

Notes to the condensed consolidated interim financial statements of the Group for the second quarter ended 28 February 2015.

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 (“MFRS”), 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 101: Disclosure Initiative
Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 138 – Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 – Agriculture: Bearer Plants
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

D'NONCE TECHNOLOGY BHD.
(503292-K)

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:

6 months period ended 28 February 2015	Integrated Supply Chain Products And Services	Contract Manufacturing Services	Supply of Packaging and Other Materials	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
External revenue	22,520	12,238	105,338	-	140,096
Inter-segment revenue	344	217	10,137	(10,698)	-
Total segment revenue	22,864	12,455	115,475	(10,698)	140,096
RESULTS					
Segment results	1,339	1,994	5,476	-	8,809
Unallocated expenses					(3,808)
Operating profit					5,001
Finance costs, net					(2,250)
Profit before taxation					2,751
Taxation					(825)
Profit after taxation					1,926
Interest revenue	-	5	685	-	690
Interest expense	58	334	1,858	-	2,250
Depreciation and amortisation	22	1,208	1,658	-	2,888
Other significant non- cash items	25	31	(11)	-	45
Segment assets	8,880	26,820	135,257	-	170,957
Unallocated assets					545
Total assets					171,502
Segment liabilities	7,915	11,403	94,042	-	113,360
Unallocated liabilities					3,775
Total liabilities					117,135

[The remainder of this page is intentionally left blank]

D'NONCE TECHNOLOGY BHD.
(503292-K)

9 Segmental Reporting (cont'd)

6 months period ended 28 February 2014	Integrated Supply Chain Products And Services	Contract Manufacturing Services	Supply of Packaging and Other 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

Segment profit and loss does not include taxation as this expense is managed on a group basis.

[The remainder of this page is intentionally left blank]

D'NONCE TECHNOLOGY BHD.
(503292-K)

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 RM77,457,000 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 2015 are as follows:

	RM'000
Approved and not contracted for: - Leasehold land and buildings	4,400
Approved and contracted for: - Leasehold land and buildings	4,050
- Plant and machinery	76
- Motor vehicle	233
Total Capital Commitments	8,759

[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 RM45.9 million to RM85.2 million. The increase in revenue is mainly due to the additional sales of surveillance system recorded in this quarter.

The performance by business segments are further analysed as below:

Integrated Supply Chain Products and Services

The current quarter's revenue of RM9.7 million is a reduction of RM3.3 million compared to the same quarter last year.

However, the segmental results in the current reporting quarter is RM0.3 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 RM4.7 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 loss of RM0.1 million which approximates the loss in the same quarter last year.

Supply of Packaging and Other Materials

The current quarter's revenue of RM70.8 million with a segmental profit of RM4.2 million compared to a segmental profit of RM2.0 million in the comparative quarter. The increase in revenue is mainly due to the additional sales of surveillance system recorded in this quarter.

This higher segmental profit in this quarter compared to previous' year is due to the profit arising from additional sales of surveillance system recorded in this quarter.

16 Material Changes in Profit Before Taxation Against Preceding Quarter

The Group's current quarter revenue of RM85.2 million is RM30.4 million higher than the immediate preceding quarter. The segmental results in this quarter registered a profit of RM2.6 million compared to a profit of RM2.3 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 lower by RM3.1 million compared to the revenue in previous quarter.

However, the segmental profit for this quarter is RM0.7 million approximates the profit of RM0.6 million in the previous quarter because of margin of certain products is higher in this quarter and better cost control.

D'NONCE TECHNOLOGY BHD.
(503292-K)

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

Contract Manufacturing Services

The revenue in this business segment has decreased by RM2.7 million to RM4.7 million as compared to the immediate preceding quarter mainly due to the lower demand.

The segmental results for this business segment registered a loss of RM0.1 million which is a decrease of RM2.3 million from the previous quarter. This is the result of lower demand from the customers.

Supply of Packaging and Other Materials

The revenue in this current quarter is RM36.2 million higher than immediate preceding quarter is because of the sales of surveillance systems is higher in this quarter.

This segment registered a profit of RM4.2 million in this current quarter primarily due to the profit arising from additional sales of surveillance system recorded in this quarter.

17 Prospects

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

19 Taxation

	Current Quarter		Cumulative Quarter	
	28 Feb 2015	28 Feb 2014	28 Feb 2015	28 Feb 2014
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	545	292	755	531
Prior period	-	-	67	-
Deferred tax:				
Current period	-	(5)	(3)	(195)
Prior period	-	-	6	196
Total tax expenses	545	287	825	532

The effective tax rate for the current financial period was higher than the statutory tax rate principally due to the losses from 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 as at the date of this report other than as disclosed below:

On 2 March 2015, Inter-Pacific Securities Sdn. Bhd., the Adviser to the Company (“DTB”) had announced, on behalf of the Board, that the Company proposes to undertake the following:

- (i) Proposed reduction of the issued and paid-up share capital of DTB pursuant to Section 64(1) of the Act, involving the cancellation of RM0.75 of the par value of each ordinary share of RM1.00 each in DTB;
- (ii) Proposed renounceable rights issue of up to 90,202,000 new ordinary shares of RM0.25 each in DTB on the basis of two (2) Rights Shares for one (1) DTB Share held after the Proposed Par Value Reduction, together with up to 90,202,000 Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed;
- (iii) Proposed bonus issue of up to 45,101,000 new ordinary shares of RM0.25 each in DTB on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed pursuant to the Proposed Rights Issue with Warrants;
- (iv) Proposed private placement of up to 36,080,800 new ordinary shares of RM0.25 each in DTB, representing approximately up to twenty percent (20%) of the enlarged issued and paid-up share capital of DTB after the Proposed Rights Issue with Warrants and Proposed Bonus Issue together with up to 18,040,400 Warrants on the basis of one (1) Warrant for every two (2) Placement Shares to be subscribed by potential investors;
- (v) Proposed amendments to the Memorandum & Articles of Association of DTB;
- (vi) Proposed establishment of an employees’ share option scheme of up to fifteen percent (15%) of the enlarged issued and paid-up share capital of DTB after the proposals (i) to (iv) above for the eligible Directors and employees of DTB Group;
- (vii) Proposed share buy-back of its ordinary shares of RM0.25 each by DTB of up to ten percent (10%) of its issued and paid-up share capital; and
- (viii) Proposed increase in the authorised share capital of DTB from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each to RM200,000,000 comprising 800,000,000 ordinary shares of RM0.25 each.

The proposals are pending submission to the authorities.

D'NONCE TECHNOLOGY BHD.
(503292-K)

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 February 2015	Denominated in Ringgit Malaysia RM'000	Denominated in Thai Baht RM'000	Total RM'000
Secured:			
Short Term	28,274	9,382	37,656
Long Term	38,573	2,810	41,383
Total	66,847	12,192	79,039
Unsecured:			
Short Term	956	-	956
Grand Total	67,803	12,192	79,995

31 Aug 2014	Denominated in Ringgit Malaysia RM'000	Denominated in Thai Baht RM'000	Total RM'000
Secured:			
Short Term	22,759	13,042	35,801
Long Term	39,800	3,703	43,503
Total	62,559	16,745	79,304
Unsecured:			
Short Term	3,463	-	3,463
Grand Total	66,022	16,745	82,767

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

As at 28 February 2015, 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	899	972	74

The net fair value changes of derivative financial asset had resulted in a gain of RM35,000 for current quarter.

D'NONCE TECHNOLOGY BHD.
(503292-K)

23 Realised and unrealised profit disclosure

	As At 28 Feb 2015 RM'000	As At 31 Aug 2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(11,983)	(13,927)
- Unrealised	790	760
	(11,193)	(13,167)
Add : Consolidated adjustments	(4,469)	(4,186)
Total Group accumulated losses as per consolidated income statements	(15,662)	(17,353)

24 Material Litigation

The Group is not engaged in any material litigation as at 21 February 2015 except for the following:

A former Director of the Company (“the Respondent”) had filed an industrial claim through the Industrial Court of Malaysia (“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 been fixed on 11 and 12 May 2015.

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.

D'NONCE TECHNOLOGY BHD.
(503292-K)

26 Earnings/(Loss) Per Share

Basic/ Diluted	Current Quarter		Cumulative Quarter	
	28 Feb 2015	28 Feb 2014	28 Feb 2015	28 Feb 2014
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	747	89	1,722	(5,767)
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Basic earnings/(loss) per share (sen)	1.66	0.20	3.82	(12.79)

27 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 28 April 2015.

By Order of the Board
Gunn Chit Geok
Chew Siew Cheng
Company Secretaries
28 April 2015
Pulau Pinang