

Notes to the condensed consolidated interim financial statements of the Group for the second quarter ended 28 February 2014.

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 interim 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 consolidated 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 July 2014

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010-2012 Cycle
Annual Improvements to MFRSs 2011-2013 Cycle

Effective date to be announced

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9: Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

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:

In the previous quarter, the Company announced that 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. (öISCFMö).

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 not commenced operations at the date of this report.

ISCFMI and ISCFM have made a full assessment of the extent of the damages to their assets and the financial impact from the fire incident have been included in the previous quarter's results. The subsidiaries have yet to receive the finalised claims from the insurance company but have obtained a partial payment of Thai Baht 20 million (RM2 million) which has been recognised in the current quarter.

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:

6 months period ended 28 Feb 2014	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	26,515	8,362	47,805	-	82,682
Inter-segment revenue	431	250	8,177	(8,858)	-
Total segment revenue	26,946	8,612	55,982	(8,858)	82,682
RESULTS					
Segment results	187	(459)	(1,449)	-	(1,721)
Unallocated expenses					(1,808)
Operating loss					(3,529)
Finance costs, net					(1,275)
Loss before taxation					(4,804)
Taxation					(532)
Loss after taxation					(5,336)
Interest revenue	-	-	114	-	114
Interest expense	90	182	1,003	-	1,275
Depreciation and amortisation	30	932	1,653	-	2,615
Other significant non- cash items	1	15	4,132	-	4,148
Segment assets	11,794	22,023	82,612	-	116,429
Unallocated assets					680
Total assets					117,109
Segment liabilities	8,547	10,684	52,932	-	72,163
Unallocated liabilities					2,934
Total liabilities					75,097

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9 Segmental Reporting (cont'd)

6 months period ended 28 Feb 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	27,410	13,435	49,599	-	90,444
Inter-segment revenue	486	203	8,135	(8,824)	-
Total segment revenue	27,896	13,638	57,734	(8,824)	90,444
RESULTS					
Segment results	985	(479)	2,236	-	2,742
Unallocated expenses					(1,000)
Operating profit					1,742
Finance costs, net					(1,146)
Profit before taxation					596
Taxation					(416)
Profit after taxation					180
Interest revenue	-	26	134	-	160
Interest expense	36	78	1,032	-	1,146
Depreciation and amortisation	29	1,035	1,486	-	2,550
Other significant non- cash items	(66)	24	61	-	19
Segment assets	10,565	22,065	93,802	-	126,432
Unallocated assets					575
Total assets					127,077
Segment liabilities	6,034	6,902	53,182	-	66,118
Unallocated liabilities					2,742
Total liabilities					68,860

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.

13 Changes in Contingent Liabilities and Assets

The Company provided corporate guarantees amounting to RM40,880,000 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 28 February 2014 are as follows:

	RM'000
Approved and not contracted for: - Building	4,400
Approved and contracted for: - Plant and machinery	395
Total Capital Commitments	4,795

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

Compared to the same quarter of last year, the Group's revenue for the current quarter have decreased by RM3.1 million to RM39.4 million. The decrease is mainly due to the fire incident which occurred on 29 October 2013 that has affected our Southern Thailand subsidiary's operations. In this quarter, the subsidiaries have received and recognised an insurance claim of Thai Baht 20 million (RM2 million) being partial payment for their insured inventory. Other potential insurance claims have not been recognised as the insurance company has not finalised 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 RM13.1 million is higher by RM0.3 million compared to the same quarter last year.

However, the segmental results in the current reporting quarter is RM0.2 million lower than the comparative quarter because the margin of products is lower this year compared to the same quarter of last year.

Contract Manufacturing Services

The current quarter's revenue of RM3.2 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 RM0.2 million compared to a higher loss of RM0.6 million in the same quarter last year. The improvements are because our operations in Bangkok have started to show positive results in this quarter.

Supply of Packaging Materials

The current quarter's segmental results registered a revenue of RM23.1 million with a segmental profit of RM2.0 million compared to a profit of RM1.1 million in the comparative quarter. This higher segmental profit in this quarter compared to previous year is due to the recognition of the insurance claim of Thai Baht 20 million (RM2 million).

16 Material Changes in Profit Before Taxation Against Preceding Quarter

The Group's current quarter revenue of RM39.4 million is RM3.9 million lower than the immediate preceding quarter mainly due to the fire incident in our Southern Thailand facilities which resulted in no revenue from that affected operations. The segmental results in this quarter registered a profit of RM1.4 million compared to a loss of RM4.9 million in the previous quarter. Other than the recognition of the insurance claims, this improvement in profitability is also because the damaged facilities and inventories caused by the fire incident have been written off in the previous quarter.

The performance by business segments are further analysed as below:

Integrated Supply Chain Product and Services

The revenue for this business segment is slightly lower by RM0.4 million compared to previous quarter of RM13.5 million. This lower revenue is mainly due to the lower demand by our customer.

However, the segmental profit for this quarter is RM0.4 million compared to a loss of RM0.2 million and this is mainly due to stocks written off from the fire incident in the previous quarter.

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

Contract Manufacturing Services

The revenue in this business segment has decreased by RM2.0 million to RM3.2 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 are 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 1.5 million lower than immediate preceding quarter is because the operations in Southern Thailand have not commenced operations since the fire incident. However, this segment registered a profit of RM2.0 million in this current quarter and this is mainly due to the recognition of the insurance claims of Thai Baht 20 million (RM2 million).

17 Prospects

As we have yet to re-commence our operations for the printing of packaging materials in Southern Thailand, this segment is still unable to contribute to the Group's coming period performance.

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	
	28 Feb 2014	28 Feb 2013	28 Feb 2014	28 Feb 2013
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	292	226	531	404
Deferred tax:				
Current period	(5)	(11)	(195)	(11)
Reversal	-	-	196	23
Total tax expenses	287	215	532	416

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:

28 Feb 2014	Denominated in Ringgit Malaysia RM'000	Denominated in Thai Baht RM'000	Total RM'000
Secured:			
Short Term	17,515	13,746	31,261
Long Term	9,150	4,660	13,810
Total	26,665	18,406	45,071
Unsecured:			
Short Term	1,920	-	1,920
Grand Total	28,585	18,406	46,991

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 28 February 2014, 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	2,655	2,617	38

The net fair value changes of derivative financial asset had resulted in a loss of RM25,000 for current quarter.

23 Realised and unrealised profit disclosure

	As At 28 Feb 2014 RM'000	As At 31 Aug 2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(19,347)	(5,838)
- Unrealised	727	329
Add : Consolidated adjustments	(18,620) (6,803)	(5,509) (14,147)
Total Group accumulated losses as per consolidated income statements	(25,423)	(19,656)

24 Material Litigation

The Group is not engaged in any material litigation as at 22 April 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.

25 Dividend

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

26 Earnings/(Loss) Per Share

Basic/ Diluted	Current Quarter		Cumulative Quarter	
	28 Feb 2014	28 Feb 2013	28 Feb 2014	28 Feb 2013
Profit/(Loss) attributable to ordinary equity holders of the parent (RMø000)	89	(306)	(5,767)	(6)
Weighted average number of ordinary shares in issue (-000)	45,101	45,101	45,101	45,101
Basic earnings/(loss) per share (sen)	0.20	(0.68)	(12.79)	(0.01)

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 (øISRE 2410ø) ø 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 April 2014.

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