

**Notes to the condensed consolidated interim financial statements of the Group for the first quarter ended 30 November 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 2014. 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 2014.

**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 2014, 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 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
- Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

**Effective for financial periods beginning on or after 1 January 2016**

- MFRS 14: Regulatory Deferral Accounts
- Amendments to MFRS 11: Joint Arrangements ó Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 116 and MFRS 138 ó Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 ó Agriculture: Bearer Plants
- Amendments to MFRS 10 and MFRS 128 ó Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 127: Consolidated Financial Statements - Equity Method in Separate Financial Statements
- Annual Improvements to MFRSs 2012-2014 Cycle

**Effective for financial periods beginning on or after 1 January 2017**

- MFRS 15: Revenue from Contracts with Customers

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

**Effective for financial periods beginning on or after 1 January 2018**

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in July 2014)

Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7

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 2014 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.

**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.

**D'NONCE TECHNOLOGY BHD.**  
(503292-K)

**9 Segmental Reporting**

The Group's segmental analysis is as follows:

<b>3 months period ended 30 November 2014</b>	<b>Integrated Supply Chain Products And Services</b>	<b>Contract Manufacturing Services</b>	<b>Supply of Packaging and Other Materials</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>REVENUE</b>					
External revenue	12,819	7,471	34,521	-	54,811
Inter-segment revenue	186	147	5,541	(5,874)	-
<b>Total segment revenue</b>	<b>13,005</b>	<b>7,618</b>	<b>40,062</b>	<b>(5,874)</b>	<b>54,811</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>614</b>	<b>2,171</b>	<b>1,234</b>	<b>-</b>	<b>4,019</b>
Unallocated expenses					(1,655)
Operating profit					2,364
Finance costs, net					(1,066)
Profit before taxation					1,298
Taxation					(280)
Profit after taxation					1,018
<b>Interest revenue</b>	-	1	9	-	10
<b>Interest expense</b>	31	177	858	-	1,066
<b>Depreciation and amortisation</b>	14	579	779	-	1,372
<b>Other significant non- cash items</b>	(35)	(10)	853	-	808
<b>Segment assets</b>	10,507	27,939	123,455	-	161,901
Unallocated assets					507
<b>Total assets</b>					<b>162,408</b>
<b>Segment liabilities</b>	8,586	11,269	87,924	-	107,779
Unallocated liabilities					2,855
<b>Total liabilities</b>					<b>110,634</b>

[The remainder of this page is intentionally left blank]

**D'NONCE TECHNOLOGY BHD.**  
(503292-K)

**9 Segmental Reporting (cont'd)**

<b>3 months period ended 30 November 2013</b>	<b>Integrated Supply Chain Products And Services</b>	<b>Contract Manufacturing Services</b>	<b>Supply of Packaging and Other Materials</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>REVENUE</b>					
External revenue	13,451	5,197	24,656	-	43,304
Inter-segment revenue	281	124	4,258	(4,663)	-
<b>Total segment revenue</b>	<b>13,732</b>	<b>5,321</b>	<b>28,914</b>	<b>(4,663)</b>	<b>43,304</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>(184)</b>	<b>(283)</b>	<b>(3,483)</b>	<b>-</b>	<b>(3,950)</b>
Unallocated expenses					(986)
Operating loss					(4,936)
Finance costs, net					(595)
Loss before taxation					(5,531)
Taxation					(245)
Loss after taxation					(5,776)
<b>Interest revenue</b>	-	-	63	-	63
<b>Interest expense</b>	40	115	440	-	595
<b>Depreciation and amortisation</b>	15	574	810	-	1,399
<b>Other significant non- cash items</b>	(7)	5	5,074	-	5,072
<b>Segment assets</b>	11,818	21,709	79,821	-	113,348
Unallocated assets					587
Total assets					113,935
<b>Segment liabilities</b>	7,950	9,419	51,899	-	69,268
Unallocated liabilities					3,098
Total liabilities					72,366

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.

**D'NONCE TECHNOLOGY BHD.**  
(503292-K)

**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 RM82,350,000 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 2014 are as follows:

	<b>RM'000</b>
Approved and not contracted for: - Leasehold land and buildings	8,550
Approved and contracted for: - Plant and machinery	211
- Motor vehicle	190
<b>Total Capital Commitments</b>	<b>4,801</b>

[The remainder of this page is intentionally left blank]

## **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 increased by RM11.5 million to RM54.8 million. The increase in revenue is mainly due to the sales of surveillance system recorded in this quarter.

In this quarter, the subsidiary in Thailand which was affected by the fire has recognized an insurance claim of Thai Baht 36 million (RM3.7 million). Other potential insurance claims have not been recognised as the insurance company has not approved the amount claimed yet.

The performance by business segments are further analysed as below:

### **Integrated Supply Chain Products and Services**

The current quarter's revenue of RM12.8 million is a reduction of RM0.6 million compared to the same quarter last year.

However, the segmental results in the current reporting quarter is RM0.8 million higher than the comparative quarter because the margin of certain products is higher this year compared to the same quarter of last year.

### **Contract Manufacturing Services**

The current quarter's revenue of RM7.4 million is higher compared to the same quarter last year. This is mainly due to the higher demand and the introduction of new products from our customers.

The current quarter reported a profit of RM2.1 million compared to a loss of RM0.3 million in the same quarter last year. The improvement is because our operations in Bangkok have continued to show improved results compared to the same quarter of last year.

### **Supply of Packaging and Other Materials**

The current quarter's revenue of RM34.5 million with a segmental profit of RM1.2 million compared to a loss of RM3.4 million in the comparative quarter. The increase in revenue is mainly due to the sales of surveillance system recorded in this quarter.

This higher segmental profit in this quarter compared to previous year is due to the recognition of the insurance claim amounting to Thai Baht 36 million (RM3.7 million). Furthermore in the same quarter in previous year the losses were significant because there were facilities and inventories written off due to the fire at Southern Thailand.

## **16 Material Changes in Profit Before Taxation Against Preceding Quarter**

The Group's current quarter revenue of RM54.8 million is RM0.3 million lower than the immediate preceding quarter. The segmental results in this quarter registered a profit of RM2.3 million compared to a profit of RM5.3 million in the previous quarter.

The performance by business segments are further analysed as below:

### **Integrated Supply Chain Products and Services**

The revenue for this business segment approximates to the revenue in previous quarter.

However, the segmental profit for this quarter is RM0.6 million compared to a loss of RM0.9 million in the previous quarter because of margin of certain products is higher in this quarter and better cost control.

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

### **Contract Manufacturing Services**

The revenue in this business segment has increased by RM3.3 million to RM7.4 million as compared to the immediate preceding quarter mainly due to the higher demand and introduction of new products from our customers.

The segmental results for this business segment registered a profit of RM2.1 million which is an increase of RM0.7 million from the previous quarter. This is the result of higher demand from the customers.

### **Supply of Packaging and Other Materials**

The revenue in this current quarter is RM3.1million lower than immediate preceding quarter is because the sales of surveillance systems is higher in the previous quarter and also lower demand from the customers in this quarter. However, this segment registered a profit of RM1.2 million in this current quarter due to the recognition of further insurance claims of Thai Baht 36 million (RM3.7 million) from our fire incident in Southern Thailand.

## **17 Prospects**

We have re-commence our operations for the printing of packaging materials in Southern Thailand in this quarter but 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.

[The remainder of this page is intentionally left blank]

**19 Taxation**

	<b>Current and Cumulative Quarter</b>	
	<b>30 Nov 2014</b>	<b>30 Nov 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
Current period	210	239
Prior period	67	-
Deferred tax:		
Current period	(3)	(190)
Prior period	6	196
<b>Total tax expenses</b>	<b>280</b>	<b>245</b>

The effective tax rate for the current financial period was lower than the statutory tax rate principally due to certain income is not subject to tax.

**20 Status of Corporate Proposal**

There were no corporate proposals announced 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:

<b>30 November 2014</b>	<b>Denominated in Ringgit Malaysia RM'000</b>	<b>Denominated in Thai Baht RM'000</b>	<b>Total RM'000</b>
<b>Secured:</b>			
Short Term	29,334	7,752	37,086
Long Term	38,618	3,811	42,429
<b>Total</b>	<b>67,952</b>	<b>11,563</b>	<b>79,515</b>
<b>Unsecured:</b>			
Short Term	2,197	-	2,197
<b>Grand Total</b>	<b>70,149</b>	<b>11,563</b>	<b>81,712</b>



## 21 Group Borrowings and Debt Securities (cont'd)

31 Aug 2014	Denominated in Ringgit Malaysia RM'000	Denominated in Thai Baht RM'000	Total RM'000
<b>Secured:</b>			
Short Term	24,043	13,042	37,085
Long Term	38,516	3,703	42,219
<b>Total</b>	<b>62,559</b>	<b>16,745</b>	<b>79,304</b>
<b>Unsecured:</b>			
Short Term	3,463	-	3,463
<b>Grand Total</b>	<b>66,022</b>	<b>16,745</b>	<b>82,767</b>

On 2 May 2014, the Company has announced that one of its subsidiaries has entered into an agreement to supply equipment for the installation of surveillance system for a total consideration of RM53.0 million. The Company had also announced that it has obtained a contract financing from a financial institution to part finance this transaction.

## 22 Derivative Financial Instrument

There was no derivative financial instrument as at the current financial period.

## 23 Realised and unrealised profit disclosure

	As At 30 Nov 2014 RM'000	As At 31 Aug 2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(12,577)	(13,927)
- Unrealised	276	760
	(12,301)	(13,167)
Add : Consolidated adjustments	(4,076)	(4,186)
Total Group accumulated losses as per consolidated income statements	<b>(16,377)</b>	<b>(17,353)</b>

## 24 Material Litigation

The Group is not engaged in any material litigation as at 20 January 2015 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.

**D'NONCE TECHNOLOGY BHD.**  
(503292-K)

**24 Material Litigation (cont'd)**

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 fixed.

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**

<b>Basic/ Diluted</b>	<b>Current and Cummulative Quarter</b>	
	<b>30 Nov 2014</b>	<b>30 Nov 2013</b>
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	975	(5,856)
Weighted average number of ordinary shares in issue ('000)	45,101	45,101
<b>Basic earnings/(loss) per share (sen)</b>	<b>2.16</b>	<b>(12.98)</b>

**27 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 26 January 2015.

By Order of the Board  
**Gunn Chit Geok**  
**Chew Siew Cheng**  
Company Secretaries  
26 January 2015  
Pulau Pinang