

# **D'NONCE TECHNOLOGY BHD.**

(503292-K)

**Notes to the unaudited results of the Group for the third quarter ended 31 Aug 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:

| 12 months period ended<br>31 Aug 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                      | 61,324  | 17,639                          | 89,762                        | -               | 168,725        |
| Inter-segment revenue                 | 17,010  | 174                             | 16,551                        | (33,735)        | -              |
| <b>Total segment revenue</b>          | <b>78,334</b>                                 | <b>17,813</b>                   | <b>106,313</b>                | <b>(33,735)</b> | <b>168,725</b> |
| <b>RESULTS</b>                        |   |                                 |                               |                 |                |
| <b>Segment results</b>                | <b>2,278</b>                                  | <b>(658)</b>                    | <b>(794)</b>                  | <b>-</b>        | <b>826</b>     |
| Unallocated corporate expenses        |   |                                 |                               |                 | 548            |
| Operating profit                      |   |                                 |                               |                 | 1,374          |
| Finance costs, net                    |   |                                 |                               |                 | (2,140)        |
| Loss before taxation                  |   |                                 |                               |                 | (766)          |
| Taxation                              |   |                                 |                               |                 | (945)          |
| Loss after taxation                   |   |                                 |                               |                 | (1,711)        |
|                                       |   |                                 |                               |                 |                |
|                                       |   |                                 |                               |                 |                |
| 12 months period ended<br>31 Aug 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         |
| <b>REVENUE</b>                        |   |                                 |                               |                 |                |
| External revenue                      | 41,817  | 23,787                          | 96,020                        | -               | 161,624        |
| Inter-segment revenue                 | 1,304   | 309                             | 17,714                        | (19,327)        | -              |
| <b>Total segment revenue</b>          | <b>43,121</b>                                 | <b>24,096</b>                   | <b>113,734</b>                | <b>(19,327)</b> | <b>161,624</b> |
| <b>RESULTS</b>                        |   |                                 |                               |                 |                |
| <b>Segment results</b>                | <b>272</b>                                    | <b>339</b>                      | <b>1,484</b>                  | <b>-</b>        | <b>2,095</b>   |
| Unallocated corporate expenses        |   |                                 |                               |                 | (1,094)        |
| Operating profit                      |   |                                 |                               |                 | 1,001          |
| Finance costs, net                    |   |                                 |                               |                 | (1,843)        |
| Loss before taxation                  |   |                                 |                               |                 | (842)          |
| Taxation                              |   |                                 |                               |                 | (863)          |
| Loss after taxation                   |   |                                 |                               |                 | (1,705)        |
|                                       |   |                                 |                               |                 |                |
|                                       |   |                                 |                               |                 |                |

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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 RM19,241,000 for the banking facilities granted to certain subsidiary companies.

### **14 Material Event**

On 15 May 2009, the premises of our subsidiary, D'nonce (M) Sdn. Bhd.(DM) with a built up area of 2,500 sq ft, situated at No.12 Hujung Perusahaan 2, Kawasan MIEL Prai Industrial Estate was substantially destroyed by fire. The fixed asset and inventories were insured by insurance company. As at 28 Sept 2009, DM has obtained full payment from insurance company for the damage on the building under fire insurance policy. As at 23 Oct 2009, the adjuster has yet to finalise the claim for the inventories damage.

The directors are of the considered opinion that this unfortunate event is not of a material magnitude that will affect the going concern of the Group.

### **15 Capital Commitment**

The amount of commitments for the purchase of machinery and equipment not provided for in the interim financial statements as at 31 Aug 2009 is as follows:

|                                 | <b>RM'000</b> |
|---------------------------------|---------------|
| Approved and contracted for     | 200           |
| <b>Total Capital Commitment</b> | <b>200</b>    |

**16 Review of Performance of the Group**

The Group revenue for the reporting quarter is RM42 million with a profit before tax of RM610,000. In the corresponding period last year the revenue and loss before tax are RM40.7 million and RM247,000 respectively. Current quarter revenue is 3% higher than the same quarter of last year mainly due to the increasing demand from the electronic sector. As compared to the same quarter last year the bottom line has increased by RM0.8 million mainly attributed to higher gross profit margin besides lower staff costs.

Group revenue for current year to date is RM7 million higher than last year mainly due to higher sales from non-Electronic and Electrical (E&E) sector mostly from health care sector. Current year performance recorded a loss of RM766,000 which is slightly better than last year's performance. Despite the global economic downturn since late last year which has hit our E&E sector, our Group performance remain resilient as the downturn impact was offset by higher revenue and profit from non-E&E.

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

Revenue for current quarter is fairly consistent with the immediate preceding quarter. Current quarter profit before taxation is RM198,000 higher than the immediate preceding quarter mainly due to lower operating expense in current quarter.

**18 Prospects**

Malaysia's overall production, especially the manufacturing and the E&E sectors, has indicated continuous signs of recovery. The Group's revenue for FY2009 compared to FY2008 is fairly consistent with the recovery trend and there is also a need to increase capacity based on increased customers' orders.

**19 Profit Forecast and Profit Guarantee**

Not applicable.

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**20 Taxation**

|                               | Current Quarter |             | Cumulative Quarter |             |
|-------------------------------|-----------------|-------------|--------------------|-------------|
|                               | 31 Aug 2009     | 31 Aug 2008 | 31 Aug 2009        | 31 Aug 2008 |
|                               | RM'000          | RM'000      | RM'000             | RM'000      |
| Income tax:                   |                 |             |                    |             |
| Current period                | 554             | 348         | 907                | 664         |
| Under provision in prior year | (75)            | 171         | (57)               | 172         |
| Deferred tax:                 |                 |             |                    |             |
| Current period                | (122)           | 16          | (138)              | 8           |
| Provision no longer required  | 90              | (36)        | 109                | (79)        |
| Withholding tax:              |                 |             |                    |             |
| Current period                | 31              | 29          | 124                | 98          |
| <b>Total tax expenses</b>     | <b>478</b>      | <b>528</b>  | <b>945</b>         | <b>863</b>  |

The effective tax rate is higher than statutory tax rate primarily due to the losses of certain subsidiaries cannot be off set against taxable profit made by other subsidiaries in local front and higher statutory tax rate for a foreign subsidiary in oversea.

**21 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.

**22 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.

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### 23 Corporate Proposal

#### 23(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 2008                     | 2,183,000     | 177,000        | 2,360,000 |
| Granted                              | -             | -              | -         |
| Exercised                            | -             | -              | -         |
| Foregone                             | 1,176,000     | 112,000        | 1,288,000 |
| As at 31 May 2009                    | 1,007,000     | 65,000         | 1,072,000 |
| Option price per Ordinary Share (RM) | 1.00          | 1.34           |           |

#### 23(b) Status of Utilization of Proceeds from the ESOS

There were no proceeds during the current financial period.

### 24 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<br>31 Aug 2009<br>RM'000 | As At<br>31 Aug 2008<br>RM'000 |
|--------------------|--------------------------------|--------------------------------|
| <b>Secured:</b>    |                                |                                |
| Short Term         | 17,134                         | 17,202                         |
| Long Term          | 8,957                          | 10,686                         |
| <b>Total</b>       | <b>26,091</b>                  | <b>27,888</b>                  |
| <b>Unsecured:</b>  |                                |                                |
| Short Term         | 1,479                          | 1,514                          |
| Long Term          | 5                              | 5                              |
| <b>Total</b>       | <b>1,484</b>                   | <b>1,519</b>                   |
| <b>Grand Total</b> | <b>27,575</b>                  | <b>29,407</b>                  |

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### 25 Off Balance Sheet Financial Instrument

As at 23 Oct 2009, the foreign exchange contracts that have been entered into by the Group to hedge its trade receivables and payables are as follows:-

| <b>Financial Instruments<br/>(Matured Within 6 months)</b> | <b>Contract Amount<br/>(USD'000)</b> | <b>Equivalent Amount<br/>(RM'000)</b> |
|--|--------------------------------------|---------------------------------------|
| Foreign Exchange Contract                                  | 374                                  | 1,317                                 |

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.

### 26 Material Litigation

The Group is not engaged in any material litigation as at 23 Oct 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.

### 27 Dividend

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

### 28 Earnings Per Share

|  | <b>Current Quarter</b> |                    | <b>Cumulative Quarter</b> |                    |
|--|------------------------|--------------------|---------------------------|--------------------|
|  | <b>31 Aug 2009</b>     | <b>31 Aug 2008</b> | <b>31 Aug 2009</b>        | <b>31 Aug 2008</b> |
| <b>Basic</b>   |                        |                    |                           |                    |
| Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000) | 473                    | (378)              | (1,572)                   | (1,842)            |
| 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>1.05</b>            | <b>(0.84)</b>      | <b>(3.49)</b>             | <b>(4.08)</b>      |

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| <b>Diluted</b>   | <b>Current Quarter</b> |                    | <b>Cumulative Quarter</b> |                    |
|--|------------------------|--------------------|---------------------------|--------------------|
|  | <b>31 Aug 2009</b>     | <b>31 Aug 2008</b> | <b>31 Aug 2009</b>        | <b>31 Aug 2008</b> |
| Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)           | 473                    | (378)              | (1,572)                   | (1,842)            |
| 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>1.05</b>            | <b>(0.84)</b>      | <b>(3.49)</b>             | <b>(4.08)</b>      |

**29 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 29 Oct 2009.

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