

Notes to the condensed consolidated interim financial statements of the Group for the first quarter ended 30 November 2013.

1 Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs) No 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.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2013. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 August 2013.

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

The significant accounting policies adopted in preparing this condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 August 2013, except for the adoption of the following new Malaysian Financial Reporting Standards (MFRSs), Amendments to MFRSs and IC Interpretations by the Group with effect from 1 September 2013:

- MFRS 3 Business Combination (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 as amended by IASB in May 2011)
- MFRS 128 Investment in Associate and Joint Ventures
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ó Government Loans
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 7: Disclosures ó Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11: Joint Arrangements: Transition Guidance
- Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)

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

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 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 2013 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.

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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 except for the following:

On 29 October 2013, one of the manufacturing facilities of the Company's subsidiary in Thailand, ISCM Industries (Thailand) Co., Ltd ("ISCFMI") had caught fire. The fire had damaged certain property, plant and equipment of ISCFMI and also inventories of ISCFMI and inventories of another subsidiary placed in the premise i.e., Integrated SCF Co., Ltd (ISCFMö).

ISCFMI is principally involved in the printing of packaging materials and contract manufacturing of consumable electronic products and ISCFM is involved in the sales and distribution of chemicals, packaging materials, spare parts and consumables.

The fire had caused extensive damages to ISCFMI especially in the printing of packaging materials segment and as a result it has temporarily ceased operations to the date of this report.

As of the date of this report, ISCFMI has made a full assessment of the extent of the damages to its assets and of the financial impact resulted from the fire incident and have included in quarter ended. The total carrying amounts of inventories and property, plant and equipment at ISCFMI is approximately Thai Baht 113 million (RM11.4 million) at this quarter ended. However ISCFMI's assets are fully insured.

ISCFM has also assessed that its inventories damaged by the fire to be approximately Thai Baht 7 million (RM708,000) which has been recognized in this quarter ended.

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:

3 months period ended 30 Nov 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	13,451	5,197	24,656	-	43,304
Inter-segment revenue	281	124	4,258	(4,663)	-
Total segment revenue	13,732	5,321	28,914	(4,663)	43,304
RESULTS					
Segment results	(184)	(283)	(3,483)	-	(3,950)
Unallocated expenses					(986)
Operating loss					(4,936)
Finance costs, net					(595)
Loss before taxation					(5,531)
Taxation					(245)
Loss after taxation					(5,776)
Interest revenue	-	-	63	-	63
Interest expense	40	115	440	-	595
Depreciation and amortisation	15	574	810	-	1,399
Other significant non- cash items	(7)	5	5,074	-	5,072
Segment assets	11,818	21,709	79,821	-	113,348
Unallocated assets					587
Total assets					113,935
Segment liabilities	7,950	9,419	51,899	-	69,268
Unallocated liabilities					3,098
Total liabilities					72,366

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9 Segmental Reporting (cont'd)

3 months period ended 30 Nov 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	14,634	8,292	25,068	-	47,994
Inter-segment revenue	267	112	4,569	(4,948)	-
Total segment revenue	14,901	8,404	29,637	(4,948)	47,994
RESULTS					
Segment results	410	153	1,156	-	1,719
Unallocated expenses					(603)
Operating profit					1,116
Finance costs, net					(567)
Profit before taxation					549
Taxation					(201)
Profit after taxation					348
Interest revenue	-	1	73	-	74
Interest expense	25	21	521	-	567
Depreciation and amortisation	14	481	822	-	1,317
Other significant non- cash items	(33)	9	26	-	2
Segment assets	11,129	21,651	95,814	-	128,594
Unallocated assets					495
Total assets					129,089
Segment liabilities	7,323	7,948	53,632	-	68,903
Unallocated liabilities					3,408
Total liabilities					72,311

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.

11 Subsequent Material Event

There were no material events that have taken place subsequent to the statements of financial position 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 the following:

- (i) An application to strike off a wholly owned subsidiary, D'nonce Labels (M) Sdn. Bhd. (DL) which has ceased operations since October 2006. On 31 October 2013, the Company received a notice from Companies Commission of Malaysia (CCM) 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 RM41,191,000 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 30 November 2013 are as follows:

	RM'000
Approved and contracted for:	
- Building	4,400
- Plant and machinery	115
Total Capital Commitments	4,515

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

Compared to the same quarter last year, the Group's revenue and segmental results for the current quarter have decreased by RM4.7 million and RM6.1 million respectively. The decrease in the above is mainly due to the fire incident which occurred on 29 October 2013 that affected our subsidiaries in Southern Thailand. In this quarter, we have recognized the financial impact from the fire incident but have not recognized any potential insurance claims as the insurance company has not finalized the amount to be claimed yet.

The performance by business segments are further analysed as below:

Integrated Supply Chain Products and Services

The current quarter's revenue of RM13.5 million is lower by RM1.2 million compared to the same quarter last year.

With the lower revenue mentioned above, the segmental results in the current reporting quarter is RM0.6 million lower than the comparative quarter because there are stocks written off which were damaged by the fire.

Contract Manufacturing Services

The current quarter's revenue of RM5.2 million is lower compared to the same quarter last year, this is mainly due to the lower demand from our customers.

The current quarter reported a loss of RM0.3 million compared to a profit of RM0.2 million in the same quarter last year. The higher loss is mainly due to the lower revenue reported.

Supply of Packaging Materials

The current quarter's segmental results registered revenue of RM24.7 million with a segmental loss of RM3.5 million compared to a profit of RM1.2 million in the comparative quarter. This significant loss is due to the write off of damaged facilities and inventories due to the fire at Southern Thailand.

16 Material Changes in Profit Before Taxation Against Preceding Quarter

The Group's current quarter revenue of RM43.3 million is RM1.2 million lower than the immediate preceding quarter mainly due to the fire incident in our Southern Thailand facilities. The segmental results registered a loss of RM4.9 million is mainly due to the write off of its facilities and inventories which were damaged by the fire incident.

The performance by business segments are further analysed as below:

Integrated Supply Chain Product and Services

The revenue for this business segment is consistent to that recorded in the immediate preceding quarter's revenue.

However, the segmental losses for this quarter increased by RM0.7 million and this is mainly due to stocks written off from the fire incident.

16 Material Changes in Profit Before Taxation Against Preceding Quarter (cont'd)

Contract Manufacturing Services

The revenue in this business segment has decreased by RM3.0 million to RM5.2 million as compared to the immediate preceding quarter mainly due to the decrease in demand from our existing customers.

The segmental results for this business segment is still registering a loss compared to the preceding quarter. This is due to the contract manufacturing division in Southern Thailand is still in a gestation period and continues to record a loss.

Supply of Packaging Materials

The revenue in this current quarter is RM 1.8 million higher than immediate preceding quarter due to higher demand from customer and would have been higher if not for the fire incident. However, the segment registered a loss of RM3.5 million and this is mainly due to the write off of damaged facilities and stocks due to the fire incident.

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 and Cumulative Quarter	
	30 Nov 2013	30 Nov 2012
	RM'000	RM'000
Income tax:		
Current period	239	178
Deferred tax:		
Current period	(190)	-
Reversal	196	23
Total tax expenses	245	201

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:

30 Nov 2013	Denominated in Ringgit Malaysia RM'000	Denominated in Thai Baht RM'000	Total RM'000
Secured:			
Short Term	14,494	13,025	27,519
Long Term	8,991	5,231	14,222
Total	23,485	18,256	41,741
Unsecured:			
Short Term	1,811	127	1,938
Grand Total	25,296	18,383	43,679

31 Aug 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

22 Derivative Financial Instrument

As at 30 November 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	885	898	13

The net fair value changes of derivative financial asset had resulted in a gain of RM21,000 for current quarter.

23 Realised and unrealised profit disclosure

	As At 30 Nov 2013 RM'000	As At 31 Aug 2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(19,594)	(5,838)
- Unrealised	810	329
Add : Consolidated adjustments	(18,784) (6,728)	(5,509) (14,147)
Total Group accumulated losses as per consolidated income statements	(25,512)	(19,656)

24 Material Litigation

The Group is not engaged in any material litigation as at 22 January 2014 except for the following:

A former Director of the Company (the Respondent) had filed an industrial claim through the Industrial Court of Malaysia (the Industrial Court) seeking monetary compensation due to wrongful termination on 2006. The former Director's position in the Company has ceased as he was not re-elected to the Board of Directors of the Company at the members' Annual General Meeting held on 23 February 2006. The Respondent filed a representation for dismissal without just cause or excuse which was heard by the Industrial Court on 26 October 2010. The Industrial Court has on 3 April 2013 dismissed the claim on the premise that Respondent was not a 'workman' as defined under the Industrial Relations Act 1967.

Prior to the Industrial Court delivering its award, the Respondent began a claim in the High Court on 21 February 2012 and the Company succeeded in striking out the Respondent's claim.

The Respondent then appealed to the Court of Appeal, which after hearing submission from both parties allowed the Respondent's appeal and directed the matter to be litigated at the High Court.

Following this, the Respondent's claim for damages for breach of contract will proceed to trial in the High Court. However, a hearing date in the High Court has not been set as at the date of this report.

The Board, having obtained advice from its solicitors, is of the opinion that there is likelihood of success for the Company. Thus no provision has been made in respect of the 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

Basic/ Diluted	Current and Cumulative Quarter	
	30 Nov 2013	30 Nov 2012
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(5,856)	300
Weighted average number of ordinary shares in issue ('000)	45,101	45,101
Basic (loss)/earnings per share (sen)	(12.98)	0.67

27 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.

28 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 28 January 2014.

By Order of the Board
Gunn Chit Geok
Chew Siew Cheng
Company Secretaries
28 January 2014
Pulau Pinang