

# D'NONCE TECHNOLOGY BHD.

(503292-K)

## Notes to the unaudited results of the Group for the fourth quarter ended 31 August 2007.

### 1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 August 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 August 2006.

### 2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 September 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of all 17 FRSs above does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are as follows:

#### (a) FRS 2: Share-based Payment

The Company has taken advantage of the transitional provisions set out in paragraph 53 of FRS 2 under which the new recognition and measurement policies is only applied to grant of options that were granted after 31st December 2004 and had not vested at 1 January 2006. As the Company employee share options scheme was granted on 20 November 2003 which was before 31 December 2004, therefore, the recognition and measurement policies required under FRS 2 is not applied to such share options. Nonetheless, the Company has disclosed information relating to the employee share options scheme in Note 22 so as to enable users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period.

**(b) FRS 3: Business Combinations**

Under FRS 3, goodwill is test for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 September 2006, goodwill was also not amortised but was reviewed for annual impairment.

**(c) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

**(d) FRS 121 The Effects of Changes in Foreign Exchange Rates**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Under the revised FRS 121, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are to be recognised in profit or loss in the consolidated financial statements.

Goodwill acquired in business combinations prior to 1 September 2006 and fair value adjustments arising on those acquisitions are deemed to be assets and liabilities of the parent company and were translated using the exchange rate at the dates of acquisitions.

**(e) FRS 140: Investment Property**

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

In the previous years, all investment properties included in property, plant and equipment were carried at cost. Following the adoption of FRS 140 Investment Property, the property, plant and equipment with the carrying amount of approximately RM6,197,000 has been reclassified to investment property and presented separately on the balance sheet. Freehold land is not depreciated. Depreciation of the buildings is provided on a straight line basis over the estimated useful lives.

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

**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 2006 was not subjected to any qualification.

**4 Seasonality and Cyclical Operations**

The Group is 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 and financial year to date.

**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**

There were no issuances or repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares or resale of treasury shares for the current financial period.

**8 Dividend Paid**

No dividend was paid during the financial year to date.

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

**9 Segmental Reporting**

The Group's segmental analysis is as follows:

<b>12 months period ended 31 Aug 2007</b>	<b>Integrated Supply Chain Products And Services</b>	<b>Contract Manufacturing Services</b>	<b>Supply of Packaging Materials</b>	<b>Plastic Injected Mould Products</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>RM'000</b>
<b>REVENUE</b>						
External revenue	60,035	20,917	81,210	732	-	162,894
Inter-segment revenue	1,813	1,336	11,973	3,222	(18,344)	-
<b>Total segment revenue</b>	<b>61,848</b>	<b>22,253</b>	<b>93,183</b>	<b>3,954</b>	<b>(18,344)</b>	<b>162,894</b>
<b>RESULTS</b>						
<b>Segment results</b>	<b>1,436</b>	<b>1,737</b>	<b>104</b>	<b>(111)</b>	<b>-</b>	<b>3,166</b>
Unallocated corporate expenses						(1,510)
Operating profit						1,656
Finance costs, net						(1,616)
Profit before taxation						40
Taxation						(861)
Profit after taxation						(821)
<b>12 months period ended 31 Aug 2006</b>	<b>Integrated Supply Chain Products And Services</b>	<b>Contract Manufacturing Services</b>	<b>Supply of Packaging Materials</b>	<b>Plastic Injected Mould Products</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>RM'000</b>
<b>REVENUE</b>						
External revenue	54,350	38,318	75,288	727	-	168,683
Inter-segment revenue	9,236	2,799	21,944	2,359	(36,338)	-
<b>Total segment revenue</b>	<b>63,586</b>	<b>41,117</b>	<b>97,232</b>	<b>3,086</b>	<b>(36,338)</b>	<b>168,683</b>
<b>RESULTS</b>						
<b>Segment results</b>	<b>1,052</b>	<b>3,487</b>	<b>4,838</b>	<b>(196)</b>	<b>-</b>	<b>9,181</b>
Unallocated corporate expenses						(2,096)
Operating profit						7,085
Finance costs, net						(1,159)
Profit before taxation						5,926
Taxation						(1,765)
Profit after taxation						4,161

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

The valuations of the property, plant and equipment have been brought forward without any amendments from the previous audited financial statement.

#### **11 Subsequent Material Events**

There were no material events that have been taken place subsequent to the Balance Sheet date.

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

On 28 June 2007, a subsidiary acquired 18,750 ordinary shares of 100 Baht each representing 75% of the issued and paid-up share capital of Odyssey Technology (TH) Co. Ltd. ("Odyssey") for a cash consideration of 1,875,000 Baht. Odyssey has not commenced operations as at 24 Oct 2007. Its intended activity will be Aqueous cleaning business.

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

The Company provided corporate guarantees amounting to RM20,846,000 for the banking facilities granted to certain subsidiary companies.

#### **14 Capital Commitment**

The amount of commitments for the purchase of machinery and equipment not provided for in the interim financial statements as at 31 August 2007 is as follows:

	<b>RM'000</b>
<b>Approved but not contracted for</b>	<b>439</b>

#### **15 Review of Performance of the Group**

Revenue for current quarter is fairly consistent with the same quarter of preceding year. The profit before taxation for current quarter is RM1.3 million lower than the same quarter of the preceding year. The main reason for the lower profit in current quarter as compared with the same quarter of the preceding financial year is due to lower sales volume from our higher margin products besides initial start up cost for the new entity acquired in current quarter.

Revenue for current financial year is slightly below that of the preceding year. The Group recorded a profit before taxation of RM40,000 in current financial year as compared to RM5.9 million in the preceding year. The main contributing factors that affect the performance in current financial year are inventories write off at our subsidiary level, profit margin erosion impacted by the appreciation of Ringgit Malaysia and Thai Baht against US Dollar and cost reduction by customers.

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

**16 Material Changes in the Profit Before Taxation for the Quarter Reported On as Compared With the Immediate Preceding Quarter**

Revenue has increased by 7% to RM42 million in current quarter as compared with the immediate preceding quarter. The Group recorded a profit before taxation of RM0.67 million in current quarter from the loss before taxation of RM2.8 million in immediate preceding quarter. The inventories written off has impacted our financial performance in immediate preceding quarter. Current quarter performance is also contributed from better profit margin products and higher revenue.

**17 Prospects**

The Group will continue focusing on the core products and identifying new markets. In addition to this, the Group has streamlined its business activities to be more cost effective. In its continuous effort to expand its business activities as well as expanding in oversea, the Group is currently exploring several business opportunities.

Barring unforeseen circumstances, the management is of the opinion that the business outlook, although challenging in the coming year, seem to give an indication of a positive recovery with successful execution of the above mentioned programs.

**18 Profit Forecast and Profit Guarantee**

Not applicable.

**19 Taxation**

	Current Quarter		Cumulative Quarter	
	31 Aug 2007	31 Aug 2006	31 Aug 2007	31 Aug 2006
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	292	314	772	1,117
(Over)/Under provision in prior year	23	49	25	11
Deferred tax:				
Current period	(6)	(36)	(42)	(68)
Provision no longer required	20	728	106	705
		-		
<b>Total tax expenses</b>	<b>329</b>	<b>1,055</b>	<b>861</b>	<b>1,765</b>

The effective taxation rate is higher than statutory taxation rate primarily due to the losses of certain subsidiaries that cannot be off set against taxable profit made by other subsidiaries.

**20 Sales of Un-quoted Investments and/or Properties**

There were no sales of un-quoted investments and/or properties for the current quarter and financial year to date.

## **21 Quoted Investments**

- (a) There were no purchases or disposal of quoted securities for the current quarter and financial year to date and;
- (b) The Company had no investment in quoted securities as at the end of this reporting period.

## **22 Corporate Proposal**

### **22(a) Status of Corporate Proposals**

There were no corporate proposals announced but not yet completed as at the date of this report except as follows:-

- Employees' Share Option Scheme (ESOS)

- (i) First tranche of ESOS options

The Company had on 20 November 2003 granted 3,851,000 options under the ESOS to the eligible employees at the option price of RM1.00 per share. By the deadline for the acceptance of the options on 19 December 2003, 3,270,000 options were accepted by the eligible employees. As at 24 October 2007, 1,101,000 options were exercised by the eligible employees at the option price of RM1.00 per share, leaving the balance of 2,169,000 options remained unexercised.

- (ii) Second tranche of ESOS options

220,000 options were granted to the eligible employees on 16 March 2004 at the option price of RM1.34 per share. By the deadline for the acceptance of the options on 15 April 2004, 177,000 options were accepted by the eligible employees. As at 24 October 2007, the second tranche ESOS options has not yet been exercised by the eligible employees.

- Proposed Acquisition of Land and Building and Printing Machinery

On 16 June 2006, ISCM Industries (Thailand) Co., Ltd. had entered into an Asset Purchase Agreement with Safeskin Industries (Thailand) Limited to acquire a piece of land together with factory buildings erected thereon and printing machinery and equipment for a purchase consideration of USD3,900,000 ("Proposed Acquisition"). The said Proposed Acquisition has been completed on 15 March 2006.

### **22(b) Status of Utilization of Proceeds from the ESOS**

There were no proceeds during the current financial period.

## D'NONCE TECHNOLOGY BHD.

(503292-K)

### 23 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 payable in the following manner:-

	As At 31 Aug 2007 RM'000	As At 31 Aug 2006 RM'000
<b>Secured:</b>		
Short Term	14,659	12,354
Long Term	12,823	2,771
<b>Total</b>	<b>27,482</b>	<b>15,125</b>
<b>Unsecured:</b>		
Short Term	-	-
Long Term	5	5
<b>Total</b>	<b>5</b>	<b>5</b>
<b>Grand Total</b>	<b>27,487</b>	<b>15,130</b>

### 24 Off Balance Sheet Financial Instrument

As at 24 October 2007, the foreign exchange contracts that have been entered into by the Group to hedge its trade receivables and payables are as follows:-

Financial Instruments (Matured Within 6 months)	Contract Amount (USD'000)	Equivalent Amount (RM'000)
Foreign Exchange Contract	910	3,131

The instrument above is viewed as a risk management tool by the Group and is not used for trading and speculative purposes. The gain and losses on foreign exchange contracts are recognized in the income statements upon realization.

### 25 Material Litigation

The Group is not engaged in any material litigation as at 24 October 2007 except for the following:-

- (i) DAE-A Lead Wire Co., Ltd. (Dae- A) has filed a claim for a sum of approximately USD507,000 against a subsidiary company, D'nonce (M) Sdn Bhd (D'nonce) with regard to goods sold to D'nonce. D'nonce has claimed that the Plaintiff's goods which have been fully accrued are defective and not according to specifications. Furthermore, D'nonce has correspondence with the Plaintiff establishing its complaints regarding the quality of the Plaintiff's goods. The legal advisers have advised the directors of the subsidiary that in view of this there is a likelihood that the Plaintiff's claim may not succeed.



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

- (ii) Mr. Goh Hong Lim (“GHL”), the ex Managing Director of D’nonce Technology Bhd (“DTB”) filed an industrial claim through the Industrial Court Case No. 9/4-2896/2006 seeking monetary compensation due to wrongful termination. GHL’s position in DTB ceased due to his non re-election to the Board of Directors of DTB. The estimated claim is about RM577,296 if the Industrial Court rules in favor of GHL, which is 24 months of his last drawn salary. DTB’s legal advisers have advised that there is a likelihood that GHL’s claim may not succeed.

No provision has been made by the directors of D’nonce for any further liabilities that may arise relating to the above claims.

**26 Dividend**

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

**27 Earnings Per Share**

	Current Quarter		Cumulative Quarter	
	31 Aug 2007	31 Aug 2006	31 Aug 2007	31 Aug 2006
<b>Basic</b>				
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	140	448	(2,015)	2,665
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
<b>Basic earnings per share (sen)</b>	<b>0.31</b>	<b>0.99</b>	<b>(4.47)</b>	<b>5.91</b>

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

**27 Earnings Per Share (Contd.)**

	Current Quarter		Cumulative Quarter	
	31 Aug 2007	31 Aug 2006	31 Aug 2007	31 Aug 2006
<b>Diluted</b>				
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	140	448	(2,015)	2,665
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Effect of dilution : share options ('000)	-	-	-	-
<b>Adjusted weighted average number of ordinary shares in issue and issuable('000)</b>	<b>45,101</b>	<b>45,101</b>	<b>45,101</b>	<b>45,101</b>
<b>Diluted earnings per share (sen)</b>	<b>0.31</b>	<b>0.99</b>	<b>(4.47)</b>	<b>5.91</b>

**28 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 30 October 2007.

By Order of the Board  
**Gunn Chit Geok**  
**Yeap Kok Leong**  
 Company Secretaries  
 30 Oct 2007  
 Pulau Pinang