

D'NONCE TECHNOLOGY BHD.

(503292-K)

Notes to the unaudited results of the Group for the first quarter ended 30 Nov 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.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 August 2010. 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 2010.

2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2010, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs and Interpretations by the Group with effect from 1 September 2010.

FRSs, Amendments to FRSs and Interpretations

FRS 4: Insurance Contracts

FRS 7: Financial Instruments: Disclosures

FRS 101: Presentation of Financial Statements (revised)

FRS 123: Borrowing Costs

FRS 139: Financial Instruments: Recognition and Measurement

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations

Amendments to FRS 132: Financial Instruments: Presentation

Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives

Amendments to FRSs ‘Improvements to FRSs (2009)’

IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 10: Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions

IC Interpretation 13: Customer Loyalty Programmes

IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Other than the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in accounting policies and presentation of the financial results of the Group.

(a) FRS 101: Presentation of Financial Statement (revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognized directly in equity, either in one single statement, or in two statements. The Group has elected to present this statement in two statement approach. This Standard does not have any impact on the financial position and results of the Group.

D'NONCE TECHNOLOGY BHD.

(503292-K)

2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

(b) FRS 139: Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives were recognized on their settlement dates. Outstanding derivatives at the balance sheet date were not recognized. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognized at contract dates when, and only when, the Company or any subsidiary becomes a party to the contractual provisions of the instruments.

With the adoption of FRS 139, financial assets and financial liabilities recognized and unrecognized in the prior financial year are classed into the following categories:

	Pre-FRS 139	Post-FRS 139
1	Long-term equity investments	Available-for-sale investments
2	Long-term quoted debt instruments	Held-to-maturity investments
3	Private-debt instruments	Loans and receivables
4	Current investments	Financial assets at fair value through profit or loss
5	Unrecognised derivative assets	Financial assets at fair value through profit or loss
6	Long-term borrowings and bonds	Financial liabilities at amortised cost
7	Unrecognised derivative liabilities	Financial liabilities at fair value through profit or loss

The measurement bases applied to the financial asset and financial liabilities in the prior financial year are changed to conform to the measurement standards of FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

	Category	Measurement basis
1	Financial instruments at fair value through profit loss	At fair value through profit or loss
2	Held-to-maturity investments	At amortised cost effective interest method
3	Loans and receivables	At amortised cost effective interest method
4	Available-for-sale investments	At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost
5	Loans and other financial liabilities	At amortised cost effective interest method

Financial assets and financial liabilities designated as hedged items and hedging financial derivative are accounted for using the specified hedge accounting requirement of FRS 139. All financial assets other than those classified as at fair value through profit or loss are subject to impairment test of FRS 139.

In accordance with FRS 139, the recognition, derecognition, measurement and hedge accounting requirement are applied prospectively from 1 January 2010. The effects of the remeasurement on 1 September 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained profits and other opening reserves as disclosed in the statement of changes in equity.

D'NONCE TECHNOLOGY BHD.

(503292-K)

2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

As at the date of authorisation of these financial statements, the following new FRSs and Interpretations were issued but not yet effective and have not been applied by the Group.

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132: Financial Instruments: Presentation, relating to Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010

FRS 1: First-time Adoption of Financial Reporting Standards

FRS 3: Business Combinations (revised)

FRS 127: Consolidated and Separate Financial Statements (amended)

Amendments to FRS 2: Share-based Payment

Amendments to FRS138: Intangible Assets

Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 12: Service Concession Arrangements

IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

Amendment to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendment to FRS 7: Improving Disclosures about Financial Instruments

Amendment to FRS 1: Additional Exemptions for First-time Adopters

Amendment to FRS 2: Group Cash-settled Share-based Payment Transactions

IC Interpretation 4: Determining whether an Arrangement contains a lease

IC Interpretation 18: Transfers of Assets from Customers

Effective for financial periods beginning on or after 1 January 2012

IC Interpretation 15: Agreements for the Construction of Real Estate

The Group plan to adopt the above pronouncements when they become effective in the respective financial period. These pronouncements are expected to have no significant impact to the financial statements of the Group upon their initial application.

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 2010 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.

D'NONCE TECHNOLOGY BHD.

(503292-K)

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.

D'NONCE TECHNOLOGY BHD.
(503292-K)

9 Segmental Reporting

The Group's segmental analysis is as follows:

3 months period ended 30 Nov 2010	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	10,471	6,592	21,304	-	38,367
Inter-segment revenue	632	85	4,649	(5,366)	-
Total segment revenue	11,103	6,677	25,953	(5,366)	38,367
RESULTS					
Segment results	518	1,075	997	-	2,590
Unallocated corporate expenses					(1,239)
Operating profit					1,351
Finance costs, net					(328)
Profit before taxation					1,023
Taxation					(463)
Profit after taxation					560
Interest revenue	-	6	67	-	73
Interest expense	25	18	285	-	328
Depreciation and amortisation	17	475	637	-	1,129
Other significant non-cash items	45	(104)	(254)	-	(313)
Segment assets	11,130	18,533	76,602	-	106,265
Unallocated assets					1,039
Total assets					107,304
Segment liabilities	5,133	4,462	36,433	-	46,028
Unallocated liabilities					4,658
Total liabilities					50,686

D'NONCE TECHNOLOGY BHD.
(503292-K)

9 Segmental Reporting (Cont'd)

3 months period ended 30 Nov 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
REVENUE					
External revenue	15,002	5,416	24,690	-	45,108
Inter-segment revenue	1,174	30	4,806	(6,010)	-
Total segment revenue	16,176	5,446	29,496	(6,010)	45,108
RESULTS					
Segment results	1,124	933	126	-	2,183
Unallocated corporate expenses					(1,082)
Operating profit					1,101
Finance costs, net					(392)
Profit before taxation					709
Taxation					(173)
Profit after taxation					536
Interest revenue	-	1	65	-	66
Interest expense	11	12	369	-	392
Depreciation and amortisation	13	546	598	-	1,157
Other significant non-cash items	(30)	(22)	606	-	554
Segment assets					
Unallocated assets	15,046	15,632	74,509	-	105,187
Total assets					709
					105,896
Segment liabilities					
Unallocated liabilities	7,432	2,814	41,108	-	51,354
Total liabilities					3,223
					54,577

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.

D'NONCE TECHNOLOGY BHD.
(503292-K)

11 Subsequent Material Event

The Company and MAYBAN-JAIC ASEAN FUND LTD (“Mayban – JAIC”) had signed a Term Sheet on 10 January 2011 setting out the terms in respect of the Proposed Acquisition of 30% equity interest of ISCM Technology (Thailand) Co. Ltd., (“ISCMT”) comprising 300,000 ordinary shares of Baht 100 each for a total purchase consideration of RM 7.5 million.

On 21 January 2011, the Company and Mayban – JAIC has signed the Share Sale Agreement (“SSA”). The terms in the SSA are in accordance with the Term Sheet signed on 10 January 2011.

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 RM16,945,000 for the banking facilities granted to certain subsidiary companies.

14 Capital Commitment

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 Nov 2010 is as follows:

	RM'000
Approved and contracted for	1,809
Total Capital Commitment	1,809

15 Review of Performance of the Group

The Group’s revenue for the current quarter was registered at RM38.4 million with a profit before taxation of RM1.0 million. Comparing to the same quarter of the previous year, the Group revenue has decreased by RM6.7 million. The lower revenue recorded in the current quarter is mainly attributed to lower sales to customers of Thai subsidiaries in Southern Thailand whose customers were affected by floods.

Amidst this situation, the Group has managed to report a higher profit before taxation by RM314,000 to RM1.0 million. The effective cost control and lower foreign exchange loss has mainly contributed to this better performance.

16 Material Changes in Profit Before Taxation Against Preceding Quarter

Current quarter revenue was RM9 million lower than the immediate preceding quarter. Likewise, the profit before taxation has shown a reduction of RM 951,000 as compared against immediate preceding quarter mainly due to lower revenue as explained in note 15 above.

D'NONCE TECHNOLOGY BHD.

(503292-K)

17 Prospects

The revenue from the electronic sector are expected to grow at a steady pace as we expect more businesses to be contracted to the Contract Manufacturing segment in the coming quarters. This augur well with the Proposed Acquisition of 30% equity interest in ISCMT that was announced on 10 January 2011 and 21 January 2011 respectively.

18 Profit Forecast and Profit Guarantee

Not applicable.

19 Taxation

	Current Quarter		Cumulative Quarter	
	30 Nov 2010	30 Nov 2009	30 Nov 2010	30 Nov 2009
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	467	154	467	154
Deferred tax:				
Current period	(21)	(15)	(21)	(15)
Provision no longer required	17	10	17	10
Withholding tax:				
Current period	-	24	-	24
Total tax expenses	463	173	433	173

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.

D'NONCE TECHNOLOGY BHD.

(503292-K)

22 Status of Corporate Proposal

There were no corporate proposals announced but not yet completed as at the date of this report except as follows:-

22(a) 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 2010	926,000	64,000	990,000
Granted	-	-	-
Exercised	-	-	-
Foregone	11,000	-	11,000
As at 30 Nov 2010	915,000	64,000	979,000
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 30 Nov 2010 RM'000	As At 31 Aug 2010 RM'000
Secured:		
Short Term	12,865	15,409
Long Term	9,829	8,025
Total	22,694	23,434
Unsecured:		
Short Term	660	967
Grand Total	23,354	24,401

D'NONCE TECHNOLOGY BHD.

(503292-K)

24 Derivative Financial Instrument

As at 30 November 2010, the foreign currency contracts which have been entered into by the Group to hedge its foreign receivable in foreign currency is as follow:-

Forward Foreign Currency Contracts	Contract Value RM'000	Fair Value (RM'000)	Gain / (Losses) (RM'000)
Less than 1 year: Used to hedge trade receivable	1,408	1,424	(16)

The fair value changes of derivative financial asset had resulted in a loss of RM 16,318 for the current quarter.

Prior to the adoption of FRS 139, derivative financial instruments were recognized in the financial statements on settlement date. With the adoption of FRS 139, derivative financial instruments are now categorized as fair value through profit or loss and measured at their fair value with the gain or loss recognized in the profit or loss.

25 Material Litigation

The Group is not engaged in any material litigation as at 18 January 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 Comparatives

The presentation and classification of items in the financial position for the current financial period have been consistent with the previous financial year except that certain comparative amounts were reclassified to conform with current quarter’s presentation.

D'NONCE TECHNOLOGY BHD.

(503292-K)

28 Earnings Per Share

	Current Quarter		Cumulative Quarter	
	30 Nov 2010	30 Nov 2009	30 Nov 2010	30 Nov 2009
Basic				
Profit attributable to ordinary equity holders of the parent (RM'000)	498	101	498	101
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Basic earnings per share (sen)	1.10	0.22	1.10	0.22

	Current Quarter		Cumulative Quarter	
	30 Nov 2010	30 Nov 2009	30 Nov 2010	30 Nov 2009
Diluted				
Profit attributable to ordinary equity holders of the parent (RM'000)	498	101	498	101
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 earnings per share (sen)	1.10	0.22	1.10	0.22

29 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 26 January 2011.

By Order of the Board

Gunn Chit Geok

Yeap Kok Leong

Company Secretaries

26 January 2011

Pulau Pinang