

Notes to the unaudited results of the Group for the third quarter ended 31 May 2013.

1 Basis of Preparation

The quarterly financial report has been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. This quarterly financial report also complies with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

This quarterly financial report is the Group's first MFRS quarterly financial report for the part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 August 2013, and hence, MFRS 1: First Time Adoption of Malaysian Financial Reporting Standards has been applied.

The quarterly financial report is unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2012, which have been prepared in accordance with Financial Reporting Standards (FRS).

The adoptions of the MFRSs do not have any material impact on the financial statements of the Group.

2 Changes in Accounting Policies and Effects Arising from Adoption of MFRSs

As at the date of authorisation of this quarterly financial report, the following MFRSs, amendments to MFRSs and IC 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 2013

MFRS 3: Business Combinations
MFRS 10: Consolidated Financial Statements
MFRS 11: Joint Arrangements
MFRS 12: Disclosure of Interests in Other Entities
MFRS 13: Fair Value Measurement
MFRS 119: Employee Benefits
MFRS 127: Separate Financial Statements
MFRS 128: Investments in Associates and Joint Ventures
Amendments to MFRS 1: Government Loans
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRSs Annual Improvements 2009 - 2011 Cycle
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

MFRS 9: Financial Instruments

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

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 2012 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 financial period.

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:

9 months period ended 31 May 2013	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	41,009	18,476	73,839	-	133,324
Inter-segment revenue	822	278	12,224	(13,324)	-
Total segment revenue	41,831	18,754	86,063	(13,324)	133,324
RESULTS					
Segment results	1,098	(816)	1,134	-	1,416
Unallocated expenses					(2,606)
Operating loss					(1,190)
Finance costs, net					(1,684)
Loss before taxation					(2,874)
Taxation					(549)
Loss after taxation					(3,423)
Interest revenue	-	24	202	-	226
Interest expense	51	139	1,494	-	1,684
Depreciation and amortisation	43	1,616	2,273	-	3,932
Other significant non- cash items	(15)	20	24	-	29
Segment assets	11,600	19,782	87,922	-	119,304
Unallocated assets					591
Total assets					119,895
Segment liabilities	4,497	7,898	49,798	-	62,193
Unallocated liabilities					3,625
Total liabilities					65,818

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9 Segmental Reporting (Cont'd)

9 months period ended 31 May 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	44,206	6,301	68,994	-	119,501
Inter-segment revenue	819	189	11,055	(12,063)	-
Total segment revenue	45,025	6,490	80,049	(12,063)	119,501
RESULTS					
Segment results	506	4,817	332	-	5,655
Unallocated expenses					(3,968)
Operating profit					1,687
Finance costs, net					(1,496)
Profit before taxation					191
Taxation					(604)
Profit after taxation					(413)
Interest revenue	9	6	233	-	248
Interest expense	53	136	1,307	-	1,496
Depreciation and amortisation	49	376	2,544	-	2,969
Other significant non- cash items	50	6,571	1,628	-	8,249
Segment assets	13,033	21,570	89,545	-	124,148
Unallocated assets					6,327
Total assets					130,475
Segment liabilities	7,929	8,740	49,603	-	66,272
Unallocated liabilities					4,395
Total liabilities					70,667

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 financial period except for an application to strike off a wholly owned subsidiary, D'nonce Labels (M) Sdn. Bhd. (D'nonce Labelsö) which has ceased operations since October 2006. As at 23 July 2013, the application to strike off D'nonce Labels is still pending approval from Companies Commission of Malaysia.

13 Changes in Contingent Liabilities and Assets

The Company provided corporate guarantees amounting to RM26,418,000 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 31 May 2013 are as follows:

	RM'000
Approved and contracted for: - Building	4,400
Total Capital Commitments	4,400

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

The Group's revenue and results for the three months current quarter registered at RM42.9 million with a loss before tax of RM3.5 million respectively. The Group's nine months period revenue and results is recorded at RM133.3 million with a loss before tax of RM2.9 million respectively.

The performance are analysed below:-

Integrated Supply Chain Products and Services

The current three months quarter revenue is RM2.5 million lower to RM13.6 million compared to the same quarter last year. The segmental results in current reporting quarter's profit is RM0.2 million lower than last year of RM0.1 million because of a lower revenue achieved.

The revenue for current nine months period registered at RM41.0 million which is RM3.2 million lower than last year's cumulative nine months period due to lower demand from customers. Despite the lower revenue the profitability in current nine months period is RM0.6 million higher than last year mainly due to impact of stock written off in last year.

Contract Manufacturing Services

The current three months quarter's revenue registered at RM5 million with a loss of RM0.3 million. The current quarter reported a higher revenue of RM2.3 million compared to the same quarter last year but with a loss of RM0.3 million as compared profit of RM15.2 million because of the recognition of insurance claims arising from the last year's flood in Bangkok.

The revenue for current nine months period registered at RM18.5 million whereas this segment results registered with a loss of RM0.8 million. The current nine months period reported a higher revenue of RM12.2 million due to resumption of our facilities in Bangkok and the contribution from our new project in Southern Thailand. This segment registered a loss of RM0.8 million as compared to profit of RM4.8 million mainly due to the recognition of insurance claim arising from the last year flood in Bangkok.

Supply of Packaging Materials

The current three months quarter's revenue registered at RM24.2 million is consistent with same quarter last year. Nevertheless this business segment registered a loss of RM1.1 million as compared to a profit of RM1.1 million in preceding quarter. The lower results reflected in the current reporting quarter is mainly due to higher demand of lower margin products by our customers.

The revenue for the current nine month period has increased by RM4.8 million to RM73.8 million. This has resulted this segment profitability to improve from RM0.3 million in last year to RM1.1 million in current nine months period. The improvement in profitability is mainly contributed by higher demand from customers.

16 Material Changes in Profit Before Taxation Against Preceding Quarter

The Group's current quarter revenue is RM0.4 million higher to RM42.9 million than immediate preceding quarter mainly due to the consistent demand from the customers. However, the Group results is lower by RM3.6 million as compared to the immediate preceding quarter where the performance of each business segment are analyse below.

Integrated Supply Chain Product and Services

The revenue for this business segment is higher by RM0.8 million to RM13.6 million compared to the immediate preceding quarter mainly due to higher demand from our customers.

The profit for this business segment has reduced from RM0.5 million to RM0.1 million in current quarter compared to immediate preceding quarter. Despite a slight increase in revenue reported in current quarter, the lower segment results reported is due to changes in sales mix of a lower margin products.

Contract Manufacturing Services

The revenue in this business segment is slightly lower as compared to the immediate preceding quarter registered at RM5.1 million. Nevertheless, this loss in this business segment has reduced from RM0.6 million to RM0.3 million due to better cost management.

Supply of Packaging Materials

The revenue in this current quarter has dropped by RM0.3 million to RM24.2 million. However the segmental results registered a loss of RM1.1 million compared to a profit of RM1 million in preceding quarter mainly due to lower demand from better margin products.

17 Prospects

The Global business sentiment remains challenging due to the prevailing global economic conditions. The Group is trying to penetrate into other market segments as well as expanding its existing business to offset the impact. The management is continuously monitoring the Group's operational cost and efficiency to improve the overall profitability.

18 Variance of Actual Profit from Forecast Profit

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

19 Taxation

	Current Quarter		Cummulative Quarter	
	31 May 2013	31 May 2012	31 May 2013	31 May 2012
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	115	184	519	361
Prior period	-	120	-	220
Deferred tax:				
Current period	17	7	7	(10)
Provision no longer required	-	-	23	33
Total tax expenses	132	311	549	604

The effective tax rate for the current financial period was lower than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

20 Status of Corporate Proposal

There were no corporate proposals announced but not yet completed as at the date of this report.

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 31 May 2013 RM'000	As At 31 May 2012 RM'000
Secured:		
Short Term	24,871	22,422
Long Term	12,425	14,984
Total	37,296	37,406
Unsecured:		
Short Term	1,429	1,907
Grand Total	38,725	39,313

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22 Derivative Financial Instrument

As at 31 May 2013, 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	Loss RM'000
Less than 1 year	918	899	(19)

The net fair value changes of derivative financial asset had resulted in a loss of RM24,000 for the current financial period ended 31 May 2012.

23 Realised and unrealised profit disclosure

	As At 31 May 2013 RM'000	As At 31 Aug 2012 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realised	88	3,722
- Unrealised	50	522
Add : Consolidated adjustments	138 (13,668)	4,244 (14,272)
Total Group accumulated losses as per consolidated income statements	(13,530)	(10,028)

24 Material Litigation

The Group is not engaged in any material litigation as at 23 July 2013 except for the following:-

Mr. Goh Hong Lim (öGHLö), the former Managing Director of Dñonce Technology Bhd (öDTBö) filed an industrial claim through the Industrial Court Case No. 9/4-2896/2006 seeking monetary compensation due to wrongful termination. GHLø position in DTB ceased due to his non re-election to the Board of Directors of DTB. The Industrial Court has on 3 April 2013 dismissed the claim and GHL can seek for a judicial review within 90 days from the date of the decision. The Industrial Court decision was that GHL was not a workman as defined under the Industrial Relations Act 1967.

GHL had also filed a Writ and Statement of Claim in the Penang High Court which was substantially similar to the Statement of Case that GHL filed in Industrial Court. On the advice from DTBø solicitors, DTB has taken the stand that the application to the Penang High Court was a duplicity and this was further confirmed by the decision of the Penang High Court judge who has allowed the DTBø application to strike out the claim. GHL then filed a Notice of Appeal to the Court of Appeal.

The Court of Appeal had on 24 June 2013 heard the appeal made by GHL and through DTBø solicitors, DTB was informed that the Court of Appeal allowed the appeal. However, the Court of Appeal has not delivered its written grounds of judgment at this point.

DTB has on 19 July 2013 filed an application to the Federal Court that DTB be granted leave to appeal to the Federal Court against the decision of the Court of Appeal which was given on 24 June 2013.

No provision has been made by DTB for any further liabilities that may arise relating to the above claim.

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25 Dividend

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

26 Loss Per Share

	Current Quarter		Cummulative Quarter	
	31 May 2013	31 May 2012	31 May 2013	31 May 2012
Basic				
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(3,627)	9,413	(3,634)	(1,527)
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Basic (loss)/earnings per share (sen)	(8.04)	20.87	(8.06)	(3.39)

	Current Quarter		Cummulative Quarter	
	31 May 2013	31 May 2012	31 May 2013	31 May 2012
Diluted				
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(3,627)	9,413	(3,634)	(1,527)
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)	(8.04)	20.87	(8.06)	(3.39)

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27 Comparative figures

Certain comparative figures have been reclassified to conform with the financial statements presentation adopted for current year.

28 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 29 July 2013.

By Order of the Board
Gunn Chit Geok
Chew Siew Cheng
Company Secretaries
29 July 2013
Pulau Pinang