

# **D'NONCE TECHNOLOGY BHD.**

(503292-K)

**Notes to the unaudited results of the Group for the second quarter ended 28 February 2009.**

## **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 2008. 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 2008.

## **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 2008 except for the adoption of FRS 139 Financial Instruments : Recognition and Measurement. The Group has not adopted FRS 139 as it is only effective for the financial period beginning 1 January 2010.

## **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 2008 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 28 Feb 2009	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
<b>REVENUE</b>					
External revenue	28,363	8,292	47,523	-	84,178
Inter-segment revenue	9,319	133	7,277	(16,729)	-
<b>Total segment revenue</b>	<b>37,682</b>	<b>8,425</b>	<b>54,800</b>	<b>(16,729)</b>	<b>84,178</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>1,116</b>	<b>(1,084)</b>	<b>(171)</b>	<b>-</b>	<b>(139)</b>
Unallocated corporate expenses					(489)
Operating loss					(628)
Finance costs, net					(1,160)
Loss before taxation					(1,788)
Taxation					(490)
Loss after taxation					(2,278)
<b>6 months period ended 29 Feb 2008</b>	<b>Integrated Supply Chain Products And Services</b>	<b>Contract Manufacturing Services</b>	<b>Supply of Packaging Materials</b>	<b>Eliminations</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>					
External revenue	20,124	14,262	48,217	-	82,603
Inter-segment revenue	41	151	9,075	(9,267)	-
<b>Total segment revenue</b>	<b>20,165</b>	<b>14,413</b>	<b>57,292</b>	<b>(9,267)</b>	<b>82,603</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>(1)</b>	<b>1,867</b>	<b>974</b>	<b>-</b>	<b>2,840</b>
Unallocated corporate expenses					(1,536)
Operating profit					1,304
Finance costs, net					(1,040)
Profit before taxation					264
Taxation					(221)
Profit after taxation					43

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### **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 RM18,980,000 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 28 February 2009 is as follows:

	<b>RM'000</b>
Approved and contracted for	6
Approved but not contracted for	84
<b>Total Capital Commitment</b>	<b>90</b>

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

The Group recorded a revenue of RM39.2 million for the current quarter whereas the Group's revenue for the six months period is recorded at RM84.1 million. The Group's revenue is fairly consistent with the same quarter and six months period of last year. The six months period segmental report has shown that the revenue contributed by both Contract Manufacturing and Supply of Packaging Material business segments has plunged by RM8.5 million in total. The decline in these business segments was mainly due to the diminishing orders globally. However, the lower revenue from both segments was offset by higher revenue from our Integrated Supply Chain Products and Services segment due to higher demand in the health care sector.

The Group recorded a loss before taxation of RM2.3 million as compared to a loss before taxation of RM636,000 in the same quarter of last year. Comparatively, the Group's results for six months period registered a loss of RM1.8 million as compared to a profit before taxation of RM264,000 in the same period last year. The loss for current quarter and six months period was mainly due to retrenchment cost, inventory write down and lower capacity utilization in both Contract Manufacturing and Supply of Packaging Material business segments.

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### 16 Material Changes in Profit Before Taxation Against Preceding Quarter

Revenue for current quarter is 13% lower than the immediate preceding quarter. The Group's loss before taxation is recorded at RM2.34 million whilst there was a profit before taxation of RM556,000 in immediate preceding quarter.

The decline in current quarter performance was mainly attributed by the reasons as explained in note 15 above.

### 17 Prospects

The global economic crisis has not shown positive signs of recovery in the near future as Malaysia's overall production, especially the manufacturing and electronics sectors, is currently on a downwards trend. The Group recognize these unfavorable scenario in the sector and is actively working towards improving its strength in terms of competitiveness, continuous innovation, cost efficient, securing new markets and focusing on new product development and new sources of growth. The Group is of the opinion that with such a plan, it will persevere to stay as a main player in the sector and coupled with the Group's initiatives in developing the sectors outside the Electronic and Electrical, the prospect for the Group is expected to improve.

### 18 Profit Forecast and Profit Guarantee

Not applicable.

### 19 Taxation

	Current Quarter		Cumulative Quarter	
	28 Feb 2009	29 Feb 2008	28 Feb 2009	29 Feb 2008
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	159	40	403	234
Under provision in prior year	18	-	18	
Deferred tax:				
Current period	(2)	(14)	(16)	(26)
Provision no longer required	-	-	19	13
Withholding tax:				
Current period	46	-	66	-
<b>Total tax expenses</b>	<b>221</b>	<b>26</b>	<b>490</b>	<b>221</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.

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**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)

<b>ESOS</b>	<b>First Tranche</b>	<b>Second Tranche</b>	<b>Total</b>
Grant Date	20 Nov 2003	16 March 2004	
Expiry Date	26 May 2013	26 May 2013	
As at 1 Sep 2008	2,183,000	177,000	2,360,000
Granted	-	-	-
Exercised	-	-	-
Foregone	1,119,000	112,000	1,231,000
As at 28 Feb 2009	1,064,000	65,000	1,129,000
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:-

	<b>As At 28 Feb 2009 RM'000</b>	<b>As At 31 Aug 2008 RM'000</b>
<b>Secured:</b>		
Short Term	18,379	17,202
Long Term	10,729	10,686
<b>Total</b>	<b>29,108</b>	<b>27,888</b>
<b>Unsecured:</b>		
Short Term	1,334	1,514
Long Term	5	5
<b>Total</b>	<b>1,339</b>	<b>1,519</b>
<b>Grand Total</b>	<b>30,447</b>	<b>29,407</b>

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**24 Off Balance Sheet Financial Instrument**

There were no financial instruments with off balance sheet risk as at the date of this announcement.

**25 Material Litigation**

The Group is not engaged in any material litigation as at 22 April 2009 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	
	28 Feb 2009	29 Feb 2008	28 Feb 2009	29 Feb 2008
<b>Basic</b>				
Loss attributable to ordinary equity holders of the parent (RM'000)	(2,272)	(681)	(2,125)	(611)
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>(5.04)</b>	<b>(1.51)</b>	<b>(4.71)</b>	<b>(1.35)</b>

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<b>Diluted</b>	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>28 Feb 2009</b>	<b>29 Feb 2008</b>	<b>28 Feb 2009</b>	<b>29 Feb 2008</b>
Loss attributable to ordinary equity holders of the parent (RM'000)	(2,272)	(681)	(2,125)	(611)
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>(5.04)</b>	<b>(1.51)</b>	<b>(4.71)</b>	<b>(1.35)</b>

**28 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 28 April 2009.

By Order of the Board  
**Gunn Chit Geok**  
**Yeap Kok Leong**  
 Company Secretaries  
 28 April 2009  
 Pulau Pinang