

D'NONCE TECHNOLOGY BHD.

(503292-K)

Notes to the unaudited results of the Group for the first quarter ended 30 November 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 2007. 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 2007.

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 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 September 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 117	Leases
FRS 118	Revenue
Amendments to FRS 119 ₂₀₀₄	Employees Benefits-Actuarial Gains and Losses, Group Plans and Disclosures
FRS 120	Accounting for Government Grants and Disclosures of Government Assistance
FRS 124	Related Party Disclosures
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

FRS 6, FRS 111, FRS 120 are not relevant to the Group's operations and the adoption of FRS 107, FRS 112, FRS118, Amendment to FRS 119₂₀₀₄, FRS 124, Amendments to FRS 121, FRS 134 and FRS 137 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of FRS 117 are discussed below:

FRS 117 : Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The upfront payments made for the leasehold land represents prepaid lease payments and are amortised on a straight line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1st September 2007, leasehold land was classified as property, plant equipment and investment properties and was stated at cost less accumulated depreciation and impairment losses.

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The following comparative amounts have been restated due to the adoption of revised FRS:

	Previously stated	Effect of adoption of FRS 117	As restated
	(RM'000)	(RM'000)	(RM'000)
Balance Sheet as at 31 August 2007			
Property, Plant and Equipment	38,309	(1,086)	37,223
Investment properties	6,973	(1,013)	5,960
Prepaid land lease payment	-	2,099	2,099

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 2007 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.

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(503292-K)

9 Segmental Reporting

The Group's segmental analysis is as follows:

3 months period ended 30 Nov 2007	Integrated Supply Chain Products And Services	Contract Manufacturing Services	Supply of Packaging Materials	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
External revenue	10,411	8,124	24,915	-	43,450
Inter-segment revenue	14	96	4,853	(4,963)	-
Total segment revenue	10,425	8,220	29,768	(4,963)	43,450
RESULTS					
Segment results	(10)	1,515	719	-	2,224
Unallocated corporate expenses					(783)
Operating profit					1,441
Finance costs, net					(541)
Profit before taxation					900
Taxation					(195)
Profit after taxation					705
3 months period ended 30 November 2006	Integrated Supply Chain Products And Services	Contract Manufacturing Services	Supply of Packaging Materials	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
External revenue	16,086	6,922	20,006	-	43,014
Inter-segment revenue	909	476	3,788	(5,173)	-
Total segment revenue	16,995	7,398	23,794	(5,173)	43,014
RESULTS					
Segment results	588	1,368	895	-	2,851
Unallocated corporate expenses					(433)
Operating profit					2,418
Finance costs, net					(303)
Profit before taxation					2,115
Taxation					(344)
Profit after taxation					1,771

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

There were no changes in the composition of the Group during the current quarter.

13 Changes in Contingent Liabilities and Assets

The Company provided corporate guarantees amounting to RM16,406,000 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 30 November 2007 is as follows:

	RM'000
Approved and contracted for	291

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 RM1.2 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 mainly due to lower sales volume from our higher margin products.

16 Material Changes in Profit Before Taxation Against Preceding Quarter

Revenue has increased by 2% to RM43.5 million in current quarter as compared with the immediate preceding quarter. The Group recorded a profit before taxation of RM0.9 million in current quarter from the profit before taxation of RM0.68 million in immediate preceding quarter. Current quarter performance is contributed from better profit margin products and higher revenue.

D'NONCE TECHNOLOGY BHD.

(503292-K)

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 efficient and cost effective. In its continuous effort to expand its business activities as well as expanding overseas, 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 strategies and programs.

18 Profit Forecast and Profit Guarantee

Not applicable.

19 Taxation

	Current Quarter		Cumulative Quarter	
	30 Nov 2007	30 Nov 2006	30 Nov 2007	30 Nov 2006
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	193	258	193	258
Deferred tax:				
Current period	(11)	-	(11)	-
Provision no longer required	13	86	13	86
		-		
Total tax expenses	195	344	195	344

The effective taxation rate is lower than 26% primarily due to a foreign subsidiary enjoying pioneer status which exempt its profit from taxation.

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.

D'NONCE TECHNOLOGY BHD.

(503292-K)

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 January 2008, 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 January 2008, the second tranche ESOS options has not yet been exercised by the eligible employees.

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

There were no proceeds during the current financial period.

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 30 November 2007 RM'000	As At 31 Aug 2007 RM'000
Secured:		
Short Term	14,207	14,907
Long Term	12,308	12,737
Total	26,515	27,644
Unsecured:		
Short Term	-	-
Long Term	5	5
Total	5	5
Grand Total	26,520	27,649

D'NONCE TECHNOLOGY BHD.

(503292-K)

24 Off Balance Sheet Financial Instrument

As at 24 January 2008, 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	823	2,706

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 January 2008 except for the following:-

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 claim.

26 Dividend

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

27 Earnings Per Share

Basic	Current Quarter		Cumulative Quarter	
	30 November 2007	30 November 2006	30 November 2007	30 November 2006
Profit attributable to ordinary equity holders of the parent (RM'000)	70	1,141	70	1,141
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Basic earnings per share (sen)	0.16	2.53	0.16	2.53

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Diluted	Current Quarter		Cumulative Quarter	
	30 November 2007	30 November 2006	30 November 2007	30 November 2006
Profit attributable to ordinary equity holders of the parent (RM'000)	70	1,141	70	1,141
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Effect of dilution : share options ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable('000)	45,101	45,101	45,101	45,101
Diluted earnings per share (sen)	0.16	2.53	0.16	2.53

28 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 30 January 2008.

By Order of the Board
Gunn Chit Geok
Yeap Kok Leong
 Company Secretaries
 30 January 2008
 Pulau Pinang