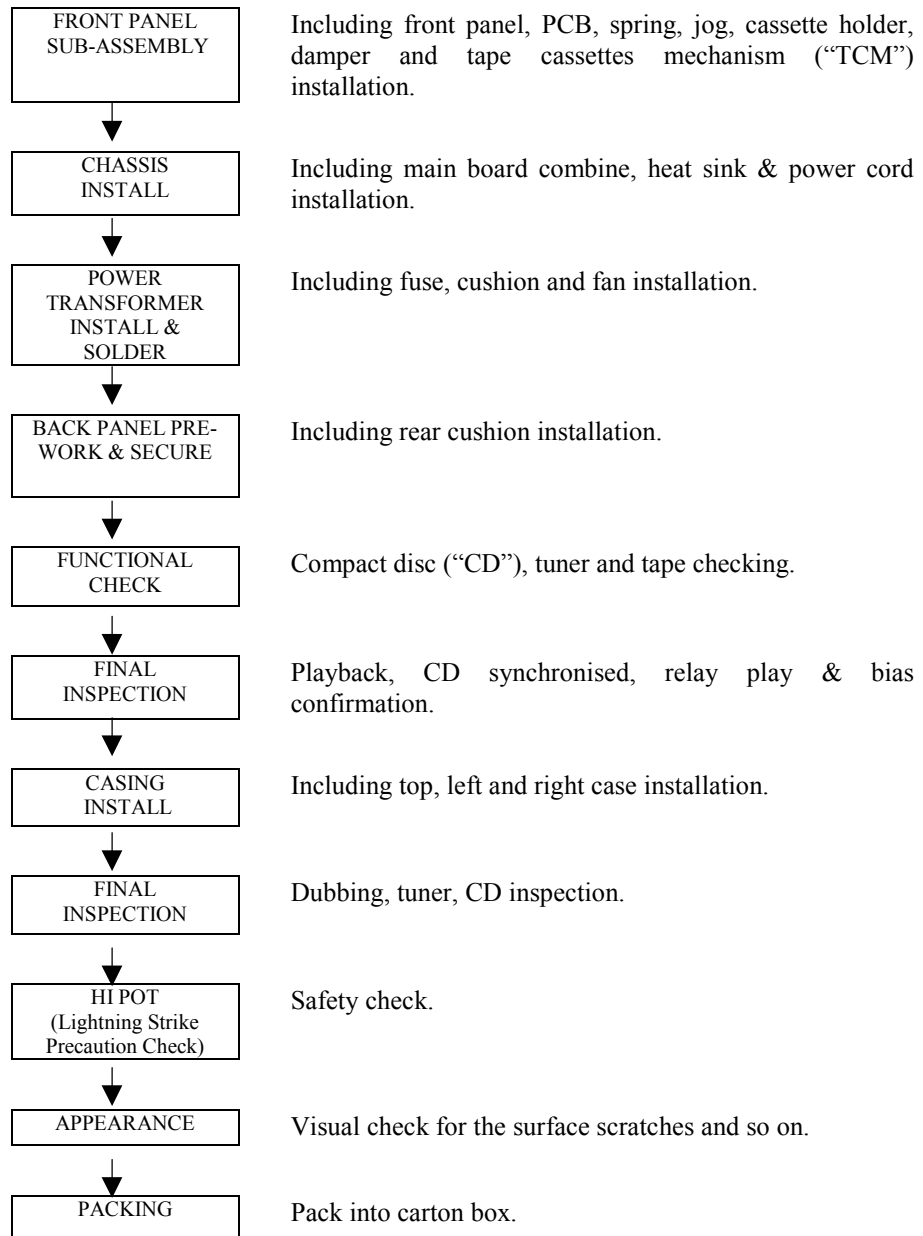
- (A) Automatic Machinery
- (S) Semi-Automatic Machinery
- (M) Manual Operation

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7. INFORMATION ON THE GROUP (cont'd)

(iii) **Audio Box Build final assembly process (Cont'd)**

The production process of audio box build final assembly is as follows:



**Note:**

All final assembly processes are manually operated.

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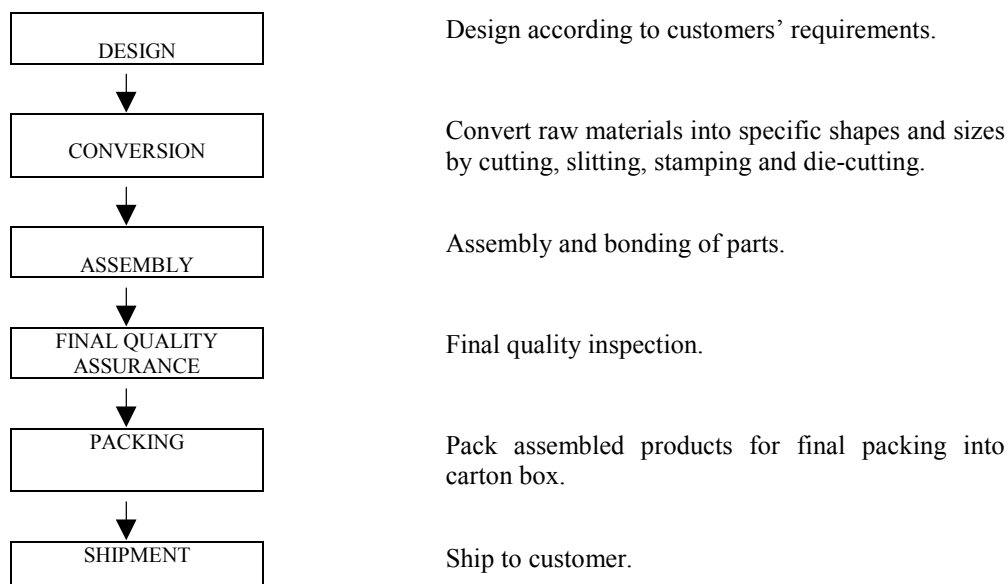
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**7. INFORMATION ON THE GROUP (cont'd)**


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**(c) Design & Conversion of advanced packaging materials**

The production process for advanced packaging materials is as follows:

**7.4.6 Market Position and Competition**

To the best of the Directors' knowledge, there is no independent statistic on the Group's market share in each of its respective businesses.

**(a) Contract Manufacturing**

The contract manufacturing industry in Malaysia comprises of companies catering to a wide range of products and components such as semiconductors, disk drives, PCBAs and FCBA's. Some of these companies cater to specific industries, such as, the semiconductor and disk drive industries, whilst those in manufacturing of PCBAs and FCBA's may have customers from a wider range of industries. The Directors believe that barriers to entry into the contract manufacturing industry are high due to, inter alia, high investment cost, skilled labour force, technical know-how and stringent pre-qualification process.

AV Industries offers HSA and HGA services to customers in Malaysia. The Directors believe that the Group has a competitive edge over its foreign competitors over the customers which are located in Malaysia.

With its new plant in Prai, the Group also offers contract manufacturing services for PCBA and FCBA, as well as OEM product assemblies to its customers. Presently, the Group is servicing customers in the disk drive, audio, toy cars and hygienic industries and will eventually expand its customer base to other industries. Today, amongst others, its major customers are Read-Rite, Sony and Nikko.



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## 7. INFORMATION ON THE GROUP (*cont'd*)

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The Directors believe that the Group's competitive strengths are as follows:

- ***Track record***

Despite being a relatively new player in the contract manufacturing sector, the Group has in a short time demonstrated its ability to offer high quality contract manufacturing services through the provision of timely product delivery, low turnaround time, high production yield and stringent quality control. In particular, the Group has acquired the necessary technical know-how and expertise to offer contract manufacturing services for HSA, HGA, PCBA and FCBA.

- ***A team of experienced and skilled labour force***

The Group has recruited a team of experienced and skilled labour force, largely from Read-Rite, following the relocation of its manufacturing operations. With this team, the Group has the necessary technical expertise and experience to compete with potential competitors.

(b) ***Design & Conversion***

To the best of their knowledge, the Directors believe there is only a limited number of companies in Malaysia involved in design and conversion of advanced packaging materials for the electronics industry. The Directors believe that it will be difficult for new players to enter the market as customers increasingly prefer to deal with established integrated suppliers manufacturing a wide range of products. Furthermore, there is also the requirement for technical skills to achieve high quality controls in the conversion and assembly processes.

The Directors believe that the Group's competitive strengths are as follows:

- ***Bulk purchases***

To-date, the Group has approximately 236 Design & Conversion customers. This enables the Group to purchase its raw materials in bulk, thus achieving greater economies of scale which in turn enables the Group to price its products more competitively.

- ***Integrated supplier***

The Group continues to be an integrated supplier thus providing customers the ability to reduce the number of suppliers, therefore enabling cost savings to its customers.

- ***Customer support and services***

The Group has decentralised its operations across Peninsular Malaysia with factories in Penang, Kuala Lumpur and Johore Bahru. These factories are strategically located in close proximity to its major customers to provide better customer support and services, particularly to those who have implemented just-in-time (JIT) production systems.

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**7. INFORMATION ON THE GROUP (cont'd)**

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**(c) Sales & Distribution**

The Directors believe that there are a limited number of companies in Malaysia which carry a similar range of products as the Group. The Directors believe that new players will find it difficult to penetrate the market as customers are continuously reducing their approved vendors list, preferring to deal with established suppliers with a wide range of products. In addition, it will be increasingly difficult for new entrants to obtain distributorships for established and/or quality products.

The Directors believe that the Group's competitive strengths are as follows:

- **Wide distribution networks**

The Group has decentralised its operations across Peninsular Malaysia with sales offices in Penang, Kuala Lumpur, Johore Bahru, Kota Bharu and a sales representative office in Philippines to be closer to its customers. This is to provide better customer support and services, particularly to those who have implemented just-in-time (JIT) production systems.

- **Wide product range**

It is the Group's strategy to carry a wide range of products to enable it to penetrate the various sub-sectors of the electronics industry. Currently, the Group distributes to approximately 234 products predominantly for the electronics industry. The Directors believe that this is a competitive advantage for D'nonce Group as customers, particularly MNCs, increasingly prefer to deal with fewer suppliers who are able to meet all or most of their material requirements.

**7.4.7 Marketing, Distribution and Sales**

Each of the Group's major business activities has its own respective marketing team.

**(a) Contract Manufacturing**

The marketing effort is spearheaded by an Executive Director who has been instrumental in the establishment of this business activity. Assisting him is a general manager and a senior manager, each has more than ten (10) years of working experience in the electronics industry. They are supported by a team of qualified and experienced technical personnel.

Sales and marketing efforts are targeted at those companies, particularly MNCs, who are already outsourcing or looking to outsource their manufacturing activities. The strategy is to promote the Group not just as a contract manufacturer but also as a supplier of their packaging and material requirements i.e. a 'one-stop' supplier.

**(b) Design & Conversion**

Currently, the sales and marketing efforts for Design & Conversion is spearheaded by an Executive Director. He is assisted by a senior marketing manager with many years of marketing experience. Each of its operations in Penang, Kuala Lumpur and Johore Bahru has its own respective marketing team, comprising of four (4) to six (6) marketing executives oversee by the respective directors in the subsidiary companies. They promote and market D'nonce Group as a solutions provider and product enhancer to its customers.

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**7. INFORMATION ON THE GROUP (cont'd)**


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In recent years, the Design & Conversion activities have been expanded from Penang to Kuala Lumpur and Johore Bahru. This strategy allows the Group to reduce costs (in particular logistics cost) and better source its existing and new customers, particularly those who have implemented just-in-time (JIT) production systems.

(c) **Sales & Distribution**

Sales and marketing efforts are carried out by approximately 20 marketing managers and executives, from its network of offices throughout Peninsular Malaysia. The team in the Penang office handles the sales and marketing for the northern region of Peninsular Malaysia, namely Kedah, Perlis, Penang and Perak whilst the team in Kuala Lumpur services customers in the central region namely Selangor, Federal Territory, Negeri Sembilan and Melaka. Customers in Johore and Singapore are being serviced by the team in Johore Bahru. Finally, the team in Kota Bharu services customers in the Eastern corridor of Peninsular Malaysia, namely Kelantan, Trengganu and Pahang. The Group also has a sales representative office in Philippines to service its overseas customer base.

The Group promotes and positions itself as a strong and progressive distributor by supplying a wide range of good quality products with strong technical support and services for all its customers. Furthermore, the Group has, over the years, developed good business relationships with its customers.

**7.4.8 New Business Activities**

The Group has recently set up a new factory in Penang to provide contract manufacturing services for PCBA, FCBA and OEM product assemblies. Initially, the Group targeted customers in the disk drive industry, promoting itself as a 'one-stop' supplier to its existing customers. However, PCBAs and FCBA's are also widely used in cellular phones, PCs, audio products etc, and the Group will progressively secure customers in some of these industries.

**7.4.9 Major Customers**

Since its inception in 1989, the Group's businesses have grown rapidly. Today, it has a clientele base of approximately 732, predominantly in the electronics industry. Its customers, both local and MNCs with their operational set-up in Malaysia, demand very high qualification standards from their suppliers.

(a) **Contract Manufacturing**

When the Group first ventured into Contract Manufacturing in December 1997, it has only Read-Rite as its customer. As at 14 February 2001, its customer base has expanded to six (6). For the financial year ended 31 August 2000, Read-Rite and Sony contributed up to 41% and 0.5% respectively of the Group's turnover. The Directors are of the view that dependence on a few key customers is a common feature in the Contract Manufacturing sector, particularly for new entrants. Nonetheless, the Group is actively seeking to reduce its dependence on these customers. Looking forward, the Group is to further increase their customer base for the financial year ending 31 August 2001.

The major customers for the contract manufacturing are as follows-

<b>Major Customers</b>	<b>Years of Relationship</b>
Read-Rite	3
Sony	1

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**7. INFORMATION ON THE GROUP (cont'd)**


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**(b) Design & Conversion**

As at 14 February 2001, the Group has approximately 236 Design & Conversion customers. No single customer contributed more than 5% to Group's turnover for the financial year ended 31 August 2000. The Directors do not foresee that they will account for more than 5% of the Group's turnover for the financial year ending 31 August 2001.

**(c) Sales & Distribution**

As at 14 February 2001, the Group has approximately 490 Sales & Distribution customers. No single customer contributed more than 5% to the Group's turnover for the financial year ended 31 August 2000. The Directors do not foresee that they will account for more than 5% of the Group's turnover for the financial year ending 31 August 2001.

**7.4.10 Major Suppliers**

The Group has over 439 local and overseas suppliers. The Group's policy is to constantly evaluating and sourcing for new sources of materials/products and to expand its existing product range. This has enabled the Group to negotiate for more favourable and competitive terms for the purchases.

**(a) Contract Manufacturing**

The Group sources its components such as HGA, FCBA, actuator coil and body, bearing, target sensor, housing and terminal, insulated wire, comb and tray from suppliers in China, Thailand, Philippines, Taiwan, Japan and Malaysia.

In addition to being a customer, Read-Rite is also a major supplier (of HGAs) to AV Industries, accounting for approximately 22% of the Group's purchases for the financial year ended 31 August 2000. In contract manufacturing sector, it is common for customers to specify suppliers from which contract manufacturers must purchase components from, and in instances where such supplies could not be obtained from the specified suppliers, the customers would assist in the sourcing of the components to ensure timely delivery of the contract.

The major suppliers for the contract manufacturing are as follows:-

<b>Major Supplier</b>	<b>Years of Relationship</b>
Read-Rite	3

**(b) Design & Conversion**

The Group sources its raw materials such as, interleaf kraft paper, silver saver paper, insulation form, anti-static foam, normal foam, conductive rubber, carrier base paper, paper reel and lead frame interleaving from suppliers in Singapore, USA, Norway, Holland, Taiwan, Japan, Indonesia and Malaysia. For the financial year ended 31 August 2000, no single supplier accounted for more than 5% of the Group's purchases. The Directors do not foresee that any single supplier will amount for more than 5% of the Group's purchases for the financial year ending 31 August 2001.

**(c) Sales & Distribution**

The Group sources its products from various suppliers in Taiwan, Japan, USA and Singapore. For the financial year ended 31 August 2000, no single supplier accounted for more than 5% of the Group's purchases. The Directors do not foresee that any single supplier will account for more than 5% of the Group's purchases for the financial year ending 31 August 2001.

## 7. INFORMATION ON THE GROUP (*cont'd*)

### 7.4.11 Location of Operations, Production Capacities and Facilities

The Group's corporate office in Penang handles the corporate affairs, business development, customer services and finance and administration of the Group.

#### (a) *Contract Manufacturing*

The Group's Contract Manufacturing plants and their respective production capacities are as disclosed below:-

Location	Land/ Built-up area sq ft.	Products	Total Capacity/Current Capacity	Production Lines/Shift
<b>Prai</b>				
HS(D)No.3226 Plot 37, Lorong Perusahaan 7 Taman Perindustrian Bukit Tengah, 13600 Prai Penang*	44,800/ 50,000	SMT  HSA  Drive Filter	30 million points per month/81%  1.7 million units per annum/42%  5 million units per month/Not applicable as the operation has just commenced in mid-January 2001	4 lines/3 working shift  6 lines/3 working shift  3 lines/3 working shift
Plot 425, Tingkat Perusahaan 6A Free Trade Zone 13600 Prai, Penang *	46,800/20,396	Hi-fi  Electronics toys car	30,000 sets per month/92%  60,000 sets per month/56%	2 lines/1 working shift  2 lines
10 Bengkel Pekan Baru Kampong Lalang 09100 Baling, Kedah#	2,709/2,709	Transmitter	30,000 units per month/90%	1 line

\* *Owned*

# *Rented*

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## 7. INFORMATION ON THE GROUP (cont'd)

### (b) Design & Conversion

The Group's Design and Conversion plants and their respective production capacities are as disclosed below:-

Location	Land/ Built-up area sq ft.	Products	Machine
<b>Prai</b>			
No.1 Puncak Perusahaan 1 Kawasan MIEL, Prai Industrial Estate 13600 Prai, Penang *	21,590/12,208	Paper & Plastic Paper Paper & Foam	Die Cut Slitting Cutting Auto Stamping
<b>Penang</b>			
Plot 285, Phase III Bayan Lepas Industrial Zone 11900 Penang #	21,407/17,838	Bags	Bag Conversion
<b>Kuala Lumpur</b>			
Lot 20, Jalan CJ 1/1 Kawasan Perusahaan Cheras Jaya, Batu 11, 43200 Cheras Selangor Darul Ehsan #	25,000/20,000	Paper & Plastic Paper Paper & Foam	Die Cut Slitting Cutting Auto Stamping
<b>Johor</b>			
PTD 15920 - HS(D) 105495 Taman Kota Kulai Mukim Senai Kulai, Johor *	2,400/2,777	Paper & Plastic Paper Paper & Foam	Die Cut Slitting Cutting Auto Stamping
PTD 15918 - HS(D) 105493 Taman Kota Kulai Mukim senai, Kulai, Johor *	5,381/2,777		
Lot 28793 (PTO 15948) Taman Kota Kulai Mukim Senai, Kulai, Johor *	2,400/2,777		
Lot 15919 - HS(D) 105494 Taman Kota Kulai Mukim Senai, Kulai, Johor #	2,400/2,777		

Based on one (1) working shift, the plant in Prai is currently operating at around 60% - 75% of its capacity whilst the other plants are operating at about 40% to 60% of their respective capacities.

\* Owned

# Rented

### (c) Sales and Distribution

Sales & Distribution are operated from two (2) sales offices in Penang with a total built up area of 5,298 sq. ft. and one each in Kuala Lumpur, Johore Bahru and Kota Bharu with a combined total built up area of 8,678 sq. ft.

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**7. INFORMATION ON THE GROUP (cont'd)**


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**7.4.12 Quality Assurance**

Quality Assurance forms an important part of the Group's strategy of achieving customer satisfaction. Over the years, the Group has started to provide products and services that consistently meet or exceed the quality expectations of its customers. For quality assurance, stringent quality control procedures has been incorporated into every stage of the production process, starting from the receipt of raw materials to the dispatch of finished goods.

The Group's policy is to invest in advanced testing equipment, manufacturing processes, materials and equipment to ensure the quality of its products. Product development, improvement and review are conducted using in-house expertise, both independently and in conjunction with the Group's suppliers and customers, when necessary.

Some of the major achievements of the Group resulting from its high quality standards are as follows:

<b>Key Achievements</b>	<b>Year</b>
• Achieved ship-to-stock for Sumicarrier (Singapore) Pte Ltd, Singapore for plastic reels	1996
• Appointed a 'one-stop' supplier by Read-Rite for packaging and indirect materials	1996
• Achieved ship-to-stock for Sumicarrier (Singapore) Pte Ltd, Singapore for paper reels	1997
• Qualified supplier of Read-Rite for HSA	1998
• Qualified supplier of Hitachi Semiconductor Technology (M) Sdn Bhd for HGA	1998
• Qualified supplier of Castlewood Systems (M) Sdn Bhd for HSA	1999
• Achieved ship-to-stock for Iomega (Malaysia) Sdn Bhd for HSA	1999
• AV Industries was awarded ISO 9002 by AJA EQS Certification (M) Sdn Bhd	1999

**7.4.13 Major Investments, Expansion and Acquisitions**

Major investments in the past two (2) years have been principally in Contract Manufacturing and Design & Conversion divisions. To-date, the Group has invested a total of RM17.8 million on land, building, plant and machinery. Details of which are as follows:-

	<b>Design &amp; Conversion RM'000</b>	<b>Contract Manufacturing RM'000</b>	<b>Total RM'000</b>
Land & building	3,875	-	3,875
Plant & machinery	2,337	11,636	13,973
Total	6,212	11,636	17,848

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**7. INFORMATION ON THE GROUP (cont'd)**


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**7.4.14 R&D Capabilities**

R&D is a combined effort between the Group and its customers. The Group's technical team, comprising production engineers, process engineers, product quality engineers and supplies quality engineers are often sent to customers' office sites to discuss and brain-storm the development of new products and improvement/modification of existing products or production process. With these efforts, the Group has and will continue to increase its production yields, product quality and plant efficiencies for Contract Manufacturing. In view of its size and nature of business operation, it is not cost-benefit for the Group to maintain a separate R&D set-up. As such, the Group does not have a separate team of R&D staffs nor it has separate facilities solely for purpose of R&D activities.

However, since R&D is one of the important area for the Group's Contract Manufacturing division, D'nonce Technology will continue to carry out R&D activities to keep up with changing needs and requirement of its clients.

For the past two (2) years, approximately RM83,000 or 2.2% of Contract Manufacturing's PBT were for the purpose of R&D. Baring unforeseen circumstance, D'nonce Technology is expected to invest at least RM107,000 or 2% of its Contract Manufacturing's PAT for the financial year ended 31 August 2001 in testing equipment, material and operational research as well as human resources to further improve its operational efficiency and productivity. This trend is expected to continue in the future.

**7.4.15 Interruption to Operations**

The Group did not experience any interruptions in its businesses, which may have had a significant effect on its operations during the past twelve (12) months from the date of this Prospectus.

**7.4.16 Exceptional Factors**

To the best of the Directors' knowledge, there is no exceptional factor affecting the Group as at the date of the Prospectus.

**7.5 SHARE CAPITAL**

The authorised share capital of D'nonce Technology is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of D'nonce Technology as at 6 December 2000 is RM30,000,000 comprising 30,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of the Company since its incorporation are set out below:-

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each</b>	<b>Consideration / Type of issue</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
20.1.2000	2	Cash (Subscribers' Shares)	2
18.10.2000	23,062,723	Issued pursuant to the Acquisition of D'nonce (M) at RM1.17 per share	23,062,725
06.12.2000	6,937,275	Rights issue of approximately 10 for 33 at RM1.00 per share	30,000,000



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**7. INFORMATION ON THE GROUP (Cont'd)**


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**7.6 SUBSIDIARY AND ASSOCIATED COMPANIES****7.6.1 D'nonce (M)**

D'nonce (M) was incorporated in Malaysia as a private limited company on 19 June 1989 pursuant to the Companies Act, 1965. On 21 November 1997, the Company was converted into a public company under the name of D'nonce (M) Berhad. It was subsequently converted back into a private limited company on 26 January 2000 and assumed its present name.

As at the date of this Prospectus, D'nonce (M) is a wholly-owned subsidiary of D'nonce Technology.

D'nonce (M) is principally involved in sales and distribution of packaging materials, electronic products and consumables for the electronics industry.

As at 14 February 2001, D'nonce (M) has a total workforce of 33 employees.

***Share Capital***

The authorised share capital of the company is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each, of which 7,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and paid-up share capital of D'nonce (M) since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
19.06.89	4	Cash (Subscribers' shares)	4
24.12.90	79,996	Otherwise than cash*	80,000
28.08.92	170,000	Cash	250,000
17.03.94	53,400	Cash	303,400
30.08.94	196,600	Cash	500,000
23.04.96	250,000	Cash	750,000
23.07.96	250,000	Cash	1,000,000
30.06.99	6,000,000	Cash	7,000,000

\* *The allotment was treated as fully paid-up by debiting the credit balance of the current account of the shareholders of the Company at that time.*

***Subsidiary and Associated Companies***

As at the date hereof, D'nonce (M) does not have any subsidiary or associated company.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**7.6.2 AV Industries**

AV Industries was incorporated on 19 March 1991 in Malaysia as D'nonce Marketing Sdn Bhd, a private limited company pursuant to the Companies Act, 1965. On 8 April 1997, the company changed its name to AV Industries Sdn Bhd. The company was acquired by D'nonce (M) on 30 August 1997.

As at the date of this prospectus, AV Industries is a wholly-owned subsidiary of D'nonce Technology.

AV Industries was principally involved in the business of supplying computer consumables and accessories until end of year 1997. It is now principally involved in contract manufacturing of electronic components.

Presently, the company operates from three locations as follows:

- (i) Plot 425, Tingkat Perusahaan 6A, Prai Free Industrial Zone, 13600 Prai, Penang which occupies a land area of approximately 46,800 sq. ft. with a total built-up area of approximately 20,396 sq.ft.;
- (ii) 10, Bengkel Pekan Baru, Kampung Lalang, 09100 Baling, Kedah which occupies a total built-up area of approximately 2,709 sq.ft; and
- (iii) Plot 37, Lorong Perusahaan Maju 7, Taman Perindustrian Bukit Tengah, 13600 Seberang Prai, Penang, which has a land area of approximately 44,800 sq.ft. comprising of double storey buildings with a total built-up area of approximately 50,000 sq.ft..

Locations (i) and (iii) above are equipped with clean room facilities.

As at 14 February 2001, AV Industries has a total workforce of 461 employees.

***Share Capital***

The authorised share capital of the company is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 2,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and paid-up share capital of AV Industries since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
19.03.91	2	Cash (Subscribers' shares)	2
29.08.97	249,998	Cash	250,000
30.07.99	1,750,000	Cash	2,000,000

***Subsidiaries and Associated Companies***

As at the date hereof, AV Industries does not have any subsidiary or associated companies.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**7.6.3 AV**

AV was incorporated in Malaysia as a private limited company on 14 August 1991 pursuant to the Companies Act, 1965.

As at the date of this Prospectus, AV is a wholly-owned subsidiary of D'nonce Technology.

The principal activities of AV are design and conversion of advanced packaging materials for the electronics industry.

Presently, the company carries out its operation from two locations as follows:

- (a) Its manufacturing activities are being carried out at its factory at 12, Hujung Perusahaan 2, Kawasan MIEL, Prai Industrial Estate, 13600 Prai, Penang. It has a land area of 1,875 sq. ft. with a total built-up area of 2,500 sq. ft.; and
- (b) The design and conversion of advanced packaging materials are being carried out at its factory at 1, Puncak Perusahaan 1, Kawasan MIEL, 13600 Prai, Penang, which has a land area of 21,950 sq. ft. with a total built-up area of 11,178 sq. ft..

As at 14 February 2001, AV has a total workforce of 98 employees.

***Share Capital***

The authorised and issued and fully paid-up share capital of AV is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. Details of the changes in the issued and paid-up share capital of AV since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
14.08.91	2	Cash (Subscribers' shares)	2
27.01.92	499,998	Cash	500,000
24.07.96	200,000	Cash	700,000
29.08.96	300,000	Cash	1,000,000

***Subsidiary and Associated Companies***

As at the date hereof, AV does not have any subsidiary or associated companies.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**7.6.4 D'nonce Electronics**

D'nonce Electronics was incorporated in Malaysia as a private limited company on 7 November 1995 pursuant to the Companies Act, 1965 under the name of Statmart Sdn Bhd. On 7 October 1999, it changed its name to D'nonce Electronics Sdn Bhd. The company was acquired by D'nonce (M) on 30 August 1997.

As at the date of this Prospectus, D'nonce Electronics is a wholly-owned subsidiary of D'nonce Technology.

D'nonce Electronics is operating as an international procurement office for the electronics industry. Its office is located at 2<sup>nd</sup> Floor, 12A Jalan Todak 2, Pusat Bandar Seberang Jaya, 13700 Penang.

As at 14 February 2001, D'nonce Electronics has a total workforce of 7 employees.

***Share Capital***

The authorised share capital of the company is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 400,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and paid-up share capital of D'nonce Electronics since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
07.11.95	2	Cash (Subscribers' shares)	2
15.04.96	399,998	Cash	400,000

***Subsidiary and Associated Companies***

As at the date hereof, D'nonce Electronics does not have any subsidiary or associated companies.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**7.6.5 D'nonce (KL)**

D'nonce (KL) was incorporated in Malaysia as a private limited company on 2 June 1993 pursuant to the Companies Act, 1965. As at the date of this Prospectus, D'nonce (KL) is a 75%-owned subsidiary of D'nonce Technology.

The principal activities of D'nonce (KL) are sales and distribution of advanced packaging materials, electronic products and consumables for the electronics industry.

Its office is located at 39, Jalan 1/119, Taman Bukit Hijau, 6th Mile, Jalan Cheras, 56000 Kuala Lumpur.

As at 14 February 2001, D'nonce (KL) has a total workforce of 12 employees.

***Share Capital***

The authorised share capital of the company is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 50,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and paid-up share capital of D'nonce (KL) since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
02.06.1993	4	Cash (Subscribers' shares)	4
02.04.1994	49,996	Cash	50,000

***Shareholders***

<b>Name</b>	<b>Equity Interest</b>
	<b>%</b>
D'nonce Technology	75.0
Lee Chee Fong	25.0
	-----
Total	100.0
	=====

***Subsidiary and Associated Companies***

As at the date hereof, D'nonce (KL) does not have any subsidiary or associated companies.

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## 7. INFORMATION ON THE GROUP (*Cont'd*)

### 7.6.6 D'nonce (Johore)

D'nonce (Johore) was incorporated in Malaysia as a private limited company on 6 January 1993 pursuant to the Companies Act, 1965.

As at the date of this Prospectus, D'nonce (Johore) is a 55%-owned subsidiary of D'nonce Technology.

The principal activities of D'nonce (Johore) are sales and distribution of advanced packaging materials, electronic products and consumables for the electronics industry. Its office is located at 8, Jalan Mutiara Emas 5/17, Taman Mount Austin, 81100 Johore Bahru, Johore Darul Takzim.

As at 14 February 2001, D'nonce (Johore) has a total workforce of 12 employees.

#### *Share Capital*

The authorised share capital of the company is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 30,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and paid-up share capital of D'nonce (Johore) since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
06.01.1993	3	Cash (Subscribers' shares)	3
26.10.1994	19,998	Cash	20,001
26.10.1994	9,999	Otherwise than cash*	30,000

- *The allotment was treated as fully paid-up by debiting the credit balance of the current account of one of the shareholders of the company at that time.*

#### *Shareholders*

<b>Name</b>	<b>Equity Interest</b>
	<b>%</b>
D'nonce Technology	55.0
Simon Tu Yeou Mou *	22.5
Lim Oon Jin *	22.5
	-----
Total	100.0
	=====

- \* *Both Simon Tu Yeou Mou and Lim Oon Jin are Directors of AV (JB) and D'nonce (Johore)*

#### *Subsidiary and Associated Companies*

As at the date hereof, D'nonce (Johore) does not have any subsidiary companies. However, D'nonce (Johore) has a 40% equity interest in AV(JB). Detail is set out in Section 7.6.10 of this Prospectus.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**7.6.7 D'nonce (Kelantan)**

D'nonce (Kelantan) was incorporated on 4 April 1995 in Malaysia as Oricorp Supplies Sdn Bhd, a private limited company pursuant to the Companies Act, 1965. On 6 September 1996, the company changed its name to D'nonce (Kelantan) Sdn Bhd.

As at the date of this Prospectus, D'nonce (Kelantan) is 55%-owned subsidiary of D'nonce Technology.

The principal activities of D'nonce (Kelantan) are sales and distribution of advanced packaging materials, electronic products and consumables for the electronics industry. Its office is located at 2641, Taman Nik, Kg. Baung, Batu 3 1/2, Jalan Pengkalan Chepa, 15400 Kota Bahru, Kelantan.

As at 14 February 2001, D'nonce (Kelantan) has a total workforce of 2 employees.

**Share Capital**

The authorised share capital of the company is RM100,000 comprising 100,000 ordinary shares of RM1.00 of which 30,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and paid-up share capital of D'nonce (Kelantan) since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
04.04.1995	2	Cash (Subscribers' shares)	2
31.07.1995	29,998	Cash	30,000

**Shareholders**

<b>Name</b>	<b>Equity Interest</b>
	<b>%</b>
D'nonce Technology	55.0
Ang Oon Ling *	45.0
	-----
Total	100.0
	=====

\* *Ang Oon Ling is a Director of D'nonce (Kelantan)*

**Subsidiary and Associated Companies**

As at the date hereof, D'nonce (Kelantan) does not have any subsidiary or associated companies.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**7.6.8 AV Innovation**

AV Innovation was incorporated in Malaysia as a private limited company on 12 March 1998 pursuant to the Companies Act, 1965 as Jumpstar Industries Sdn Bhd. On 4 May 1999, it changed its name to AV Innovation Sdn Bhd.

As at the date of this Prospectus, AV Innovation is a wholly-owned subsidiary of D'nonce Technology.

The principal activities of AV Innovation are design and conversion of advanced packaging materials for the electronics industry. The company carries out its activities from a rented premise located at Plot 285, Phase 111, Bayan Lepas Free Industrial Zone, 11900 Penang. It has a land area of approximately 21,407 sq. ft. and built-up area of approximately 17,838 sq. ft..

As at 14 February 2001, AV Innovation has a total workforce of 4 employees.

***Share Capital***

The authorised share capital of the company is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 250,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and paid-up share capital of AV Innovation since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
12.03.1998	2	Cash (Subscribers' shares)	2
30.07.1999	249,998	Cash	250,000

***Subsidiary and Associated Companies***

As at the date hereof, AV Innovation does not have any subsidiary or associated companies.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**7.6.9 AV (KL)**

AV (KL) was incorporated in Malaysia as a private limited company on 22 October 1998 pursuant to the Companies Act, 1965.

As at the date of this Prospectus, AV(KL) is a wholly-owned subsidiary of D'nonce Technology.

AV (KL) is principally involved in the design and conversion of advanced packaging materials for the electronics industry. The company operates from Lot 20, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, Balakong, Batu II, 43200 Cheras, Selangor. It has a land area of approximately 25,000 sq. ft. and a built-up area of approximately 20,000 sq. ft.

As at 14 February 2001, AV (KL) has a total workforce of 35 employees.

***Share Capital***

The authorised share capital of the company is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 50,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and paid-up share capital of AV (KL) since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
22.10.1998	2	Cash (Subscribers' shares)	2
17.09.1999	49,998	Cash	50,000

***Subsidiary and Associated Companies***

As at the date hereof, AV (KL) does not have any subsidiary or associated companies.

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**7. INFORMATION ON THE GROUP (Cont'd)**


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**7.6.10 AV (JB)**

AV (JB) was incorporated in Malaysia as a private limited company on 14 September 1996 pursuant to the Companies Act, 1965.

As at the date of this Prospectus, AV (JB) is a 60%-owned subsidiary of D'nonce Technology. The remaining 40% is being held by D'nonce (Johore).

AV (JB) is principally involved in the design and conversion of packaging materials for the electronics industry.

The company carries out its activities at four factories as follows:

- (i) PTD 15920 HS(D) 105495 Taman Puteri Kulai, Johore which has a land area of 2,400 sq.ft. and a total built-up area of 2,777 sq. ft
- (ii) PTD 15918 HS(D) 105493 Taman Puteri Kulai, Johore which has a land area of 5,381 sq.ft. and a total built-up area of 2,777 sq. ft
- (iii) PTD 15919 HS(D) 105494 Taman Kota Kulai, Johore which has a land area of 2,400 sq.ft. and a total built-up area of 2,777 sq. ft
- (iv) PTD 15948 HS(D) 105523 Taman Kota Kulai, Johore which has a land area of 2,400 sq.ft. and a total built-up area of 2,777 sq. ft

As at 14 February 2001, AV (JB) has a total workforce of 45 employees.

***Share Capital***

The authorised share capital of the company is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 500,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the changes in the issued and paid-up share capital of AV (JB) since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
14.09.1996	2	Cash (Subscribers' shares)	2
01.07.1999	499,998	Cash	500,000

***Shareholders***

<b>Name</b>	<b>Equity Interest %</b>
D'nonce Technology	60.0
D'nonce (Johore)	40.0
	-----
Total	100.0
	=====

***Subsidiary and Associated Companies***

As at the date hereof, AV (JB) does not have any subsidiary or associated companies.

## 7. INFORMATION ON THE GROUP (Cont'd)

### 7.7 PROPERTIES

The landed properties of the D'nonce Group are as follows:

#### *Properties Held For Owner Occupation*

Beneficial owner/ Location	Description/ Existing Use	Land/ Built up area (sq. ft.)	Age of building (years)	Type of land/Tenure (Year of expiry for leasehold)	Net book value as at 31.08.00  RM
<b><u>D'nonce (M)</u></b>					
No. 12 Hujung Perusahaan 2 Kawasan MIEL Prai Industrial Estate 13600 Prai, Penang	Industrial land and building/ Factory	1,875/ 2,500	10	60 years - leasehold (2045)	104,419
51-14-B & C Menara BHL Bank Jalan Sultan Ahmad Shah 10500 Penang	Building/ Corporate Head Office	#/3,670	4	Freehold	880,362
<b><u>AV</u></b>					
No. 1 Puncak Perusahaan 1 Kawasan MIEL Prai Industrial Estate 13600 Prai, Penang	Industrial land and building/ Factory	21,590/ 12,208	9	60 years - leasehold (2045)	788,598
PTD 15920 HS(D) 105495 Taman Kota Kulai Mukim Senai, Kulai Johore	Industrial land and building/ Factory	2,400/ 2,777	2	Freehold	309,681
PTD 15918 HS(D) 105493 Taman Kota Kulai Mukim Senai, Kulai Johore	Industrial land and building/ Factory	5,381/ 2,777	2	Freehold	332,434
HS(D) No 3226 Plot 37,Lorong Perusahaan 7 Taman Perindustrian Bukit Tengah, 13600 Prai Penang	Industrial land and building/ Factory	44,800/ 50,000	1	60 years - leasehold (2052)	6,446,160
Plot 425, Tingkat Perusahaan 6A Free Trade Zone 13600 Prai, Penang	Industrial land and building/ Factory	46,800/ 20,396	12	60 years - leasehold (2046)	3,931,139
<b><u>D'nonce (Johore)</u></b>					
8 Jalan Mutiara Emas 5/17 Taman Mount Austin Johore Bahru, 81100 Johore	Industrial land and building/ Office	3,120/ 2,568	2	Freehold	349,319

**7. INFORMATION ON THE GROUP (Cont'd)**

<b>Beneficial owner/ Location</b>	<b>Description/ Existing Use</b>	<b>Land/ Built up area (sq. ft.)</b>	<b>Age of building (years)</b>	<b>Type of land/Tenure (Year of expiry for leasehold)</b>	<b>Net book value as at 31.08.00  RM</b>
<b><u>AV (JB)</u></b>					
Lot 28373 (PTO 15948) Taman Kota Kulai Mukim Senai, Kulai Johor	Building/ Factory	2,400/ 2,777	2	Freehold	263,005
<b><u>D'nonce (KL)</u></b>					
No.39, Jalan 1/119, Taman Bukit Hijau, 6th Mile, Jalan Cheras, 56000 Kuala Lumpur	Building and land/ Office	1,540/ 4,510	9	Freehold	597,955
<b>Total</b>					14,003,072

# *Not applicable.*

The above properties have not been revalued for purpose of the flotation exercise.

***Property Held As Investment***

<b>Beneficial owner/ Location</b>	<b>Description / Existing Use</b>	<b>Land/ Built up area (sq. ft.)</b>	<b>Age of building (years)</b>	<b>Tenure (Year of expiry for leasehold)</b>	<b>Net book value as at 31.08.00  RM</b>
<b><u>D'nonce (M)</u></b>					
BAM Villa Unit 42C-6-6, Taman Maluri, Cheras 56000 Kuala Lumpur	Condominium	#/975	6	99 years - leasehold (2090)	145,985

# *Not applicable.*

The above properties have not been revalued for purpose of the flotation exercise.

***Brief particulars of the tenancy***

The subject property was tenanted to Zairatulnizah Abd. Aziz (NRIC No. A 3056529) for a term of one (1) year commencing from 15 June 2000 to 14 June 2001, at a monthly rental rate of RM800.00.

## 7. INFORMATION ON THE GROUP (Cont'd)

### 7.8 LICENCES

The main licences held by the Group required for the purposes of conducting its business are listed below:

Company	License	Authority/ Approval Period		Status of Compliance
AV	Warehouse Licence No. 32070	Royal Malaysian Customs/ (27.08.2000 to 26.08.2002)	<p>(i) No dutiable and taxable goods except for raw materials /components and machineries directly utilised for manufacturing goods and manufactured goods which have been approved by the State Customs Director shall be stored in the Licensed Manufacturing Warehouse.</p> <p>(ii) The machineries that are directly utilised for manufacturing shall be in new and unused condition. Any used machinery may be imported on the condition that prior approval is obtained from MITI.</p> <p>(iii) The issuance of a licence does not absolve the applicant or licence-holder from its duty and obligation to comply with any other written law concerning its other business.</p> <p>(iv) Raw Material or portion or wastages or manufacturing residue stored in the warehouse cannot be removed without prior approval of the Director of Customs of the State.</p> <p>(v) Raw Material or portion or machines or tools obtained or imported without payment of sales tax/customs tax under the powers of the Licence can only be used to manufacture completed goods which are approved.</p> <p>(vi) A total of 80% of the manufactured goods are allocated for export and the remaining 20% of the manufactured goods are allocated for sale in the local market as approved. The release of the goods for sale in the local market is subjected to any existing duties or taxes in force at the time.</p>	As at the date of this Prospectus, AV has met all the required conditions (i) to (vi) as stipulated in the said license. It also undertakes to continually adhere to these conditions.
AV	Manufacturing Warehouse Licence No. 22707	Royal Malaysian Customs/ (27.08.2000 to 26.08.2002)	Please refer to the above conditions as set out in Licence No. 32070.	As at the date of this Prospectus, AV has met all the required conditions. It also undertakes to continually adhere to these conditions.

## 7. INFORMATION ON THE GROUP (Cont'd)

Company	License	Authority/ Approval Period		Status of Compliance
AV Industries	Manufacturing Licence No. A 011203	MITI/ Since 20.10.1997	<p>(i) At least 70% of the equity interest in the Company shall be purchased and held by Malaysian, of which at least 30% of the total shares be held by Bumiputras. The said shares shall not be allocated without prior consultation with the MITI.</p> <p>(ii) As general rule, the composition of the Company's Board of Directors shall reflect the structure of the company equities. Further the Ministry shall be notified in the event of an appointment to the Board or any change in the composition of the Board</p> <p>(iii) The company shall recruit and train Malaysians so as to reflect the multi-ethnic composition of the state at every level of employment</p>	<p>AV Industries is 100% owned by D'nonce Technology, which will have 30% Bumiputra equity participation upon completion of the flotation exercise. As such, this condition is deemed complied upon flotation of D'nonce Technology.</p> <p>As at 13 February 2001, there is no Bumiputra representation on the Board of Directors of AV Industries. The Directors of D'nonce Technology have taken note and will comply with this condition.</p> <p>As at 13 February 2001, the multi-ethnic composition is met at every level of the employment except at the managerial and professional level. The Directors of D'nonce Technology have taken note and will comply with this condition.</p>
	Pioneer Status Serial no.1406	Malaysian Industrial Development Authority ("MIDA") (16.02.2000 to 31.08.2003)	<p>(i) the company shall ensure that at least 30% of the raw materials and components are locally made;</p> <p>(ii) the proportion of the technical and administrative and management personnel must be at least 15% of the total workforce.</p>	The Directors of D'nonce Technology have taken note and will comply with the conditions as stated in the pioneer status certificate within a year from the date of this prospectus.
AV (KL)	Warehouse Licence No. 22350	Royal Malaysian Customs/ (01.10.1999 to 30.09.2001)	Please refer to the conditions as set out in Licence No. 32070 for AV	As at the date of this Prospectus, AV has met all the required conditions. It also undertakes to continually adhere to these conditions.
	Manufacturing Warehouse Licence No. 4950	Royal Malaysian Customs/ (01.10.1999 to 30.09.2001)	<p>Please refer to the conditions as set out in Licence No. 32070 for AV except for the following condition:-</p> <p>(i) The company shall produce to the Industrial Section of the Customs Department a monthly statement in Bahasa Malaysia on or before the 28<sup>th</sup> day of the month following the preceding month.</p>	<p>As at the date of this Prospectus, AV (KL) has met all the required conditions.</p> <p>The Directors of D'nonce Technology have taken note and will comply with this condition as stated in the license.</p>

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## 7. INFORMATION ON THE GROUP (*Cont'd*)

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### 7.9 DIRECTORS, MANAGEMENT TEAM AND EMPLOYEES

#### 7.9.1 Board of Directors

Details of the Directors of the Company are as follows:-

**Dato' Haji Ahmad bin Hj Ibnihajar**, a Malaysian and aged 51, is an Independent and Non-Executive Chairman of D'nonce Technology. He was appointed to the Board on 2 November 2000. He is currently the Executive Chairman of Penang Port Sdn Bhd, a company principally involved in operations of port. He holds a Bachelor degree in Economics from University of Malaya in 1975. He was a Forex Dealer and Porfolio 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 stockbroking business. Between 1991 and 1993, he was the Executive Director with Heirs Corporation Sdn Bhd, a property development company. Currently, he sits on the Board of several other private limited companies principally involved in property development and investment holdings. He is the Vice Chairman of Persatuan Bolasepak Melayu Pulau Pinang and serves as Divisional Head for UMNO Tanjung Division. He is not a substantial shareholders and/or held directorship in any other public corporation in Malaysia other than in D'nonce Technology, AMI Insurans Berhad and MRCB Berhad.

**Goh Hong Lim**, a Malaysian and aged 46, is the Managing Director of D'nonce Technology. He was appointed to the Board on 23 October 2000. He obtained a Diploma in Banking (Part I) from the Chartered Institute of Bankers, UK in 1977 and a Diploma in Management from the Malaysian Institute of Management in 1984. He has 22 years of commercial banking experience which started when he joined Ban Hin Lee Bank Berhad in 1975. He rose to the rank of Branch Manager in 1983. He has been branch manager of the same bank in 4 different locations until 1997. Apart from setting up new branches, he was also responsible for the development of new consumer banking products at the bank's head office in Penang between 1989 to 1991. He joined the D'nonce Group in 1997. Mr Goh is not a substantial shareholder and/or held directorship in any other public corporation in Malaysia other than D'nonce Technology.

**Law Kim Choon**, a Malaysian and aged 44, is an Executive Director of D'nonce Technology. He was appointed to the Board on 23 October 2000. In 1988, he obtained a Diploma in Management from the Malaysian Institute of Management. He started his career in 1977 with Public Bank Berhad and was promoted to assistant branch manager in 1990 before leaving in 1991 to join the D'nonce Group where he has been instrumental in establishing the Group's manufacturing divisions. His primary responsibility is to develop and oversee the Group's manufacturing activities. He is also a Director and substantial shareholder of Restoran Jepun Syogun Sdn Bhd, a company principally involved in restaurant business; Binary Decode Sdn Bhd, an investment holding company; Segi Reka Integrated Sdn Bhd, a company principally involved in design, manufacture and supply of advertisement products and Nikado Enterprise (M) Sdn Bhd, an authorised insurance agency. He is also a substantial shareholder of Wintry Enterprise Sdn Bhd and Yield Technology Sdn Bhd, both are investment holdings company. Mr Law is not a substantial shareholder and/or held directorship in any other public corporation in Malaysia other than D'nonce Technology.

**Lim Teik Hoe**, a Malaysian and aged 42, is an Executive Director of D'nonce Technology. He was appointed to the Board 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. Mr Lim is a Director and substantial shareholder of Kalungan Pretij Sdn Bhd and Binary Decode Sdn Bhd, both are investment holdings company. He is also a substantial shareholder of Wintry Enterprise Sdn Bhd and Yield Technology (M) Sdn Bhd, both are also investment holding companies. Mr Lim is not a substantial shareholder and/or held directorship in any other public corporation in Malaysia other than D'nonce Technology.

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**7. INFORMATION ON THE GROUP (Cont'd)**

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**Chan Seng Sun**, a Malaysian and aged 48, is an Executive Director of D'nonce Technology. He was appointed to the Board on 23 October 2000. He obtained a Diploma in Banking from the Chartered Institute of Bankers, UK in 1981 and became an Associate Member in the same year. He began his career in banking in 1974 when he joined United Malayan Banking Corporation Berhad until 1979. He was then with Public Bank Berhad from 1982 until 1990 when he left and joined Chung Khiaw Bank Ltd as a Deputy Manager. During his career in the banking industry, he was involved in various areas of banking operations as well as systems and corporate planning. He joined D'nonce Group in 1991. His present responsibilities include spearheading expansion and overseeing existing operations in the Central Region of Peninsular Malaysia particularly the Klang Valley. He is a substantial shareholder of Wintry Enterprise Sdn Bhd, an investment holding company. Mr Chan is not a substantial shareholder and/or held directorship in any other public corporation in Malaysia other than D'nonce Technology.

**Chin Yam Sin**, a Malaysian and aged 41, is an Executive Director cum Chief Financial Officer of the Group. He was appointed to the Board on 10 November 2000. He holds a Masters of Business Administration degree from Brunel University, UK and is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom since 1997, a Registered Member of the Malaysian Institute of Accountants since 1992 and a member of the Malaysian Insurance Institute since 1992. He joined D'nonce Group in September 1999. He is responsible for the Group's overall financial planning and management, and assists in the Group's corporate affairs. He has altogether 14 years of post-qualification experience in both professional and commercial sectors having spent the last ten (10) years in two public listed companies in Malaysia namely CHG Industries Bhd ("CHG Industries") and Corrugated Carton Products Bhd. Prior to joining the Group, he was the Group Financial Controller and Company Secretary for CHG Industries since 1996. Mr Chin is not a substantial shareholder and/or held directorship in any other public corporation in Malaysia other than D'nonce Technology.

**Emeri bin Johari**, a Malaysian and aged 30, is a Non-Executive Director of D'nonce Technology. He was appointed to the Board on 23 October 2000. He holds a Bachelor of Science degree from the University of Bristol, UK in 1994. He joined Commerce International Merchant Bankers Berhad ("CIMB") in 1994 as an Executive. His last position at CIMB was as an Assistant Manager before he left in 1998 to join Khazanah as an Investment Manager. He is the representative of Khazanah on the board of directors of D'nonce Technology. Besides D'nonce Technology, he also sits on the boards of AIC Technologies Sdn Bhd, an investment holding company; AIC Semiconductor Sdn Bhd, a company principally involved in procurement, sales, assembly and test of integrated circuit chips; AIC Microelectronics Sdn Bhd, a research and design company for integrated circuit chips; Nucleus Electronics Ltd, a company principally involved in trading of electronics components; Optica Fibre Technologies MSC Sdn Bhd, a company principally involved in manufacturing of fibre optic lighting system; and MSC Venture One Sdn Bhd, a venture capital company. He is not a substantial shareholder and/or held directorship in any other public corporation in Malaysia other than D'nonce Technology.

**Roslant bin Abu**, a Malaysian and aged 44, is a Non-Executive Director of D'nonce Technology. He was appointed on the Board on 23 October 2000. He holds a Bachelor of Science degree from the University of Malaya in 1982. In 1983, he started his career as an Assistant Director for the Petroleum Development Division (Implementation Coordination Unit) of the Prime Minister's Department. He was subsequently with the Malaysia-Thailand Authority in 1993 until early 1997 where he left and joined the Energy Section of the Economic Planning Unit in the Prime Minister's Department before he joined Khazanah in mid 1997. He is a Manager (Bond & Loan) of Khazanah responsible for the management and operation of bond issues and management of Khazanah's investment in loans. He is the representative of Khazanah on the board of directors of D'nonce Technology. He is not a substantial shareholder and/or held directorship in any other public corporation in Malaysia other than D'nonce Technology.



## 7. INFORMATION ON THE GROUP (Cont'd)

**Dato' Oon Choo Eng @ Oon Choo Khye**, a Malaysian and aged 65, is an Independent Non-Executive Director of D'nonce Technology. He was appointed to the Board on 2 November 2000. He is currently a Director of Kwong Wah Yit Poh Press Bhd ("Kwong Wah"), a company principally involved in publishing of newspaper. He is the Honorary Assistant Secretary of Sekolah Menengah Kebangsaan Chung Ling from 1991 and also sits on the board of several other Chinese school in Penang. He also acts as Patron for various associations and sports club in Penang. He also sits on the Board of several other private limited companies principally involved in publication, printing, tourism and trading of chemicals. He is not a substantial shareholders and/or held directorship in any other public corporation in Malaysia other than D'nonce Technology and Kwong Wah.

### 7.9.2 Aggregate Remuneration and Benefits of Directors

For the financial year ending 31 August 2000, the total remuneration and fees paid to the Directors for services to the Company and its subsidiary companies was RM1,637,604 (RM Nil at Company level). For the financial year ending 31 August 2001, the amount of remuneration and fees proposed to be paid to the directors for services to the Company and its subsidiary companies is estimated to be RM2,276,214 (RM1,673,306 at Company level).

The amount of remuneration and benefits expected to be received by directors for the financial year ending 31 August 2001 is as summarized below:-

<b>Executive Directors</b>	<b>Remuneration (RM per annum)</b>	<b>Benefit (RM per annum)</b>	<b>Total (RM per annum)</b>
At D'nonce Technology level	1,590,506	82,800	1,673,306
At subsidiaries level	582,748	20,160	602,908
	<u>2,173,254</u>	<u>102,960</u>	<u>2,276,214</u>

<b>Non-Executive Directors</b>	<b>Remuneration (RM per annum)</b>	<b>Benefit (RM per annum)</b>
At D'nonce Technology level	-	-

### 7.9.3 Audit Committee

The composition of the Audit Committee is as follows:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Dato' Haji Ahmad bin Hj Ibnihajar	Chairman of Committee	Independent Non-Executive Chairman
Dato' Oon Choo Eng@ Oon Choo Khye	Member of Committee	Independent Non-Executive Director
Goh Hong Lim	Member of Committee	Managing Director

The Audit Committee is responsible for recommendations to the Directors regarding the nomination of external auditors, reviewing the results and scope of the audit and other services provided by the Group's external auditors and reviews and evaluates the Group's internal audit and control functions.

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## 7. INFORMATION ON THE GROUP (*Cont'd*)

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### 7.9.4 Management Team

The management of D'nonce Group is led by its Managing Director, Goh Hong Lim and its four (4) Executive Directors and assisted by a team of experienced managerial and technical personnel.

The key management and technical team of the D'nonce Group is as follows:

**Simon Tu Yeou Mou**, a Malaysian and aged 38, is a Director of AV (JB) and D'nonce (Johore). He was appointed to the Board of Directors of D'nonce (Johore) in January 1993. He started his career with Compaq Asia Pte Ltd, Singapore, a company principally involved in manufacturing of computers in 1988 as a Manufacturing Supervisor in SMT. In 1989, he left to further his education in the UK. He graduated with a Bachelor of Engineering (Hons) in Mechanical Engineering from Oxford Brooke University, Oxford in 1990. Upon his return, he joined Seagate Technology International, Singapore, a company principally involved in manufacturing of hard disk as a Senior Quality Engineer where he was involved in product transfer from the USA to Singapore. In 1992, he joined the D'nonce Group where he is responsible for the Group's marketing activities in the Southern Region of Peninsular Malaysia (which covers Malacca, Johore) and Singapore.

**Lim Oon Jin**, a Malaysian and aged 34, is a Director of AV (JB) and D'nonce (Johore). He was appointed to the Board of Directors of D'nonce (Johore) in 1992 and AV (JB) in 1997. He obtained a Diploma in Marketing Management from Cyma College in 1986. He started his career in 1986 with Kylin (M) Sdn Bhd, a direct selling company as a Branch Executive in charge of Kuala Lumpur's branch operations. In 1990, he joined Timol Weaving Sdn Bhd, a company principally involved in woven label as a Sales Executive responsible for the development of woven label sales to the Johore Bahru and Singapore garment markets. In 1992, he joined D'nonce (Johore) and was instrumental to the setting up of the Group's Johore operations. He is presently responsible for the AV (JB) business activities.

**Ang Oon Ling**, a Malaysian and aged 40, is a Director of D'nonce (Kelantan). He was appointed to the Board of D'nonce (Kelantan) in 1995. He graduated from Universiti Kebangsaan Malaysia in 1985 with a Bachelor of Arts degree in Geography & Malay Studies. Upon graduation, he joined the Eastern Garment Manufacturing Sdn Bhd, a textile manufacturer as an Administration Officer in 1985. He left in 1987 to join Sri Rampaian Sdn Bhd as an Administrative Officer. In 1989, he joined Rohm Wako (Kelantan) Sdn Bhd, a company principally involved in manufacturing of electronic components as the Section Chief for its business division. In 1995, he joined D'nonce (Kelantan) where he is responsible for sales and distribution of the Group's products throughout the Eastern Corridor of Peninsular Malaysia.

**Ng Paik Choo**, a Malaysian and aged 41, is a Director of D'nonce Electronics. She holds an Advanced Diploma in Business Administration from Association of Business Executive in 1993 and Certified Diploma in Accounting and Finance from Association of Chartered Certified Accountant in 1993. She has more than 10 years of experience in sourcing and procurement of direct and indirect materials in the manufacturing industry. In 1984, she joined a local manufacturing company, Technical Rubber (M) Sdn Bhd, a company principally involved in manufacturing of rubber products where she oversaw its administration, purchasing and logistic departments. She left the company in 1993 and joined Unico Technology Sdn Bhd, a contract manufacturer in PCB as a pioneer staff to spearhead the Direct Materials - Planning and Procurement Division. She was also responsible for the planning, sourcing and procurement of components for the manufacture of PCB motherboard for Intel (M) Sdn Bhd. In January 1996, she joined D'nonce Electronics to start up its International Procurement Office which provides sourcing services to the electrical and electronics industries in Malaysia.

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**7. INFORMATION ON THE GROUP (Cont'd)**

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**Ooi Ching Hock**, a Malaysian and aged 40, is the General Manager of AV Industries. He graduated with a Bachelor of Engineering (Electrical) (Hons) degree from the University of Malaya in 1986. Prior to joining the Company in July 1998, he was a Test/Product Engineer with National Semiconductor (M) Sdn Bhd, a company principally involved in assembly of integrated circuit between 1986 to 1990 and a Manufacturing Engineer with Maxtor Singapore Ltd, a manufacturer of disk drive from April 1990 until December 1991 when Read-Rite bought over the company. At Read-Rite, he held various positions as Industrial Engineering Manager, Process Development Manager, Tooling & Equipment Maintenance Manager and Advanced Manufacturing Technology Manager until his departure in 1998 to join AV Industries where he assumed responsibility for AV Industries's entire operations.

**Lee Khiang Choon**, a Malaysian and aged 37, is the Senior Manager of AV Industries. He obtained an Advanced Diploma in Robotics and Automatic Engineering from FRIS Engineering Institute, Penang in 2000. He has over thirteen (13) years of experience in Auto-Insertion ("AI") and SMT. He started his career in 1987 as an Equipment Engineer with Sharp-Roxy Corporation (M) Sdn Bhd, a manufacturer of audio products. He was promoted in 1996 to Maintenance Assistant Manager responsible for the maintenance of 40 AI and SMT machines. In 1990, he underwent intensive technical training in the handling of AI and SMT machines at Sharp Corporation, Japan, a dealer in audio parts. Upon his return, he was instrumental in the transfer of SMT technology from Japan to Sharp Roxo and setting up of SMT production lines in 1996. In 1997, he left to join AV Industries to assist in its establishment.

**Saw Chong Siew**, a Malaysian and aged 42, is the Senior Manager of AV Innovation. Diplomas held include Diploma in Management from the Malaysian Institute of Management, Penang in 1983, Diploma in Applied Statistics and Management Science from Stamford College, USA in collaboration with Advance Micro Devices Sdn Bhd ("AMD") in 1992, Diploma in Materials and Logistics Management in 1986 and Diploma in Purchasing Management from Chartered Purchasing Materials Inventory Management in 1988. His career started in 1977 when he joined AMD, a company principally involved in manufacturing in microchips as an operator and rose to become Supervisor II before he left in 1992. Subsequently, he joined Read-Rite as Finished Goods Store Supervisor and rose through the ranks to become Traffic and Warehouse Manager before leaving to join the D'nonce Group in 1998.

**Mohamed Salleh bin Samsuddin**, a Malaysian and aged 41, is the Human Resources Senior Manager of the Group. He obtained a Diploma in Human Resource Management from Glasgow Caledonian University, United Kingdom in 1999. He joined Zazaima Sdn Bhd, a construction and food management company in 1986 as a General and Administration Executive before leaving in 1988 for the Tourist Development Corporation of Malaysia. He was with Micro Component Tech Sdn Bhd, a company principally involved in tooling business from June 1990 before leaving to join Acer Technologies Sdn Bhd ("Acer"), a company principally involved in manufacturing of computers as Senior Purchasing Officer in June 1991. His last designation in Acer is Human Resources Section Manager before he left in October 1996 to join Strates Sdn Bhd, a hard disk drive manufacturer as its Manager of Human Resources. He joined the D'nonce Group in January 1999.

**Teh Wee Nee**, a Malaysian and aged 33, is the Senior Marketing Manager of D'nonce (M) and AV. She obtained her Bachelor of Arts from Monash University in Melbourne, Australia in 1990. She joined Conner Peripherals, a company principally involved in manufacturing of disk drive as a Corporate Buyer (Direct Materials) in 1991. The following year, she was promoted to the position of Senior Buyer. In 1993, she joined Johnson & Johnson Medical (M) Sdn Bhd, a company principally involved in manufacturing of surgical parts as a Product Specialist. She was promoted in 1994 to Senior Product Specialist and then to Sales Executive. In 1995, she became National Sales Manager in charge of overall country sales and product management for Johnson & Johnson Medical in Singapore, Indonesia and Malaysia. She joined AV in 1999 and manages the sales and marketing functions of AV.

## 7. INFORMATION ON THE GROUP (Cont'd)

**Tham Yoke Chan**, a Malaysian and aged 40, is the Factory Manager of AV. She obtained a Diploma in Management from the Malaysian Institute of Management in 1996. She joined Region Suppliers Sdn Bhd as an Office Administrator in 1982. In 1991, she left to join AV first as an Office Administrator and then rose to become the Operations Manager of AV overseeing the Production, Store, Logistics and Purchasing functions of AV.

### 7.9.5 Family Relationships

Save for Lim Teik Hoe and Lim Oon Jin, who are cousins, there are no family relationships amongst the Directors, major shareholders, promoters and senior management staff of the Group.

### 7.9.6 Employees

As at 14 February 2001, the D'nonce Group has a total workforce of 709 employees. None of the employees belong to any union. The management has a harmonious relationship with its employees.

The breakdown of employees by categories is as follows:-

Subsidiaries	Director	Management & professional staff	Technical & supervisory	Clerical	Factory & general worker	Total
D'nonce (M)	5	10	8	10	0	33
D'nonce (KL)	1	2	4	4	1	12
D'nonce (Johore)	1	2	7	1	1	12
D'nonce (Kelantan)	1	0	0	1	0	2
D'nonce Electronics	1	1	4	1	0	7
AV	0	5	25	6	62	98
AV Innovation	0	0	3	0	1	4
AV (JB)	1	2	10	3	29	45
AV (KL)	0	2	5	4	24	35
AV Industries	0	27	82	6	346	461
<b>Total</b>	<b>10</b>	<b>51</b>	<b>148</b>	<b>36</b>	<b>464</b>	<b>709</b>
Average Years of service	4.14	2.16	1.69	1.63	1.86	1.86

The training and development programmes undertaken by D'nonce Technology up to 14 February 2001 are as follows:-

Type of Programme	No. of Programme	
	Completed	On-Going
Technical	33	-
Managerial	21	3
Secretarial	1	-
Motivational	11	-
Others	24	-
	-----	-----
	90	3
	====	=====

## 7. INFORMATION ON THE GROUP (*Cont'd*)

### 7.9.7 Service Agreements

D'nonce Technology had entered into separate service agreements, on 22 December 2000 with Goh Hong Lim, Law Kim Choon, Lim Teik Hoe, Chan Seng Sun and Chin Yam Sin. Under the Service Agreements, Goh Hong Lim has been appointed as Managing Director, Law Kim Choon, Lim Teik Hoe, Chan Seng Sun and Chin Yam Sin have been appointed as Executive Directors of D'nonce Technology. Amongst other benefits, the abovementioned Directors shall be paid monthly salary ranging from RM12,500 to RM20,000 by the Company with an annual increment of at least twelve percent (12%) of their respective last drawn salary.

### 7.10 MAJOR SHAREHOLDERS AND PROMOTERS

#### 7.10.1 Major Shareholders

- (a) **Khazanah**, a company wholly-owned by the Minister of Finance (Incorporated) is the investment holding arm of the Government of Malaysia. It was incorporated under the Companies Act, 1965 on 3 September 1993 as a public limited company and commenced operations the following year. It is entrusted to manage the assets held by the Government and to undertake strategic investments particularly in high technology projects. It has an authorised share capital of RM6 billion of which RM3.06 billion has been issued and fully paid-up.

#### *Directors*

As at 14 February 2001, the Directors of Khazanah are as follows:-

<b>Name</b>	<b>Nationality</b>
Dato' Seri Dr. Mahathir bin Mohamad	Malaysian
Dato' Dr. Samsudin bin Hitam	Malaysian
Dato' Dr. Zeti Akhtar Aziz	Malaysian
Dato' Iskandar Dzakurnain bin Badarudin	Malaysian
Che Khalib bin Mohamad Noh	Malaysian
Abu Hassan bin Kendut	Malaysian
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	Malaysian

#### *Shareholdings of above 5% in Other Listed Company for the Past Two (2) Years up to 14 February 2001*

<b>Company</b>	<b>No. of Shares</b>	<b>%</b>
Tenaga Nasional Bhd	1,119,591,328	36.04
Telekom Bhd	1,109,232,990	35.93
Malaysian Airport Holdings Bhd	258,263,848	23.48
Perusahaan Otomobil Nasional Bhd	97,917,000	18.04
Commerce Asset-Holding Bhd	176,737,950	14.94
Edaran Otomobil Nasional Bhd	15,753,000	6.90
DRB-Hicom Bhd	52,344,722	5.74

- (b) **Pan Asia**, is a closed-end investment fund in the form of a Societe d' Investissement a Capital Variable ("SICAV") incorporated in Luxembourg and approved by the Supervisory Commission of the Financial Sector. Its shares are listed on the Luxembourg Stock Exchange. As at 30 June 2000, Pan Asia has issued 3,598,281.871 shares of USD 10.00 each. Shareholders of Pan Asia include institutional and professional investors from Hong Kong, South East Asia, Taiwan and Europe.

## 7. INFORMATION ON THE GROUP (Cont'd)

### Directors

As at the 14 February 2001, the Directors of Pan Asia are as follows:-

Name	Nationality
Paul Gaunt	British
Bong Youn Cho	Korean
Bobby Wei Cherng Hwang	Taiwanese

### Major Shareholding of Other Listed Company for the Past Two (2) Years up to 14 February 2001

Company	No. of Shares	%
Autoair Holdings Berhad	3,475,000	13.9

- (c) **Khor Chee Kong**, a Malaysian and aged 42, started his career in Intel (M) Sdn Bhd in 1979 as a technician. He was subsequently promoted to Senior technician before he left the company in 1981 to venture into the printing business. In 1987, given his experience and contacts in the electronics industry, he ventured into the sales and distribution of specialised tapes which subsequently led to the setting up of the D'nonce Group in 1989. He is currently the Managing Director of Arkstar Sdn Bhd and Director of PT Arkstar Indo Artha Makmur Pte Ltd, Indonesia. The principal activity of both of the companies are insales and distribution of industrial and consumer products. Mr Khor is the Director and substantial shareholder of Wintry Enterprise Sdn Bhd.

**The other Major Shareholders and promoters are Goh Hong Lim, Law Kim Choon, Lim Teik Hoe and Chan Seng Sun. They are also Directors of the Company. Please refer to the Section 7.9.1 of this Prospectus for details.**

### 7.10.2 Changes to Major Shareholders for the Past three (3) years in D'nonce (M)

The changes in shareholders for the past three (3) financial years are as follows:-

Year ended 31 August	1998		1999		2000	
	No. of shares	%	No. of shares	%	No. of Shares	%
Goh Hong Lim	<sup>1</sup> 760,000	76.0	<sup>1</sup> 3,220,000	46.0	2,685,700	38.4
Khazanah	-	-	2,100,000	30.0	2,100,000	30.0
Law Kim Choon	60,000	6.0	420,000	6.0	420,000	6.0
Lim Teik Hoe	60,000	6.0	420,000	6.0	420,000	6.0
Chan Seng Sun	60,000	6.0	420,000	6.0	420,000	6.0
Khor Chee Kong	60,000	6.0	420,000	6.0	420,000	6.0
Pan Asia	-	-	-	-	<sup>2</sup> 534,300	7.6
	-----	-----	-----	-----	-----	-----
	1,000,000	100.0	7,000,000	100.0	7,000,000	100.0
	=====	=====	=====	=====	=====	=====

<sup>1</sup> Held through HDM Nominees (Tempatan) Sdn Bhd

<sup>2</sup> Held through Cartaban Nominees (Asing) Sdn Bhd

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## 7. INFORMATION ON THE GROUP (*Cont'd*)

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### 7.10.3 Promoters

Goh Hong Lim, Khazanah, Law Kim Choon, Lim Teik Hoe, Chan Seng Sun, Khor Chee Kong and Pan Asia collectively are promoters of the Company. Their details have been disclosed in Sections 7.9.1 and 7.10.1 of this Prospectus.

### 7.11 RELATED PARTY TRANSACTIONS

Save as disclosed below, none of the other Directors or the substantial shareholders and/or key management staff of D'nonce Technology and its subsidiaries has any material interest in any contract or transaction in relation to the business of the Group as at 14 February 2001 (*being the latest practicable date pursuant to the printing of this prospectus*).

- (i) Tenancy Agreement dated 18 October 2000 made between Wintry Enterprise Sdn Bhd as landlord and D'nonce Electronics as tenant in respect of the premises known as 2<sup>nd</sup> Floor, No. 12A Jalan Todak 2, Seberang Jaya, 13700 Prai for a period of two years commencing from 13 October 2000 and expiring on 12 October 2002 at a monthly rental of Ringgit Malaysia Eight Hundred (RM800) only. Mr Law Kim Choon, Mr Lim Teik Hoe, Mr Chan Seng Sun, and Mr Khor Chee Kong are substantial shareholders of Wintry Enterprise Sdn Bhd.
- (ii) Tenancy Agreement dated 16 February 2000 made between Mr Law Kim Choon, Mr Lim Teik Hoe, Mr Chan Seng Sun and Mr Lim Oon Jin, all as landlords and AV(JB) as tenant in respect of premises known as No.1219, Jalan Sri Putri <sup>3</sup>/<sub>4</sub>, Taman Putri Kulai, 8100 Kulai, Johor for a period of one year commencing 16 February 2000 and expiring on 15 February 2001 at a monthly rental of Ringgit Malaysia Two Thousand (RM2000).
- (iii) Tenancy Agreement dated 16 February 2000 made between Yield Technology (M) Sdn Bhd as landlord and AV at tenant in respect of the premises known as No.4, 4A & 4B, Jalan Perai Jaya 13600 Seberang Perai Tengah, Pulau Pinang for a period of one year commencing from 16 February 2000 and expiring on 15 February 2001 at a monthly rental of Ringgit Malaysia Three Thousand Five Hundred (RM3,500). Mr Law Kim Choon and Mr Lim Teik Hoe are substantial shareholders of Yield Technology (M) Sdn Bhd.
- (iv) Purchase of insurance by D'nonce Group through their insurance agent, Nikado Enterprise (M) Sdn Bhd, Mr Law Kim Choon is a substantial shareholder and director of Nikado Enterprise (M) Sdn Bhd.
- (v) Engaging the services of Segi Reka Integrated Sdn Bhd which provides public relation and advertising services for D'nonce Group. Mr Law Kim Choon, is a substantial shareholder and director of Segi Reka Integrated Sdn Bhd.

The Directors are of the opinion that all related party transactions stated above had been entered into based on commercial terms and on an arm's length basis. To ensure independence, the interested party (i.e. Directors) would abstain from the decision-making process and normally more than one (1) quotation would be sought prior to the Group's final decision. This practice is expected to continue into the future.

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## 7. INFORMATION ON THE GROUP (*Cont'd*)

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### 7.12 CONFLICT OF INTEREST

#### 7.12.1 Declaration by Directors and Major Shareholders

Save for Khazanah, none of the Directors and major shareholders have any existing involvement and equity interest in companies that have similar or related business activities that could be in competition with D'nonce Group's businesses.

Khazanah is the investment holding arm of the Government of Malaysia. Its representation on the Board of investee companies (quoted or unquoted) are normally non-executive, likewise for D'nonce Technology. As such, Khazanah has no control over the daily financial and operating decisions of D'nonce Technology. Business transactions (if any) conducted between D'nonce Technology and other investee companies of Khazanah are on an arm's length basis and on commercial terms.

#### 7.12.2 Declaration by the Advisers

Save as disclosed below, Hwang-DBS acting as Adviser to D'nonce Technology hereby confirms that there are no existing or potential conflicts of interest in its capacity as the adviser for the Public Issue.

On 4 December 2000, HDM Venture Capital Sdn Bhd ("HDM Venture") extended a loan of RM1,200,000 to Mr Goh Hong Lim, Managing Director and Major Shareholder of D'nonce Technology to partly subscribe for his entitlement of the Rights Issue. HDM Venture is a wholly owned subsidiary of Hwang-DBS (Malaysia) Berhad, which in turn owns 100% equity in Hwang-DBS.

Messrs Chew, Tan & Lim have given their confirmation that there are no existing or potential conflicts of interest in its capacity as the Solicitors for the Issue.

Messrs Arthur Anderson & Co have given their confirmation that there are no existing or potential conflicts of interest in its capacity as the Reporting Accountants.

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