

Notes to the condensed consolidated interim financial statements of the Group for the quarter and year ended 31 Aug 2013.

1 Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Listing requirement of Bursa Malaysia Securities Berhad. These condensed consolidated financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standard Boards. For the periods up to and including the year ended 31 August 2012, the Group has prepared its financial statements in accordance with Financial Reporting Standards in Malaysia (FRS).

These condensed consolidated financial statements are the Group's fourth MFRS condensed consolidated financial statements for 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 transition from FRS to MFRS has not had a material impact on the Group's income statement, statement of comprehensive income, statement of financial position and statement of cash flows.

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

The audited financial statements of the Group for the year ended 31 August 2012 were prepared in accordance with FRS. As the requirement under FRS and MFRS are similar, the significant accounting policies adopted in preparing this condensed consolidated interim financial statements are consistent with those of audited financial statements for the year ended 31 August 2012.

As at the date of authorisation of these condensed consolidated interim financial statements, 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 (IFRS 3 Business Combinations issued by IASB in March 2004)

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 (IAS 27 revised by IASB in December 2003)

MFRS 128: Investments in Associates and Joint Ventures

Amendments to MFRS 1: Government Loans

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvement 2009-011 Cycle)

Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvement 2009-011 Cycle)

Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvement 2009-011 Cycle)

Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvement 2009-011 Cycle)

Amendments to MFRS 134: Interim Financial Reporting (Annual Improvement 2009-011 Cycle)

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

Effective for financial periods beginning on or after 1 January 2013 (Cont'd)

Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)

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 10, MFRS 12 and MFRS 127: Investment Entities

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136: Recoverable Amount Disclosure for Non-Financial Assets

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

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.

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8 Dividend Paid

No dividend was paid during the financial year to date.

9 Segmental Reporting

The Group's segmental analysis is as follows:

12 months period ended 31 Aug 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	54,448	26,615	96,744	-	177,807
Inter-segment revenue	1,062	360	17,050	(18,472)	-
Total segment revenue	55,510	26,975	113,794	(18,472)	177,807
RESULTS					
Segment results	1,619	(2,668)	(2,045)	-	(3,094)
Unallocated expenses					(4,307)
Operating loss					(7,401)
Finance costs, net					(2,296)
Loss before taxation					(9,697)
Taxation					(87)
Loss after taxation					(9,784)
Interest revenue	3	28	286	-	317
Interest expense	65	199	2,032	-	2,296
Depreciation and amortisation	58	2,271	3,097	-	5,426
Other significant non- cash items	45	15	2,717	-	2,777
Segment assets	12,448	22,569	85,610	-	120,627
Unallocated assets					410
Total assets					121,037
Segment liabilities	8,483	10,247	51,055	-	69,785
Unallocated liabilities					3,520
Total liabilities					73,305

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9 Segmental Reporting (Cont'd)

12 months period ended 31 Aug 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	61,670	10,948	95,161	-	167,779
Inter-segment revenue	1,064	249	15,380	(16,693)	-
Total segment revenue	62,734	11,197	110,541	(16,693)	167,779
RESULTS					
Segment results	975	11,989	(751)	-	12,213
Unallocated expenses					(5,485)
Operating profit					6,728
Finance costs, net					(2,040)
Profit before taxation					4,688
Taxation					(716)
Profit after taxation					3,972
Interest revenue	-	8	310	-	318
Interest expense	71	201	1,768	-	2,040
Depreciation and amortisation	63	1,091	3,145	-	4,299
Other significant non- cash items	64	7,108	2,009	-	9,181
Segment assets	12,987	23,512	91,634	-	128,133
Unallocated assets					759
Total assets					128,892
Segment liabilities	7,976	6,413	54,253	-	68,642
Unallocated liabilities					3,611
Total liabilities					72,253

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 statements.

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11 Subsequent Material Event

There were no material events that have been taken place subsequent to the statements of financial position date except for the following: -

In the evening of 29 October 2013, one of our manufacturing facilities in our wholly owned subsidiary company, ISCM Industries (Thailand) Co., Ltd. (ໄISCMໄ) situated at 188, Moo 1, Kanchanavanich Road, Tambol Samnakkam, Sadao, Songkhla, Thailand had caught fire.

The manufacturing facilities at ISCM are principally involved in printing of packaging materials and contract manufacturing of consumable electronic products.

The fire had caused extensive damages to the printing of packaging materials segment and the subsidiary had to temporarily cease its operations in that segment.

The subsidiary is not yet able to estimate the damage to its assets and the financial impact of the fire relating to this quarter's results. However, the directors of ISCM believe that the damages should be covered by insurance.

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 the following: -

- (i) An application to strike off a wholly owned subsidiary, D'nonce Labels (M) Sdn. Bhd. (ໄDLໄ) which has ceased operations since October 2006. On 3 October 2013, the Company received a notice from Companies Commission of Malaysia (ໄCCMໄ) in relation to the strike off of DL. The CCM shall publish the notice thereon in the Gazette, and on the publication in the Gazette of this notice, DL shall be dissolved; and
- (ii) An application to change the name of a wholly owned subsidiary, AV Innovation Sdn. Bhd. to AV Biofoods Sdn. Bhd. which has ceased operations since May 2009. As at 17 October 2013, the application to change the name has been approved by the Companies Commission of Malaysia.

13 Changes in Contingent Liabilities and Assets

The Company provided corporate guarantees amounting to RM39,808,000 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 Aug 2013 are as follows:

	RM'000
Approved and contracted for:	
- Building	4,400
- Plant and machinery	434
- Renovation	62
Total Capital Commitments	4,896

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 RM44.5 million with a loss before tax of RM6.8 million respectively. The Group's twelve months period revenue and results is recorded at RM177.8 million with a loss before tax of RM9.7 million respectively.

The performance are analysed below:-

Integrated Supply Chain Products and Services

The current three months quarter revenue is RM13.4 million, which is approximately RM4.0 million lower compared to the same quarter last year. This drop in revenue is mainly due to lower demand from our customers in Malaysia and Thailand. However, the profitability is slightly higher than last year's quarter is because of the inventory written off in the same quarter last year.

The revenue for current twelve months period registered at RM54.5 million which is RM7.2 million lower than last year's cumulative twelve months period. This is due to a generally lower demand from customers.

The profitability in current twelve months period is RM0.6 million higher than last year. It is mainly due to the inventory written off in the previous year.

Contract Manufacturing Services

The current three months quarter's revenue registered at RM8.1 million with a loss of RM1.9 million. The current quarter reported a higher revenue of RM3.5 million compared to the same quarter last year is mainly due to the contribution of revenue from our new contract manufacturing project in Southern Thailand. However, this contract manufacturing services segment recorded a loss of RM1.9 million as compared profit of RM7.2 million because of the recognition of insurance claims arising from the previous year's flood in Bangkok.

The revenue for current twelve months period registered at RM26.6 million whereas this segment results registered with a loss of RM2.6 million. The current twelve months period reported a higher revenue of RM15.7 million compared to the previous year is because of the resumption of our facilities in Bangkok and also the contribution from our new project in Southern Thailand. However, this segment registered a loss of RM2.6 million as compared to a profit of RM12.0 million mainly due to the recognition of insurance claim arising from the previous year's flood in Bangkok.

Supply of Packaging Materials

The current three months quarter's revenue registered at RM22.9 million which is approximately RM3.2 million lower compared to the same quarter of last year. This lower sales is mainly due to lower demand from our customers.

The lower sales has also resulted this segment's losses to increase to RM3.2 million from a loss of RM1.1 million in the previous year's same quarter due to provision made for impairment losses on the trade receivables of RM1.4 million.

The revenue for the current twelve month period has slightly increased by RM1.5 million to RM96.7 million compared to the previous year. However, the losses for this period had increased by RM1.3 million to RM2.0 million due to provision made for impairment losses on the trade receivables of RM1.4 million.

16 Material Changes in Profit Before Taxation Against Preceding Quarter

The Group's current quarter revenue increased by RM1.6 million to RM44.5 million compared to the immediate preceding quarter mainly due to the consistent demand from the customers. However, the Group recorded a higher loss of RM6.8 million as compared to the immediate preceding quarter's loss of RM3.5 million. The performance of each business segment are analysed below.

Integrated Supply Chain Product and Services

The revenue for this business segment is comparable to the preceding quarter and the profit for this business segment has increased slightly by RM0.4 million to RM0.5 million.

Contract Manufacturing Services

The revenue in this business segment is higher by RM3.1 million compared to the immediate preceding quarter. This increase is mainly due to the contribution of revenue from our new contract manufacturing project in Southern Thailand.

However, the loss in this business segment has increased by RM1.5 million to RM1.9 million. This increase in loss is mainly due to the gestation period in the contract manufacturing project in Southern Thailand and also the resumption of operations in Bangkok is unable to generate income for that subsidiary.

Supply of Packaging Materials

The revenue in this current quarter has decreased by RM1.3 million to RM22.9 million.

However the segmental results registered a loss of RM3.2 million compared to a loss of RM1.1 million in preceding quarter. This loss is mainly due to increase in operational cost in our subsidiary in Thailand and the provision made for impairment losses on the trade receivables of RM1.4 million.

17 Prospects

Until we re-commence our operations for the printing of packaging materials in Southern Thailand, the prospects for this segment will not look promising.

The Global business sentiment also 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.

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19 Taxation

	Current Quarter		Cumulative Quarter	
	31 Aug 2013	31 Aug 2012	31 Aug 2013	31 Aug 2012
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	(348)	(29)	171	332
Prior period	16	(55)	16	165
Deferred tax:				
Current period	(487)	(199)	(480)	(209)
Prior Period	280	11	280	11
Reversal	77	384	100	417
Total tax expenses	(462)	112	87	716

The effective tax rate for the current financial period was higher 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 and Thai Baht payable in the following manner:

2013	Denominated in Ringgit Malaysia RM'000	Denominated in Thai Baht RM'000	Total RM'000
Secured:			
Short Term	14,976	13,733	28,709
Long Term	8,976	4,094	13,070
Total	23,952	17,827	41,779
Unsecured:			
Short Term	891	-	891
Grand Total	24,843	17,827	42,670

2012	Denominated in Ringgit Malaysia RM'000	Denominated in Thai Baht RM'000	Total RM'000
Secured:			
Short Term	16,035	9,271	25,306
Long Term	9,486	3,289	12,775
Total	25,521	12,560	38,081
Unsecured:			
Short Term	2,041	-	2,041
Grand Total	27,562	12,560	40,122

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22 Derivative Financial Instrument

As at 31 Aug 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	Liabilities RM'000
Less than 1 year	2,452	2,486	34

The net fair value changes of derivative financial asset had resulted in a loss of RM15,000 for current quarter.

23 Realised and unrealised profit disclosure

	As At 31 Aug 2013 RM'000	As At 31 Aug 2012 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realised	(5,838)	3,722
- Unrealised	329	522
Add : Consolidated adjustments	(5,509)	4,244
Total Group accumulated losses as per consolidated income statements	(19,656)	(10,028)

24 Material Litigation

The Group is not engaged in any material litigation as at 24 Oct 2013 except for the following:-

Mr. Goh Hong Lim (øGHLø), the former Managing Director of Dønonce Technology Bhd (øDTBø) 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 on the premise 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 and directed the matter be litigated at the High Court.

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 whereby the leave application was dismissed on 29 October 2013 and the case will be litigated at the High Court.

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)/Earnings Per Share

	Current Quarter		Cumulative Quarter	
	31 Aug 2013	31 Aug 2012	31 Aug 2013	31 Aug 2012
Basic				
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(6,108)	4,293	(9,742)	2,766
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Basic (loss)/earnings per share (sen)	(13.54)	9.52	(21.60)	6.13

	Current Quarter		Cumulative Quarter	
	31 Aug 2013	31 Aug 2012	31 Aug 2013	31 Aug 2012
Diluted				
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(6,108)	4,293	(9,742)	2,766
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)	(13.54)	9.52	(21.60)	6.13

27 Comparative figures

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

28 Reviews by External Auditors

The condensed consolidated interim financial statements have been reviewed by the Company's external auditors in accordance with the International Standards on Review Engagements 2410 (ISRE 2410) ó Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

29 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 30 October 2013.

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