

Notes to the unaudited results of the Group for the first quarter ended 29 Feb 2012.

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 2011. 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 2011.

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 2011, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs and IC Interpretations by the Group with effect from 1 September 2011.

FRSs, Amendments to FRSs and IC Interpretations

- Technical Release 3 Guidance on Disclosures of Transition to IFRSs
- Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1 Additional Exemptions for First-time Adopters
- Amendments to FRS 2 Group Cash-Settled Share-based Payment Transactions
- Amendments to FRS 7 Improving Disclosures about Financial Instruments
- IC Interpretation 4 Determining whether an Arrangement contains a Lease
- Improvements to FRSs issued in 2010

Other than the new disclosures required under the Amendments to FRS 7, the application of the above Amendments to FRSs and Interpretations did not result in any significant changes in accounting policies and presentation of the financial results of the Group.

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, which are:

Effective for financial periods beginning on or after 1 January 2012

- FRS 124 Related Party Disclosures
- Amendments to FRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7 Disclosures - Transfers of Financial Assets
- Amendments to FRS 112 Deferred Tax: Recovery of Underlying Assets

Effective for financial periods beginning on or after 1 July 2012

- Amendments to FRS 101 Presentation of Items of Other Comprehensive Income

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

Effective for financial periods beginning on or after 1 January 2013

- FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- FRS 10 Consolidated Financial Statements
- FRS 11 Joint Arrangements
- FRS 12 Disclosure of Interests in Other Entities
- FRS 13 Fair Value Measurement
- FRS 119 Employee Benefits
- FRS 127 Separate Financial Statements
- FRS 128 Investment in Associates and Joint Ventures
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The initial application of the above new FRSs and interpretations, and amendments to FRSs and IC Interpretations is not expected to have any significant impact on the Group.

The Malaysian Accounting Standards Board (MASB) has on 19 November 2011 issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework comprises Standards as issued by the International Accounting Standards Board (IASB) that are effective on 1 January 2012. It also comprises new/revised Standards recently issued by the IASB that will be effective after 1 January 2012 such as Standards on financial instruments, consolidation, joint arrangements, fair value measurement and employee benefits, amongst others. The Group is in the process of making an assessment of the impact of this new framework.

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 2011 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 except for the following:

The manufacturing facilities of a subsidiary in Thailand, ISCM Technology (Thailand) Co. Ltd. ("ISCMT"), were affected by flood in both Rojana and Navanakorn Industrial Estate on 9 October and 17 October 2011 respectively forcing the subsidiary to cease operations temporary. The impact of this damaged was reported in previous quarter performance. As of 18 April 2012, the insurance claim to this flood incident has not been finalized.

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:

6 months period ended 29 February 2012	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	28,156	3,598	44,560	-	76,314
Inter-segment revenue	580	129	7,631	(8,340)	-
Total segment revenue	28,736	3,727	52,191	(8,340)	76,314
RESULTS					
Segment results	(300)	(10,881)	(1,205)	-	(12,386)
Unallocated corporate expenses					(537)
Operating loss					(12,923)
Finance costs, net					(840)
Loss before taxation					(13,763)
Taxation					(293)
Loss after taxation					(14,056)
Interest revenue	-	6	156	-	162
Interest expense	7	67	766	-	840
Depreciation and amortisation	32	429	1,533	-	1,994
Other significant non-cash items	15	6,476	1,214	-	7,705
Segment assets	11,967	8,715	82,970	-	103,652
Unallocated assets					5,829
Total assets					109,481
Segment liabilities	5,456	5,466	48,169	-	59,091
Unallocated liabilities					4,422
Total liabilities					63,513

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9 Segmental Reporting (Cont'd)

6 months period ended 28 February 2011	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	23,871	12,559	43,737	-	80,167
Inter-segment revenue	1,589	172	8,442	(10,203)	-
Total segment revenue	25,460	12,731	52,179	(10,203)	80,167
RESULTS					
Segment results	1,113	2,439	2,709	-	6,261
Unallocated corporate expenses					(2,665)
Operating profit					3,596
Finance costs, net					(697)
Profit before taxation					2,899
Taxation					(1,113)
Profit after taxation					1,786
Interest revenue	-	15	137	-	152
Interest expense	37	36	624	-	697
Depreciation and amortisation	34	883	1,331	-	2,248
Other significant non-cash items	83	(92)	325	-	316
Segment assets	11,808	16,625	76,882	-	105,315
Unallocated assets					1,581
Total assets					106,896
Segment liabilities	5,093	3,620	37,030	-	45,743
Unallocated liabilities					4,576
Total liabilities					50,319

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

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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 Event

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 and financial year to date except for the following:-

On 20 January 2011, the Company has entered into a Share Sale Agreement with Mayban-JAIC Asean Fund ("Mayban-JAIC") to acquire 30% equity interest of ISCM Technology (Thailand) Co. Ltd. ("ISCMT") comprising of 300,000 ordinary share of Baht 100 each for a purchase consideration of RM7.5 million.

On 20 December 2011, both Mayban JAIC and the Company have agreed to vary the term of payment by splitting the balance payment of RM4.5 million into two settlements. The first balance payment of RM2 million has been settled before 31 December 2011, whereas the final settlement of RM2.5 million will be due on 30 June 2012.

13 Changes in Contingent Liabilities and Assets

The Company provided corporate guarantees amounting to RM21,462,000 for the banking facilities granted to certain subsidiary companies.

14 Capital Commitments

The amount of commitments not provided for in the interim financial statements as at 29 February 2012 are as follows:

	RM'000
Approved and contracted for: - Building	3,139
Approved and not contracted for: - Building	5,000
Total Capital Commitments	8,139

15 Analysis of performance for current quarter and financial year-to-date

The current quarter's revenue is registered at approximately RM35.5 million with a loss before taxation of RM5.9 million. Comparing this to the same quarter of last year, the Group's revenue has shown a decrease of approximately 15% by RM6.3 million.

The details of the performance of the segments are as follows:

Integrated Supply Chain Products and Services

The current quarter's revenue has decreased marginally to RM13.1 million as compared to the same quarter last year. However, a slight loss is recorded in this quarter compared to a profit of RM595,000 last year's quarter is due to higher inventories written off as some of our inventories were damaged due to flood at our customer's factory in Southern Thailand.

Revenue for the six months period is RM4.3 million higher than last year however the profitability for this business segment has worsen by reporting a loss of RM300,000. This loss is mainly due to the flood as explained above

Contract Manufacturing Services

The current quarter's revenue has decreased by 90% to only RM0.6 million compared to revenue of RM6 million reported in the same quarter last year. Due to this lower revenue, this segment reported a loss of RM3.9 million compared to a profit of RM1.4 million in the same period last year. As mentioned in our previous announcements, our facilities in Bangkok, Thailand has been damaged by the flood. Other than the inventories and property, plant and equipment which we wrote off last quarter, we had conducted a staff retrenchment exercise in this quarter.

Revenue for the six months period is approximately RM9.0 million lower compared to the six months period in 2011. As explained above, the flood in Bangkok, Thailand has significant effect to our revenue and profitability for this segment. Other than the loss of revenue, we have also written off inventories, property plant and equipment and also incurred expenses for staff retrenchment. In total, we incurred a loss of RM10.8 million for this six months period.

Supply of Packaging Materials

The current quarter's revenue has slightly decreased to RM21.8 million as compared to the same quarter last year. However, the performance for current quarter is recorded at a loss of RM1.2 million as compared to a profit of RM1.7 million for the same quarter in last year. The adverse performance in current quarter is mainly due to a reversal of amount accrued to a trade creditor amounting to approximately RM1.5 million in last year.

Revenue for six months period is slightly higher than last year. The performance for this business segment has reduced from a profit of RM2.7 million to a loss of RM1.2 million mainly due to the trade creditor reversal as explained above.

16 Material Changes in Profit Before Taxation Against Preceding Quarter

The current quarter's revenue is lower by RM5.2 million as compared to the immediate preceding quarter and the loss reported in current quarter is RM2 million higher than last quarter. The details analysis by business segment is further analyse as follows:

Integrated Supply Chain Products and Services

The current quarter's revenue has decreased by RM1.9 million as compared to last quarter and this is due to flood at our customer's factory. As of today, their operation has normalised. However, the performance for current quarter is better than last quarter because we wrote off some inventories in the preceding quarter.

Contract Manufacturing Services

The current quarter's revenue has recorded at only RM0.6 million as compared to revenue of RM3 million reported in last quarter. This segment reported a loss of RM3.9 million in current quarter is mainly due to retrenchment exercise conducted in current quarter and also additional cost incurred for setting up the operations in Malaysia to support our existing customers in Thailand.

Supply of Packaging Materials

The current quarter revenue has shown a slight decreased by 4% to RM21.8 million as compared to last quarter mainly due to festive season. This segment has recorded a higher loss of RM1.1 million in current quarter as compared to a loss of RM37,000 in last quarter due to inventories write off and higher maintenance costs.

17 Prospects

We are currently re-building our facilities in Thailand and our first facility should be ready by next quarter. We foresee that the contribution from this facility in Thailand will be on a gradual up trend basis from next quarter onwards. With the increase in minimum wage in Thailand which was effected in April 2012, we foresee that the outlook for the next quarters to be challenging.

The management will continue to explore all areas to mitigate the potential challenges and the hike in operation cost as well as to further grow the business and profitability.

18 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast or profit guarantee for the year.

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19 Taxation

	Current Quarter		Cumulative Quarter	
	29 Feb 2012	28 Feb 2011	29 Feb 2012	28 Feb 2011
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	(70)	645	177	1,113
Prior period	100	-	100	-
Deferred tax:				
Current period	(1)	5	(17)	(17)
Provision no longer required	-	-	33	17
Total tax expenses	29	650	293	1,113

The effective taxation rate is lower than statutory taxation rate primarily due to significant losses incurred by the Thailand subsidiaries affected by the flood as mentioned above.

20 Status of Corporate Proposal

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

(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 2011	926,000	64,000	990,000
Granted	-	-	-
Exercised	-	-	-
Foregone	42,000	8,000	50,000
As at 29 Feb 2012	884,000	56,000	940,000
Option price per Ordinary Share (RM)	1.00	1.34	

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20 Status of Corporate Proposal (Cont'd)

(b) Status of Utilization of Proceeds from the ESOS

There were no proceeds during current financial period.

21 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 29 Feb 2012 RM'000	As At 28 Feb 2011 RM'000
Secured:		
Short Term	19,172	13,019
Long Term	14,067	11,232
Total	33,239	24,251
Unsecured:		
Short Term	1,364	1,004
Grand Total	34,603	25,255

22 Derivative Financial Instrument

As at 29 Feb 2012, the foreign currency contracts which have been entered into by the Group to hedge its foreign receivable in foreign currency are as follow:

Forward Foreign Currency Contracts	Contract Value RM'000	Fair Value RM'000	Gain RM'000
Less than 1 year	2,154	2,101	53

The net fair value changes of derivative financial asset had resulted in a loss of RM68,000 for the current quarter.

23 Realised and unrealised profit/losses disclosure

	As At 29 Feb 2012 RM'000	As At 31 Aug 2011 RM'000
Total (accumulated losses)/ retained profits of the Company and its subsidiaries:-		
- Realised	(13,170)	84
- Unrealised	825	592
	(12,345)	676
Add : Consolidated adjustments	(11,542)	(13,816)
Total Group accumulated losses as per consolidated income statements	(23,887)	(13,140)

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24 Material Litigation

The Group is not engaged in any material litigation as at 20 April 2012 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.

25 Dividend

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

26 (Loss)/Earnings Per Share

	Current Quarter		Cumulative Quarter	
	29 Feb 2012	28 Feb 2011	29 Feb 2012	28 Feb 2011
Basic				
(Loss)/ Profit attributable to ordinary equity holders of the parent (RM'000)	(4,477)	1,041	(10,591)	1,539
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Basic (loss)/ earnings per share (sen)	(9.93)	2.31	(23.48)	3.41

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26 (Loss)/Earnings Per Share (Cont'd)

Diluted	Current Quarter		Cumulative Quarter	
	29 Feb 2012	28 Feb 2011	29 Feb 2012	28 Feb 2011
(Loss)/ Profit attributable to ordinary equity holders of the parent (RM'000)	(4,477)	1,041	(10,591)	1,539
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 (loss)/ earnings per share (sen)	(9.93)	2.31	(23.48)	3.41

27 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 26 April 2012.

By Order of the Board
Gunn Chit Geok
Chew Siew Cheng
 Company Secretaries
 26 April 2012
 Pulau Pinang