

# D'NONCE TECHNOLOGY BHD.

(503292-K)

## Notes to the unaudited results of the Group for the third quarter ended 31 May 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.

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**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>9 months period ended 31 May 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	48,201	18,298	72,750	-	139,249
Inter-segment revenue	3,710	78	13,746	(17,534)	-
<b>Total segment revenue</b>	<b>51,911</b>	<b>18,376</b>	<b>86,496</b>	<b>(17,534)</b>	<b>139,249</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>2,462</b>	<b>1,476</b>	<b>703</b>	<b>-</b>	<b>4,641</b>
Unallocated corporate expenses					(163)
Operating profit					4,478
Finance costs, net					(1,376)
Profit before taxation					3,102
Taxation					(819)
Profit after taxation					2,283
<b>Interest revenue</b>	-	3	232	-	235
<b>Interest expense</b>	52	42	997	-	1,091
<b>Depreciation and amortisation</b>	49	1,640	1,939	-	3,628
<b>Other significant non-cash items</b>	(21)	710	2,236	-	2,925
<b>Segment assets</b>	15,014	18,347	74,102	-	107,463
Unallocated assets					(2,128)
Total assets					105,335
<b>Segment liabilities</b>	7,628	3,448	36,884	-	47,960
Unallocated liabilities					4,733
Total liabilities					52,693

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

<b>9 months period ended 31 May 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	44,828	12,788	69,132	-	126,748
Inter-segment revenue	13,928	150	11,909	(25,987)	-
<b>Total segment revenue</b>	<b>58,756</b>	<b>12,938</b>	<b>81,041</b>	<b>(25,987)</b>	<b>126,748</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>1,893</b>	<b>(590)</b>	<b>(582)</b>	<b>-</b>	<b>721</b>
Unallocated corporate expenses					(343)
Operating profit					378
Finance costs, net					(1,754)
Profit before taxation					(1,376)
Taxation					(467)
Profit after taxation					(1,843)
<b>Interest revenue</b>	-	33	108	-	141
<b>Interest expense</b>	36	69	1,339	-	1,444
<b>Depreciation and amortisation</b>	42	1,558	2,115	-	3,715
<b>Other significant non-cash items</b>	(93)	(12)	2,142		2,037
<b>Segment assets</b>					
Unallocated assets	16,560	16,490	72,827	-	105,877
Total assets					(1,120)
					104,757
<b>Segment liabilities</b>					
Unallocated liabilities	5,815	3,069	42,207	-	51,091
Total liabilities					2,784
					53,875

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.

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**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 RM250,000 divided into 250,000 ordinary shares of RM1.00 each. The intended principal activity is to provide technical consultancy services. The company is currently dormant.

On 17 July 2010, a Thai subsidiary company namely Odyssey Technologies (Thailand) Co. Ltd. has registered with the relevant Thai authorities to liquidate the company, the liquidation exercise is expected to be completed within two months. There is no financial effect to this liquidation exercise as the company was dormant since April 2009.

Save for the above, 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 RM17,643,000 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 31 May 2010 is as follows:

	<b>RM'000</b>
Approved and contracted for	2,323
Approved and not contracted for	11
<b>Total Capital Commitment</b>	<b>2,334</b>

**15 Review of Performance of the Group**

The Group revenue has increased from RM42.6 million in the same quarter of preceding year to RM47.5 million in current quarter. Similarly, the Group profit before taxation has improved from RM412,000 in the same quarter of preceding year to RM1.3 million in current quarter. The improvement in profitability of the Group is mainly due to increased in revenue for all business segments.

The Group revenue for the nine months period has increase from RM127 million in preceding year to RM139 million in current year. Whereas, the profitability has improved from a loss before taxation of RM1.4 million in preceding year to a profit before taxation of RM3.1 million. The vast improvement in profitability of the Group is mainly due to higher revenue and better management control.

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

The Group revenue for current quarter is slightly higher than the immediate preceding quarter. Whereas, profit before taxation has registered a slight improvement from RM1.1 million to RM1.3 million in current quarter. The increased in profitability of the Group is mainly due to higher revenue.

**17 Prospects**

The Group has been progressing in tandem with regional economies, particularly the growth in Malaysia and Thailand where the recovery was led by strong revival in the manufacturing sector. Barring any unforeseen circumstances, the encouraging results for the last 3 quarters should be able to sustain the performance of the Group until the end of the fiscal year.

**18 Profit Forecast and Profit Guarantee**

Not applicable.

**19 Taxation**

	Current Quarter		Cumulative Quarter	
	31 May 2010	31 May 2009	31 May 2010	31 May 2009
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	464	(51)	801	353
(Over)/Under provision in prior year	(10)	1	(10)	18
Deferred tax:				
Current period	4	-	(12)	(16)
Provision no longer required	-	-	10	19
Withholding tax:				
Current period	(4)	27	30	93
<b>Total tax expenses</b>	<b>454</b>	<b>(23)</b>	<b>819</b>	<b>467</b>

The effective tax rate is higher than statutory tax rate primarily due to higher statutory tax rate for a foreign subsidiary in oversea.

**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 2009	1,007,000	65,000	1,072,000
Granted	-	-	-
Exercised	-	-	-
Foregone	67,000	-	67,000
As at 31 May 2010	940,000	65,000	1,005,000
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 31 May 2010 RM'000</b>	<b>As At 31 Aug 2009 RM'000</b>
<b>Secured:</b>		
Short Term	13,942	17,134
Long Term	7,914	8,957
<b>Total</b>	<b>21,856</b>	<b>26,091</b>
<b>Unsecured:</b>		
Short Term	651	1,479
<b>Grand Total</b>	<b>22,507</b>	<b>27,570</b>

### 24 Off Balance Sheet Financial Instrument

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

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**25 Material Litigation**

The Group is not engaged in any material litigation as at 21 July 2010 except for the following:-

Mr. Goh Hong Lim (“GHL”), the former 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	
	31 May 2010	31 May 2009	31 May 2010	31 May 2009
<b>Basic</b>				
Profit attributable to ordinary equity holders of the parent (RM'000)	194	80	772	(2,045)
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>0.43</b>	<b>0.18</b>	<b>1.71</b>	<b>(4.53)</b>



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

<b>Diluted</b>	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31 May 2010</b>	<b>31 May 2009</b>	<b>31 May 2010</b>	<b>31 May 2009</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	194	80	772	(2,045)
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>0.43</b>	<b>0.18</b>	<b>1.71</b>	<b>(4.53)</b>

**29 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 29 July 2010.

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