



**D'NONCE GROUP OF COMPANIES**

**INTERIM FINANCIAL RESULTS**

**FOURTH QUARTER ENDED 31 AUGUST 2016**

# D'NONCE TECHNOLOGY BHD.

(503292-K)

The Board wishes to announce the following unaudited results of the Group for the fourth financial quarter ended 31 August 2016.

## Unaudited Condensed Consolidated Statement of Financial Position As At 31 August 2016

		As At 31/08/2016 RM'000	As At 31/08/2015 RM'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	53,944	53,256
Investment properties		2,773	12,099
Other investments		-	14
Intangible assets		289	289
Trade receivable		23,082	33,096
Deferred tax assets		92	64
Cash and bank balances		-	469
		<u>80,180</u>	<u>99,287</u>
<b>Currents assets</b>			
Inventories		18,159	17,503
Trade receivables		46,227	46,111
Other receivables, deposit and prepayment		9,743	8,464
Tax recoverable		1,224	474
Cash and bank balances		33,329	10,405
		<u>108,682</u>	<u>82,957</u>
Asset of disposal group classified as held for sale		8,994	-
<b>TOTAL ASSETS</b>		<u>197,856</u>	<u>182,244</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	<i>7</i>	45,101	45,101
Share premium		394	12,310
Other capital reserve		5,120	5,120
Foreign currency translation reserve		5,014	5,281
Employees share option scheme reserve		3,566	-
Legal reserve		32	32
Warrant reserve		8,777	-
Retained earnings/(Accumulated loss)		<u>(2,063)</u>	<u>(16,692)</u>
		65,941	51,152
<b>Non-controlling interest</b>		<u>4,689</u>	<u>4,740</u>
<b>Total equity</b>		<u>70,630</u>	<u>55,892</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations		580	441
Borrowings	<i>22</i>	30,627	37,866
Deferred tax liabilities		423	583
		<u>31,630</u>	<u>38,890</u>

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**Unaudited Condensed Consolidated Statement of Financial Position As At 31 August 2016 (cont'd)**

		<b>As At</b>	<b>As At</b>
		<b>31/08/2016</b>	<b>31/08/2015</b>
	<i>Note</i>	<b>RM'000</b>	<b>RM'000</b>
<b>Current liabilities</b>			
Retirement benefit obligations		90	437
Borrowings	22	59,282	47,740
Trade payables		25,408	25,767
Other payables		10,159	12,440
Current tax payable		607	890
Derivatives		50	188
		<u>95,596</u>	<u>87,462</u>
<b>Total liabilities</b>		<u>127,226</u>	<u>126,352</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>197,856</u>	<u>182,244</u>
<b>Net tangible assets per share (RM)</b>	28	<u><u># 0.36</u></u>	<u><u>* 0.56</u></u>

# For the current year, the denominator used to compute net tangible assets per share included 90,202,000 Rights shares issued pursuant to the corporate exercise completed on 30 November 2015.

\* For comparative purpose, the net tangible assets per share for 31 August 2015 had been adjusted to reflect the bonus issue of 1 for every 2 Rights issue subscribed pursuant to the corporate exercise completed on 30 November 2015 totalling 45,101,000 shares.

**(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2015.)**

**The accompanying notes are an integral part of this statement.**

**D'NONCE TECHNOLOGY BHD.**  
**(503292-K)**

The Board wishes to announce the following unaudited results of the Group for the fourth financial quarter ended 31 August 2016.

**Unaudited Condensed Consolidated Income Statement For The Quarter Ended 31 August 2016**

	<i>Note</i>	CURRENT QUARTER		CUMULATIVE QUARTER	
		31/08/2016	31/08/2015	31/08/2016	31/08/2015
		RM'000	RM'000	RM'000	RM'000
Revenue		43,248	39,784	176,016	223,772
Operating expenses		(47,357)	(40,088)	(180,029)	(220,802)
Other income including investment income		1,229	4,431	5,048	9,863
Profit from operations		(2,880)	4,127	1,035	12,833
Depreciation		(1,751)	(2,427)	(6,846)	(6,848)
Fair value changes in derivatives		39	(179)	138	(188)
Foreign exchange (loss)/gain		(521)	254	(920)	1,591
Gain on disposal of property, plant and equipment		6	93	14	110
Impairment of assets		(7)	1,365	(7)	1,364
Interest expense		(1,720)	(1,595)	(5,477)	(4,953)
Interest income		1,510	712	3,479	1,856
Property, plant and equipment written off		(4)	(1,247)	(6)	(1,281)
Provision for and written off of inventories		(118)	(996)	(206)	(1,049)
Provision for and written off of receivables		(1,104)	878	(1,107)	823
Gain on disposal of quoted or unquoted investments or properties		-	-	34	-
(Loss)/Profit before taxation		(6,550)	985	(9,869)	4,258
Taxation	20	566	(2,111)	(602)	(3,039)
(Loss)/Profit for the period		(5,984)	(1,126)	(10,471)	1,219
<b>(Loss)/Profit attributable to :</b>					
Owner of the parent		(5,634)	(1,580)	(10,420)	397
Non-controlling interest		(350)	454	(51)	822
		(5,984)	(1,126)	(10,471)	1,219
(Loss)/Earnings per share :-	27				
(a) Basic (sen)		(3.12)	* (1.75)	(6.54)	* 0.44
(b) Fully Diluted (sen)		(3.12)	* (1.75)	(6.54)	* 0.44

\* For comparative purpose, the (loss)/earnings per share for 31 August 2015 had been adjusted to reflect the bonus issue of 1 for every 2 Rights issue subscribed pursuant to the corporate exercise completed on 30 November 2015 totalling 45,101,000 shares.

**(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2015.)**

**The accompanying notes are an integral part of this statement.**

**D'NONCE TECHNOLOGY BHD.****(503292-K)**

The Board wishes to announce the following unaudited results of the Group for the fourth financial quarter ended 31 August 2016.

**Unaudited Condensed Consolidated Statement of Comprehensive Income For The Quarter Ended 31 August 2016**

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31/08/2016	31/08/2015	31/08/2016	31/08/2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period	(5,984)	(1,126)	(10,471)	1,219
Foreign currency transaction differences for foreign operations	308	2,464	(267)	4,967
Total comprehensive income for the period	<u>(5,676)</u>	<u>1,338</u>	<u>(10,738)</u>	<u>6,186</u>
<b>Total comprehensive (loss)/income attributable to:</b>				
Owner of the parent	(5,326)	883	(10,687)	5,363
Non-controlling interest	(350)	455	(51)	823
	<u>(5,676)</u>	<u>1,338</u>	<u>(10,738)</u>	<u>6,186</u>

**(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2015.)**

**The accompanying notes are an integral part of this statement.**

# D'NONCE TECHNOLOGY BHD.

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The Board wishes to announce the following unaudited results of the Group for the fourth financial quarter ended 31 August 2016.

## Unaudited Condensed Consolidated Statements of Changes in Equity For The Quarter Ended 31 August 2016

	←————— Attributable to owners of the parent —————→								←————— Non-distributable —————→			
	Share Capital	Share Premium	Other Capital Reserve	Foreign Currency Translation Reserve	Employees' share option scheme reserve ("ESOS")	Legal Reserve	Warrant Reserve	Retained Earnings/ (Accumulated Loss)	Total	Non- controlling Interest	Total Equity	
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 September 2015	45,101	12,310	5,120	5,281	-	32	-	(16,692)	51,152	4,740	55,892	
Par value reduction	(33,826)	-	-	-	-	-	-	33,826	-	-	-	
Issuance of rights issue with warrants	22,551	-	-	-	-	-	8,777	(8,777)	22,551	-	22,551	
Issuance of bonus shares	11,275	(11,275)	-	-	-	-	-	-	-	-	-	
Issuance of ESOS	-	-	-	-	3,566	-	-	-	3,566	-	3,566	
Corporate exercise expense	-	(641)	-	-	-	-	-	-	(641)	-	(641)	
Total comprehensive income for the period	-	-	-	(267)	-	-	-	(10,420)	(10,687)	(51)	(10,738)	
At 31 August 2016	45,101	394	5,120	5,014	3,566	32	8,777	(2,063)	65,941	4,689	70,630	
At 1 September 2014	45,101	12,310	5,120	578	-	32	-	(17,352)	45,789	3,917	49,706	
Total comprehensive income for the period	-	-	-	4,703	-	-	-	660	5,363	823	6,186	
At 31 August 2015	45,101	12,310	5,120	5,281	-	32	-	(16,692)	51,152	4,740	55,892	

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2015.)

The accompanying notes are an integral part of this statement.

**D'NONCE TECHNOLOGY BHD.****(503292-K)**

The Board wishes to announce the following unaudited results of the Group for the fourth financial quarter ended 31 August 2016.

**Unaudited Condensed Consolidated Statement of Cash Flows For The Period Ended 31 August 2016**

	<b>12 months ended</b>	
	<b>31/08/2016</b>	<b>31/08/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
(Loss)/Profit before taxation	(9,869)	4,258
Adjustments for non-cash flows:-		
Depreciation	6,846	6,848
Gain on disposal of property, plant and equipment	(14)	(110)
Gain on disposal of investments	(34)	-
Interest expense	5,477	4,953
Interest income	(3,479)	(1,856)
Provision for and written off of inventories	206	1,049
Net fair value changes in derivatives	(138)	188
Property, plant and equipment written off	6	1,281
Provision for and written off of receivables	1,107	-
Reversal of provision for and written off of receivables	-	(823)
ESOS fair value cost	3,566	-
Impairment of assets	7	(1,364)
Non-operating items	(721)	(1,189)
Operating profit before working capital changes	2,960	13,235
Decrease/(Increase) in receivables	7,390	(20,349)
(Increase)/Decrease in inventories	(934)	18,517
(Decrease)/Increase in payables	(2,128)	3,462
Cash generated from operations	7,288	14,865
Tax refund	(1,824)	(787)
Interest paid	(5,477)	(4,953)
Retirement benefit obligations paid	(431)	(685)
Net cash (used in)/generated from operating activities	(444)	8,440
<b>Cash Flows From Investing Activities</b>		
Interest income	3,479	1,856
Purchases of property, plant and equipment	(5,191)	(7,968)
Proceed from disposal of property, plant and equipment	15	137
Proceed from disposal of investments	48	-
Net changes to fixed deposit	(14,414)	(224)
Net cash used in investing activities	(16,063)	(6,199)
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of rights issue	22,551	-
Drawdown/(Repayment) of short term borrowings	12,325	(83)
Repayment of hire purchase and lease financing	(2,130)	(1,339)
Repayment of term loans	(8,513)	(6,065)
Net cash generated from/(used in) financing activities	24,233	(7,487)
Net increase/(decrease) in cash and cash equivalents	7,726	(5,246)
Effect of exchange rate changes	(276)	64
Cash and cash equivalents at beginning of the period	(10,321)	(5,139)
Cash and cash equivalents at end of the period	(2,871)	(10,321)

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**Unaudited Condensed Consolidated Statement of Cash Flows For The Period Ended 31 August 2016 (cont'd)**

Cash and cash equivalents comprise:

Cash and bank balances	33,329	10,874
Bank overdraft - secured	(16,214)	(15,619)
	<u>17,115</u>	<u>(4,745)</u>
Less: Disposal of subsidiary	4	-
Less: Deposits with licensed banks for more than 3 months and pledged with licensed banks	(19,990)	(5,576)
	<u>(2,871)</u>	<u>(10,321)</u>

**(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2015.)**

**The accompanying notes are an integral part of this statement.**

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# **D'NONCE TECHNOLOGY BHD.**

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**Notes to the condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 Aug 2016.**

## **1 Basis of Preparation**

These condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) No 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing requirement of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standard Board.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2015. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 August 2015.

## **2 Changes in Accounting Policies and Effects Arising from Adoption of new and revised MFRSs**

The significant accounting policies adopted in preparing this condensed consolidated interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 August 2015.

The standards and interpretations that are issued but not yet effective up to the date of issuance of these condensed consolidated interim financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

### **Effective for financial periods beginning on or after 1 January 2016**

MFRS 14: Regulatory Deferral Accounts

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 116 and MFRS 138 – Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141 – Agriculture: Bearer Plants

Amendments to MFRS 127: Consolidated Financial Statements – Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012-2014 Cycle

### **Effective for financial periods beginning on or after 1 January 2017**

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

### **Effective for financial periods beginning on or after 1 January 2018**

MFRS 15: Revenue from Contracts with Customers

MFRS 15: Clarifications to MFRS 15

MFRS 9: Financial Instruments

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#### **2 Changes in Accounting Policies and Effects Arising from Adoption of new and revised MFRSs (cont'd)**

##### **Effective for financial periods beginning on or after 1 January 2019**

MFRS 16: Leases

The initial application of the above MFRSs, amendments to MFRSs and IC Interpretations is not expected to have any significant impact on the Group.

#### **3 Audit Report of the Preceding Annual Financial Statements**

The audit report of the Group's annual financial statements for the year ended 31 August 2015 was not subjected to any qualification.

#### **4 Seasonality and Cyclical Operations**

The Group is mainly subjected to the cyclical effects of the electronic industry as a result of the volatility of demand.

#### **5 Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow that are Unusual Because of Their Nature, Size or Incidence.**

There were no items affecting assets, liabilities, equity, net income or cash flow that are unusual because of their nature, size or incidence for the current quarter other than the implementation of the corporate exercise as mentioned in Note 7 and 21.

#### **6 Material Changes in Accounting Estimates**

There were no changes in accounting estimates of amounts reported in prior interim periods or the current financial period or changes in estimates of amounts reported in prior financial years.

#### **7 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities**

On 23 September 2015, the Company had lodged the office copy of the sealed Order with the Companies Commission of Malaysia, upon which the reduction of the issued and paid-up share capital of D'nonce Technology Bhd. ("DTB") pursuant to Section 64(1) of the Companies Act, 1965 ("Act"), involving the cancellation of RM0.75 of the par value of each ordinary share of RM1.00 each in DTB is completed;

On 30 November 2015, the Company had announced the renounceable rights issue of up to 90,202,000 new ordinary shares of RM0.25 each in DTB ("rights share(s)") on the basis of two (2) rights shares for one (1) DTB ordinary share of RM0.25 each ("DTB share(s)") held after the proposed par value reduction, together with up to 90,202,000 free detachable warrants ("warrant(s)") on the basis of one (1) warrant for every one (1) rights share subscribed is completed. The issued and fully paid ordinary share capital of RM22,550,500 and the warrant reserve arising from the issuance of warrants amounting to RM8,776,655 have been included in the respective accounts;

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### 7 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities (cont'd)

On 30 November 2015, the Company had also announced the bonus issue of up to 45,101,000 new ordinary shares of RM0.25 each in DTB ("bonus share(s)") on the basis of one (1) bonus share for every two (2) rights shares subscribed pursuant to the proposed rights issue with warrants is completed. The bonus issue was franked from the share premium accounts. The amount franked out was RM11,275,250.

The movement of the share capital are as follows:

	Number of ordinary shares		Amount	
	As at 31/8/16	As at 31/8/15	As at 31/8/16 RM	As at 31/8/15 RM
<b>Authorised</b>				
At 1 September 2015/2014 (Par value of RM1.00 each)	100,000,000	100,000,000	100,000,000	100,000,000
Par value reduction to RM0.25 each	-	-	(75,000,000)	-
Creation of 700,000,000 ordinary shares of RM0.25 each	700,000,000	-	175,000,000	-
	800,000,000	100,000,000	200,000,000	100,000,000

	Amount	
	As at 31/8/16 RM	As at 31/8/15 RM
<b>Issued and fully paid up</b>		
At 1 September 2015/2014 (Par value of RM1.00 each)	45,101,000	45,101,000
Par value reduction to RM0.25 each	(33,825,750)	-
	11,275,250	45,101,000
Rights issue of 90,202,000 shares of par value RM0.25 each	22,550,500	-
	33,825,750	45,101,000
Bonus issue of 45,101,000 shares of par value RM0.25 each	11,275,250	-
	45,101,000	45,101,000

Other than the above, there were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares for the financial year-to-date.

### 8 Dividend Paid

No dividend was paid during the financial year to date.

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**9 Segmental Reporting**

The Group's segmental analysis is as follows:

<b>12-months period ended 31-Aug-16</b>	<b>Integrated Supply Chain Products And Services</b>	<b>Contract Manufacturing Services</b>	<b>Supply of Packaging and Other Materials</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>REVENUE</b>					
External revenue	52,388	16,957	106,671	-	176,016
Inter-segment revenue	160	751	18,043	(18,954)	-
<b>Total segment revenue</b>	<b>52,548</b>	<b>17,708</b>	<b>124,714</b>	<b>(18,954)</b>	<b>176,016</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>5,629</b>	<b>(312)</b>	<b>(55)</b>	<b>-</b>	<b>5,262</b>
Unallocated expenses					(9,654)
Operating loss					(4,392)
Finance costs, net					(5,477)
Loss before taxation					(9,869)
Taxation					(602)
Loss after taxation					(10,471)
<b>Interest revenue</b>	-	(3)	3,482	-	3,479
<b>Interest expense</b>	292	618	4,567	-	5,477
<b>Depreciation and amortisation</b>	36	2,545	4,265	-	6,846
<b>Other significant non-cash items</b>	1	68	3,105	-	3,174
<b>Segment assets</b>	11,920	22,804	155,990	-	190,714
Unallocated assets					7,142
<b>Total assets</b>					<b>197,856</b>
<b>Segment liabilities</b>	12,079	12,291	100,857	-	125,227
Unallocated liabilities					1,999
<b>Total liabilities</b>					<b>127,226</b>

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**9 Segmental Reporting (cont'd)**

<b>12-months period ended 31-Aug-15</b>	<b>Integrated Supply Chain Products And Services</b>	<b>Contract Manufacturing Services</b>	<b>Supply of Packaging and Other Materials</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>REVENUE</b>					
External revenue	43,304	21,851	158,617	-	223,772
Inter-segment revenue	595	328	24,414	(25,337)	-
<b>Total segment revenue</b>	<b>43,899</b>	<b>22,179</b>	<b>183,031</b>	<b>(25,337)</b>	<b>223,772</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>3,057</b>	<b>(3,851)</b>	<b>15,261</b>	<b>-</b>	<b>14,467</b>
Unallocated expenses					(5,256)
Operating profit					9,211
Finance costs, net					(4,953)
Profit before taxation					4,258
Taxation					(3,039)
Profit after taxation					1,219
<b>Interest revenue</b>	<b>-</b>	<b>5</b>	<b>1,851</b>	<b>-</b>	<b>1,856</b>
<b>Interest expense</b>	<b>113</b>	<b>686</b>	<b>4,154</b>	<b>-</b>	<b>4,953</b>
<b>Depreciation and amortisation</b>	<b>35</b>	<b>2,489</b>	<b>4,324</b>	<b>-</b>	<b>6,848</b>
<b>Other significant non-cash items</b>	<b>265</b>	<b>50</b>	<b>172</b>	<b>-</b>	<b>487</b>
<b>Segment assets</b>	<b>10,811</b>	<b>16,948</b>	<b>151,617</b>	<b>-</b>	<b>179,376</b>
Unallocated assets					2,868
Total assets					182,244
<b>Segment liabilities</b>	<b>9,609</b>	<b>10,138</b>	<b>103,221</b>	<b>-</b>	<b>122,968</b>
Unallocated liabilities					3,384
Total liabilities					126,352

Segment profit and loss does not include taxation as this expense is managed on a group basis.

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## **10 Valuation of Property, Plant and Equipment**

There was no revaluations of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

## **11 Material events during the quarter under review**

On 29 August 2016, the Board of Directors of the Company announced that the Company's wholly-owned subsidiary, Attractive Venture Sdn. Bhd. ("AVSB") entered into a Sale and Purchase Agreement with Fagerdala Malaysia Sdn. Bhd. ("FMSB") to dispose of all that piece of leasehold land measuring approximately 8,627.90 square meters held under H.S.(D) 14901, PT 2942, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang together with a two storey detached factory cum office bearing assessment no. PMT 1483 (formerly known as Plot 36), Lorong Perusahaan Maju 7, Kawasan Perusahaan Perai, 13600 Perai, Penang to FMSB for a total consideration of RM15,400,000 only subject to terms and conditions as stipulated in the Agreement.

The disposal is pending completion.

## **12 Subsequent Material Event**

There were no material events that have taken place subsequent to the statements of financial position date.

## **13 Changes in the Composition of the Group**

During the year, there is an increase in issued and paid-up share capital of DTB pursuant to the Rights Issues with Warrants and Bonus Issue pursuant to corporate proposal reported in prior quarter.

On 5 August 2016, the Board of Directors of the Company announced that the Company entered into a Share Sale Agreement to dispose of 400,000 ordinary shares of RM1.00 each, representing 100% of the total issued and paid-up share capital of D'nonce Biofoods Sdn. Bhd. to Haha Homz Sdn. Bhd. for a total cash consideration of RM1.00 only.

## **14 Changes in Contingent Liabilities and Assets**

The Company provided corporate guarantees amounting to RM88,835,918 (31.8.2015: RM82,343,000) for the banking facilities granted to certain subsidiary companies.

## **15 Capital Commitments**

The amount of commitments not provided for in the interim financial statements as at 31 Aug 2016 are as follows:

	<b>RM'000</b>
Approved and contracted for:	
- Building	6,700
- Motor vehicles	396
- Plant and machinery	508
<b>Total Capital Commitments</b>	<b>7,604</b>

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### **16 Analysis of performance for current quarter and financial period-to-date**

Compared to the same quarter of last year, the Group's revenue for the current quarter have increased by RM3.4 million to RM43.2 million. The loss for the quarter was RM6.6 million compared to profit of RM1.0 million for the same quarter last year.

For the performance for 12-month period, the revenue is RM176.0 million compared to previous year's 12-month period's revenue of RM223.7 million. The loss to date is RM9.8 million compared to profit of RM4.3 million for same 12-month period last year.

The lower revenue by RM47.7 million in this year compared to previous year is mainly contributed by the surveillance system revenue recognised last year.

One of the major contributor to the loss for the quarter and to date is ESOS fair value cost of RM3.6 million mainly allocated to corporate expenses. The other contributors are the slower than expected recovery by the subsidiary affected by fire in October 2013 and lower revenue from another subsidiary servicing the Hard Disk Drive industry.

The performance by business segments are further analysed as below:

#### **Integrated Supply Chain Products and Services**

The current quarter's revenue of RM13.5 million is an increase of RM2.7 million compared to the same quarter last year. This is due to higher demand from the customers for this year's quarter.

The segmental results in the current reporting quarter is RM0.4 million higher than the comparative quarter because of the higher revenue.

For the performance for 12-month period, this sector's revenue is RM52.3 million with segmental results of RM5.6 million. Comparatively, the sector's performance for the comparative 12-month period was with a revenue of RM43.3 million and a segmental result of RM3 million. The higher revenue in this 12-month period has contributed to the better segmental result.

#### **Contract Manufacturing Services**

The current quarter's revenue of RM3.2 million is lower compared to the same quarter last year. This is mainly due to the continued reduced demand from our customers in the Hard Disk Drive industry.

The current quarter reported a loss of RM0.9 million compared to loss of RM6.1 million for the same quarter last year. The higher loss in last year was mainly due to losses in one of the subsidiaries recovering from a fire in Southern Thailand.

In this segment, the revenue recorded for 12-month period is RM17 million with a segmental loss of RM0.3 million. This year's revenue is lower than last year's is because of lower demand from the customers in the Hard Disk Drive industry. In comparison for the previous 12-month period to date, the revenue was RM21.9 million and segmental loss of RM3.8 million.

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### **16 Analysis of performance for current quarter and financial period-to-date (cont'd)**

#### **Supply of Packaging and Other Materials**

The current quarter's revenue is RM26.4 million. The revenue generated is an increase of RM1.4 million from the revenue in the same quarter for last financial year.

The segmental loss in this quarter is RM1.3 million compared to same quarter in previous year which reported a segmental loss of RM1.8 million. The lower loss this year is due to higher revenue for current quarter.

For year to date, this segment revenue was RM106.7 million with segmental loss of RM0.1 million. For the comparative 12-month period, the revenue was RM158.6 million and the segmental result was RM15.2 million. The profit for the 12-month period was higher last year is mainly due to sales of surveillance system.

### **17 Material Changes in Profit Before Taxation Against Preceding Quarter**

The Group's current quarter revenue is RM43.2 million compared to previous quarter revenue of RM44.2 million. The results for this period is loss of RM6.5 million compared to previous quarter loss of RM1.9 million.

The main contributor to the loss is ESOS fair value cost recognised of RM3.6 million in this quarter. This ESOS fair value cost has been charged to the respective segments using the number of options allocated with the major portion allocated to corporate expenses. Other main contributors to the loss are as disclosed in Note 16 above.

The performance by business segments are further analysed as below:

#### **Integrated Supply Chain Products and Services**

The revenue for this business segment is higher by RM0.6 million compared to the revenue in previous quarter.

The segmental result for this quarter is RM1.7 million. This is higher by RM0.5 million compared to the previous quarter.

#### **Contract Manufacturing Services**

The revenue in this business segment has decreased by RM1.2 million to RM3.2 million as compared to the immediate preceding quarter mainly due to the continued lower demand by our customers in the Hard Disk Drive industry.

The segmental results for this business segment registered a loss of RM0.9 million which is higher than the loss recorded in previous quarter of RM0.1 million due to lower revenue and ESOS fair value cost recognised in this segment.



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### 17 Material Changes in Profit Before Taxation Against Preceding Quarter (cont'd)

#### Supply of Packaging and Other Materials

The revenue in this current quarter of RM26.5 million which approximates the sales in immediate preceding quarter.

This segment registered a loss of RM1.3 million in this current quarter compared to loss of RM0.7 million in the previous quarter. The loss in this current quarter is due to unfavourable foreign currency fluctuation, lower margin of our products and ESOS fair value cost recognised in this segment.

### 18 Prospects

The current global business sentiment remains challenging due to the prevailing global economic conditions and the fluctuation of foreign currencies. The Group will continue to actively penetrate into other market segments as well as expanding its existing business to offset the impact. The management is continuously monitoring the Group's operational cost and efficiency to improve the overall profitability.

### 19 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast or profit guarantee for the year.

### 20 Taxation

	Current Quarter		Cumulative Quarter	
	31-Aug-2016 RM'000	31-Aug-2015 RM'000	31-Aug-2016 RM'000	31-Aug-2015 RM'000
Income tax:				
Current period	(274)	1,085	901	1,955
Prior period	(104)	(67)	(109)	(12)
Deferred tax:				
Current period	(156)	1,067	(168)	1,064
Prior period	(32)	26	(22)	32
<b>Total tax expenses</b>	<b>(566)</b>	<b>2,111</b>	<b>602</b>	<b>3,039</b>

The effective tax rate for the current financial period was lower than the statutory tax rate principally due to certain income is not subject to tax.

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## 21 Status of Corporate Proposal

There were no corporate proposals announced as at the date of this report other than as disclosed below:

As disclosed in prior quarters, the Company had proposed and received shareholders' approval to carry out the following corporate proposals:

- (i) Proposed Par Value Reduction
- (ii) Proposed Rights Issue with Warrants
- (iii) Proposed Bonus Issue
- (iv) Proposed Private Placement with Warrants
- (v) Proposed Memorandum And Articles of Association Amendments
- (vi) Proposed Employee Share Option Scheme ("ESOS")
- (vii) Proposed Share Buy-Back; and
- (viii) Proposed Increase in Authorised Share Capital

As at today, all the proposals have been implemented except the Proposed Private Placement with Warrants (please see subsequent paragraphs on the status of this proposal) and Proposed Share Buy-Back.

### (a) Proposed ESOS

On 4 July 2016, the Company has offered the options under ESOS to the employees of the Company and its subsidiaries.

The exercise price of the options offered was RM0.25. The number of options offered was 27,060,600. The market price of the Company's shares on date of offer is RM0.22.

The number of options offered to each director are as follows:

<b><u>Directors</u></b>	<b><u>Number of options</u></b>
Dato' Ahmad Ibnihajar	2,500,000
Law Kim Choon	2,500,000
Wong Thai Sun	2,000,000
Dato' Seri Lee Kah Choon	1,500,000
Lena Leong Oy Lin	1,500,000
Roslant bin Abu	1,500,000

### (b) Proposed Private Placement with Warrants

On 17 October 2016, the Board of Directors of the Company announced that the Inter-Pacific Securities Sdn. Bhd. ("IPS") on behalf of the Board submitted an application to Bursa Securities for an extension of time of six months from 22 November 2016 to 21 May 2017 to enable the Company to complete the implementation of the Private Placement with Warrants.

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**21 Status of Corporate Proposal (cont'd)**

(c) Proposed Share Buy-Back

On 29 August 2016, the Board of Directors of the Company announced that the Company intends to seek the approval of its shareholders for the Proposed Share Buy-back Authority ("SBB Authority") at the Extraordinary General Meeting to be held in November 2016.

However, on 10 October 2016, the Board of Directors of the Company announced that the Company will not seek for its shareholders' approval for the SBB Authority at the Extraordinary General Meeting to be held in November 2016. The Directors have now decided to seek for the shareholders' approval for such SBB Authority at the forthcoming Annual General Meeting to be convened in early 2017.

(d) Utilisation of proceeds from corporate proposal:

Purpose	Proposed Utilisation	Actual Utilisation*	Intended Timeframe for Utilisation from date of listing of the Rights Shares	Deviation	
				Amount RM'000	%
(i) To partly finance the purchase of land and factory building, renovation and refurbishment expenses	5,000	-	Within 12 months	N/A	N/A
(ii) Construction of clean room facility and purchase of 3 lines of tray cleaning systems in Thailand	4,400	-	Within 12 months	N/A	N/A
(iii) Construction of new factory building in Penang	1,600	1,600	Within 12 months	N/A	N/A
(iv) Construction of new factory building in Thailand	2,200	-	Within 12 months	N/A	N/A
(v) Renovation and refurbishment of factory building in Penang	1,000	1,000	Within 12 months	N/A	N/A
(vi) Working capital	6,751	6,751	Within 12 months	N/A	N/A
(vii) Expenses in relation to the Corporate Exercises	1,600	1,079	Within 3 months	N/A	N/A
Total	22,551	10,430		N/A	N/A

\* As at 26 October 2016.

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**22 Group Borrowings and Debt Securities**

The Group Borrowings as at the end of the reporting period comprised secured term loan, bank overdrafts, bills payable and hire purchases denominated in Ringgit Malaysia and Thai Baht payable in the following manner:

<b>31 Aug 2016</b>	<b>Denominated in Ringgit Malaysia RM'000</b>	<b>Denominated in Thai Baht RM'000</b>	<b>Total RM'000</b>
<b>Secured:</b>			
Short Term	42,845	16,437	59,282
Long Term	25,641	4,986	30,627
<b>Total</b>	<b>68,486</b>	<b>21,423</b>	<b>89,909</b>

<b>31 Aug 2015</b>	<b>Denominated in Ringgit Malaysia RM'000</b>	<b>Denominated in Thai Baht RM'000</b>	<b>Total RM'000</b>
<b>Secured:</b>			
Short Term	34,293	13,447	47,740
Long Term	33,647	4,219	37,866
<b>Total</b>	<b>67,940</b>	<b>17,666</b>	<b>85,606</b>

**23 Fair value hierarchy**

The group uses the following hierarchy in determining the fair value of all financial instruments carried at fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

As at 31 August 2016, the Group held the following financial assets and liabilities that are measured at fair value:

	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Total RM'000</b>
Liabilities measured at fair value:			
Derivative financial instruments	-	50	50

**24 Realised and unrealised profit disclosure**

	<b>As At 31 Aug 2016 RM'000</b>	<b>As At 31 Aug 2015 RM'000</b>
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	6,860	(13,101)
- Unrealised	1,053	(118)
	7,913	(13,219)
Add : Consolidation adjustments	(9,976)	(3,473)
Total Group retained earnings/(accumulated losses) as per consolidated income statements	<b>(2,063)</b>	<b>(16,692)</b>

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## 25 Material Litigation

There was no pending material litigation as at the date of this quarterly report.

## 26 Dividend

The Directors will not be recommending any dividend for the current financial period.

## 27 (Loss)/Earnings Per Share

Basic/ Diluted	Current Quarter		Cumulative Quarter	
	31 Aug 2016	31 Aug 2015	31 Aug 2016	31 Aug 2015
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(5,634)	(1,580)	(10,420)	397
Weighted average number of ordinary shares in issue ('000)	180,404	* 90,202	159,398	* 90,202
<b>Basic (loss)/earnings per share (sen)</b>	<b>(3.12)</b>	<b>(1.75)</b>	<b>(6.54)</b>	<b>0.44</b>

The warrants and ESOS were not assumed to be exercised because they were antidilutive in the period. Therefore, the basic and diluted earnings per share is the same.

\* For comparative purpose, the (loss)/earnings per share for 31 August 2015 had been adjusted to reflect the bonus issue of 1 for every 2 Rights issue subscribed pursuant to the corporate exercise completed on 30 November 2015 totalling 45,101,000 shares.

## 28 Net Tangible Assets Per Share

	As At 31 Aug 2016	As At 31 Aug 2015
Equity attributable to equity holders of the parent (RM'000)	65,941	51,152
Less: Intangible assets (RM'000)	(289)	(289)
<b>Net Tangible Assets</b>	<b>65,652</b>	<b>50,863</b>

Number of ordinary shares in issue ('000)	# 180,404	* 90,202
<b>Net Tangible Assets (RM)</b>	<b>0.36</b>	<b>0.56</b>

# For the current year, the denominator used to compute net tangible assets per share included 90,202,000 Rights shares issued pursuant to the corporate exercise completed on 30 November 2015.

\* For comparative purpose, the net tangible assets per share for 31 August 2015 had been adjusted to reflect the bonus issue of 1 for every 2 Rights issue subscribed pursuant to the corporate exercise completed on 30 November 2015 totalling 45,101,000 shares.

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**29 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 26 October 2016.

By Order of the Board

**Gunn Chit Geok**

**Chew Siew Cheng**

Company Secretaries

26 October 2016

Pulau Pinang