

D'NONCE TECHNOLOGY BHD.

(503292-K)

Notes to the unaudited results of the Group for the first quarter ended 29 February 2008.

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, FRS 118, 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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9 Segmental Reporting

The Group's segmental analysis is as follows:

6 months period ended 29 February 2008	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	20,124	14,262	48,217	-	82,603
Inter-segment revenue	41	151	9,075	(9,267)	-
Total segment revenue	20,165	14,413	57,292	(9,267)	82,603
RESULTS					
Segment results	(1)	1,867	974	-	2,840
Unallocated corporate expenses					(1,536)
Operating profit					1,304
Finance costs, net					(1,040)
Profit before taxation					264
Taxation					(221)
Profit after taxation					43
6 months period ended 28 February 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	31,358	12,312	37,725	-	81,395
Inter-segment revenue	1,411	876	7,112	(9,399)	-
Total segment revenue	32,769	13,188	44,837	(9,399)	81,395
RESULTS					
Segment results	800	2,054	996	-	3,850
Unallocated corporate expenses					(1,094)
Operating profit					2,756
Finance costs, net					(631)
Profit before taxation					2,125
Taxation					(438)
Profit after taxation					1,687

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 RM19,922,000 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 29 February 2008 is as follows:

	RM'000
Approved and contracted for	114

15 Review of Performance of the Group

Revenue for current quarter is slightly higher than the same quarter of the preceding year. Current quarter registered a loss before taxation of RM636,000 as compared to the profit before taxation of RM10,000 in the same quarter of the preceding year. As compared with the same quarter of the preceding year, the Group's gross profit margin was impacted by the increase in raw material prices and foreign exchange losses as the US dollar has weakened further. In addition to the above, the current quarter losses is also attributed to losses from our new set up in Thailand as the production has not reached its optimum level.

16 Material Changes in Profit Before Taxation Against Preceding Quarter

Current quarter revenue is 10% lower than immediate preceding quarter. The Group result for current quarter is RM1.5 million lower than immediate preceding quarter mainly due to lower revenue due to cyclical change in our contract manufacturing business especially in Thailand.

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17 Prospects

The Group recognize the slow down in electronic and electrical sector. The rising cost in raw material and weaken US Dollar has continued to impact the Group despite the cost management measure that the Group has undertaken. However, to overcome this position, the Group is actively pursuing to explore other new businesses with higher margin and penetrate into new market to increase the earnings base.

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

18 Profit Forecast and Profit Guarantee

Not applicable.

19 Taxation

	Current Quarter		Cumulative Quarter	
	29 Feb 2008	28 Feb 2007	29 Feb 2008	28 Feb 2007
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	40	94	234	352
Deferred tax:				
Current period	(14)	-	(26)	-
Provision no longer required	-	-	13	86
Total tax expenses	26	94	221	438

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)

ESOS	First Tranche	Second Tranche	Total
Grant Date	20 Nov 2003	16 March 2004	
Expiry Date	26 May 2013	26 May 2013	
As at 1 Sep 2007	2,169,000	177,000	2,346,000
Granted	-	-	-
Exercised	-	-	-
Foregone	1,041,000	88,000	1,129,000
As at 29 Feb 2008	1,128,000	89,000	1,217,000
Option price per Ordinary Share (RM)	1.00	1.34	

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 29 February 2008 RM'000	As At 31 Aug 2007 RM'000
Secured:		
Short Term	15,721	14,907
Long Term	12,189	12,737
Total	27,910	27,644
Unsecured:		
Short Term	-	-
Long Term	5	5
Total	5	5
Grand Total	27,915	27,649

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24 Off Balance Sheet Financial Instrument

As at 23 April 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	1,329	4,207

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 23 April 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

	Current Quarter		Cumulative Quarter	
	29 February 2008	28 February 2007	29 February 2008	28 February 2007
Basic				
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(681)	(447)	(611)	694
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Basic (loss)/earnings per share (sen)	(1.51)	(0.99)	(1.35)	1.54

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Diluted	Current Quarter		Cumulative Quarter	
	29 February 2008	28 February 2007	29 February 2008	28 February 2007
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(681)	(447)	(611)	694
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 (loss)/earnings per share (sen)	(1.51)	(0.99)	(1.35)	1.54

28 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 29 April 2008.

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