

# D'NONCE TECHNOLOGY BHD.

(503292-K)

## Notes to the unaudited results of the Group for the second quarter ended 28 Feb 2010.

### 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.

During the period under review, the Group has adopted FRS 8: Operating Segments.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 August 2009. 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 2009.

### 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 2009.

At the date of authorization of these financial statements, the following new FRSSs, revised FRSSs, Amendments to FRSSs and Interpretations below have been issued but are not yet effective and have not been applied by the Group:

FRSSs, Amendments to FRSSs and Interpretations		Effective for financial period beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101 (revised 2009)	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	Share-based Payment – Vesting Conditions And Cancellations	1 January 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendment to FRS 5	Non current Assets Held For Sales and Discontinued Operations	1 January 2010
Amendment to FRS 107	Cash Flow Statements	1 January 2010
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS 110	Events After the Balance Sheet Date	1 January 2010
Amendment to FRS 116	Property, Plant and Equipment	1 January 2010
Amendment to FRS 117	Leases	1 January 2010
Amendment to FRS 118	Revenue	1 January 2010
Amendment to FRS 119	Employee Benefits	1 January 2010

## 2 Changes in Accounting Policies (Cont'd)

FRSs, Amendments to FRSs and Interpretations		Effective for financial period beginning on or after
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendment to FRS 121	The effects of Changes in Foreign Exchange Rate-Net Investment in a Foreign Operation	1 January 2010
Amendment to FRS 128	Investment in Associates	1 January 2010
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendment to FRS 131	Interest in Joint Ventures	1 January 2010
Amendment to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendment to FRS 134	Interim Financial Reporting	1 January 2010
Amendment to FRS 136	Impairment of Assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 January 2010
Amendment to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
Amendment to FRS 140	Investment Property	1 January 2010

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139 and Amendments to FRS 139, FRS 7 and IC Interpretation 9.

The other new FRSs, revised FRS, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 8, FRS 101(revised 2009) and Amendments to FRS 132 and the financial impact arising from the adoption of FRS 139.

## 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 2009 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.

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

**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.

**9 Segmental Reporting**

The Group's segmental analysis is as follows:

<b>6 months period ended 28 Feb 2010</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>
	<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	31,645	12,076	48,034	-	91,755
Inter-segment revenue	2,658	49	9,236	(11,943)	-
<b>Total segment revenue</b>	<b>34,303</b>	<b>12,125</b>	<b>57,270</b>	<b>(11,943)</b>	<b>91,755</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>1,611</b>	<b>950</b>	<b>205</b>	<b>-</b>	<b>2,766</b>
Unallocated corporate expenses					(24)
Operating profit					2,742
Finance costs, net					(929)
Profit before taxation					1,813
Taxation					(365)
Profit after taxation					1,448
<b>Interest revenue</b>	84	3	1,296	-	1,383
<b>Interest expense</b>	55	48	826	-	929
<b>Depreciation and amortisation</b>	29	1,089	1,289	-	2,407
<b>Other significant non-cash items</b>	(7)	445	963	-	1,401
<b>Segment assets</b>	14,994	17,050	79,727	-	111,771
Unallocated assets					(1,696)
Total assets					110,075
<b>Segment liabilities</b>	7,582	2,566	43,466	-	53,614
Unallocated liabilities					4,033
Total liabilities					57,647

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

**9 Segmental Reporting (Cont'd)**

<b>6 months period ended 28 Feb 2009</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>
	<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	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 profit					(628)
Finance costs, net					(1,160)
Profit before taxation					(1,788)
Taxation					(490)
Profit after taxation					(2,278)
<b>Interest revenue</b>	58	58	300	-	416
<b>Interest expense</b>	52	88	1,020	-	1,160
<b>Depreciation and amortisation</b>	30	1,039	1,418	-	2,487
<b>Other significant non-cash items</b>	50	(66)	943		927
<b>Segment assets</b>					
Unallocated assets	10,912	15,159	78,040	-	104,111
Total assets					(685)
					103,426
<b>Segment liabilities</b>					
Unallocated liabilities	5,475	2,402	42,557	-	50,434
Total liabilities					2,537
					52,971

Segment profit and loss does not include taxation as this expense is managed on a group basis.

**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**

During the financial year, the Company had incorporated a new wholly-owned subsidiary, D'nonce Energy Sdn Bhd. The company has an issued and paid up capital of RM2 divided into 2 ordinary shares of RM1.00 each. The intended principal activity is to provide technical consultancy services. The company is currently dormant.

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 RM20,950,000 for the banking facilities granted to certain subsidiary companies.

### **14 Capital Commitment**

The were no capital commitment of the Group during the current quarter.

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

The Group revenue for the reporting quarter is RM46.6 million, as compared to the corresponding quarter last year, the revenue has increased by 19%. The bottom line has also increased from a loss before taxation of RM2.3 million in the corresponding quarter in last year to a profit before taxation of RM1.1 million in current quarter. The better performance is mainly attributed to higher revenue and improvement in efficiency.

The Group revenue for the first six months has increased from RM84.1 million in FY2009 to 91.7 million in FY2010 whilst, the bottom line has increased from a loss before taxation of RM1.8 million to a profit before taxation of RM1.8 million. The recovery of the electronic and electrical sector has benefited the Group in achieving higher revenue. The Group has also improved significantly in its earnings due to tighter cost control measures that were put in place at the operations level during the last global downturn.

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

The Group revenue has increased from RM45.1 million in immediate preceding quarter to RM46.7 million in current quarter. Whereas current quarter profit before taxation is RM395,000 higher than the immediate preceding quarter mainly due to higher sales from the better margin products.

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

**17 Prospects**

The economy has improved globally and the Group has been progressing in tandem with this trend. We have seen encouraging demand in our businesses and barring any unforeseen circumstances, we expect to see further improvements in revenue and profit for the rest of FY2010.

**18 Profit Forecast and Profit Guarantee**

Not applicable.

**19 Taxation**

	Current Quarter		Cumulative Quarter	
	28 Feb 2010	28 Feb 2009	28 Feb 2010	28 Feb 2009
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	182	159	336	403
Under provision in prior year	-	18	-	18
Deferred tax:				
Current period	(1)	(2)	(16)	(16)
Provision no longer required	-	-	10	19
Withholding tax:				
Current period	11	46	35	66
<b>Total tax expenses</b>	<b>192</b>	<b>221</b>	<b>365</b>	<b>490</b>

**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)

<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 2009	1,007,000	65,000	1,072,000
Granted	-	-	-
Exercised	-	-	-
Foregone	53,000	-	53,000
As at 28 Feb 2010	954,000	65,000	1,019,000
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 2010 RM'000</b>	<b>As At 31 Aug 2009 RM'000</b>
<b>Secured:</b>		
Short Term	17,467	17,134
Long Term	8,375	8,957
<b>Total</b>	<b>25,842</b>	<b>26,091</b>
<b>Unsecured:</b>		
Short Term	1,994	1,479
<b>Grand Total</b>	<b>27,836</b>	<b>27,570</b>

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

**24 Off Balance Sheet Financial Instrument**

As at 14 April 2010, the foreign exchange contracts that have been entered into by the Group to hedge its trade receivable is as follow:-

<b>Financial Instruments (Matured Within 6 months)</b>	<b>Contract Amount (USD'000)</b>	<b>Equivalent Amount (RM'000)</b>
Foreign Exchange Contract	219	710

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 14 April 2010 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**

<b>Basic</b>	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>28 Feb 2010</b>	<b>28 Feb 2009</b>	<b>28 Feb 2010</b>	<b>28 Feb 2009</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	477	(2,272)	578	(2,125)
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>1.06</b>	<b>(5.04)</b>	<b>1.28</b>	<b>(4.71)</b>



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

**27 Earnings Per Share (Cont'd)**

<b>Diluted</b>	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>28 Feb 2010</b>	<b>28 Feb 2009</b>	<b>28 Feb 2010</b>	<b>28 Feb 2009</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	477	(2,272)	578	(2,125)
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>1.06</b>	<b>(5.04)</b>	<b>1.28</b>	<b>(4.71)</b>

**29 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 22 April 2010.

By Order of the Board  
**Gunn Chit Geok**  
**Yeap Kok Leong**  
 Company Secretaries  
 22 April 2010  
 Pulau Pinang