

**Notes to the condensed consolidated interim financial statements of the Group for the third quarter ended 31 May 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

**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 other than the recognition of a long term trade receivable of RM42.7 million arising from the recognition of the revenue from the agreement to supply equipment for the installation of surveillance system.

**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:

<b>9 months period ended 31 May 2015</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	32,451	17,961	133,576	-	183,988
Inter-segment revenue	429	304	14,609	(15,342)	-
<b>Total segment revenue</b>	<b>32,880</b>	<b>18,265</b>	<b>148,185</b>	<b>(15,342)</b>	<b>183,988</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>1,738</b>	<b>2,310</b>	<b>7,546</b>	<b>-</b>	<b>11,594</b>
Unallocated expenses					(4,963)
Operating profit					6,631
Finance costs, net					(3,358)
Profit before taxation					3,273
Taxation					(928)
Profit after taxation					2,345
<b>Interest revenue</b>	-	5	1,139	-	1,144
<b>Interest expense</b>	89	484	2,785	-	3,358
<b>Depreciation and amortisation</b>	27	1,828	2,566	-	4,421
<b>Other significant non- cash items</b>	98	39	139	-	276
<b>Segment assets</b>	8,079	28,459	143,232	-	179,770
Unallocated assets					1,392
Total assets					181,162
<b>Segment liabilities</b>	7,769	10,465	101,612	-	119,846
Unallocated liabilities					6,763
Total liabilities					126,609

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

<b>9 months period ended 31 May 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	38,703	15,342	69,576	-	123,622
Inter-segment revenue	717	462	12,011	(13,189)	-
<b>Total segment revenue</b>	<b>39,420</b>	<b>15,804</b>	<b>81,587</b>	<b>(13,189)</b>	<b>123,622</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>696</b>	<b>210</b>	<b>3,047</b>	<b>-</b>	<b>3,953</b>
Unallocated expenses					(2,745)
Operating loss					1,208
Finance costs, net					(1,832)
Loss before taxation					(624)
Taxation					(879)
Loss after taxation					(1,503)
<b>Interest revenue</b>	-	-	158	-	158
<b>Interest expense</b>	136	295	1,401	-	1,832
<b>Depreciation and amortisation</b>	44	1,706	2,185	-	3,935
<b>Other significant non- cash items</b>	18	2	3,947	-	3,967
<b>Segment assets</b>	12,212	23,243	86,412	-	121,867
Unallocated assets					547
Total assets					122,414
<b>Segment liabilities</b>	10,319	9,964	53,648	-	73,931
Unallocated liabilities					3,036
Total liabilities					76,967

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

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#### **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 other than as disclosed in Note 20 and 24.

#### **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 RM81,264,000 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 May 2015 are as follows:

	<b>RM'000</b>
Approved and not contracted for: - Leasehold land and buildings	4,456
Approved and contracted for: - Leasehold land and buildings - Plant and machinery	4,050 76
<b>Total Capital Commitments</b>	<b>8,582</b>

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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 increased by RM2.9 million to RM43.9 million. The revenue has increased marginally for current quarter compared to the same quarter last year.

The performance by business segments are further analysed as below:

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

The current quarter's revenue of RM9.9 million is a reduction of RM2.2 million compared to the same quarter last year.

The segmental results in the current reporting quarter is RM0.1 million lower than the comparative quarter because the lower revenue this current quarter compared to the same quarter of last year.

### **Contract Manufacturing Services**

The current quarter's revenue of RM5.7 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 profit of RM0.3 million which is lower by RM0.3 million compared to the same quarter last year as the result of the lower revenue earned as explained above.

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

The current quarter's revenue is RM28.2 million with a segmental profit of RM2.0 million. The increase in revenue is mainly due to the sales from our subsidiary in Southern Thailand which commenced operations in the previous quarter after the fire incident in 2013.

This lower segmental profit in this quarter compared to same quarter in previous' year is due to insurance income recognized in prior year.

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

The Group's current quarter revenue is RM43.9 million compared to previous quarter revenue of RM85.3 million. The reduction in revenue in this quarter against the immediate preceding quarter is due to sales of surveillance system. The segmental results in this quarter registered a profit of RM0.5 million compared to a profit of RM1.4 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 is consistent compared to the revenue in previous quarter.

The segmental profit for this quarter is RM0.4 million. This is lower by RM0.3 million in the previous quarter because of margin of certain products is lower in this quarter.

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

### Contract Manufacturing Services

The revenue in this business segment has increased by RM1.0 million to RM5.7 million as compared to the immediate preceding quarter mainly due to the higher demand by our new and existing customers.

The segmental results for this business segment registered a profit of RM0.3 million compared to a loss recorded in previous quarter because of the higher sales from our customers and also the product mix.

### Supply of Packaging and Other Materials

The revenue in this current quarter of RM28.2 million is lower than immediate preceding quarter is because of the sales of surveillance systems recognised in previous quarter.

This segment registered a profit of RM2.0 million in this current quarter and it is lower compared to the previous quarter mainly due to the previous quarter's sales of surveillance system.

## 17 Prospects

We have re-commence our operations for the printing of packaging materials in Southern Thailand in the first quarter of this year. This segment is gradually recovering and has started to contribute to the Group's turnover in this quarter.

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	
	31 May 2015 RM'000	31 May 2014 RM'000	31 May 2015 RM'000	31 May 2014 RM'000
Income tax:				
Current period	115	(4)	870	527
Prior period	(12)	-	55	-
Deferred tax:				
Current period	-	351	(3)	156
Prior period	-	-	6	196
<b>Total tax expenses</b>	<b>103</b>	<b>347</b>	<b>928</b>	<b>879</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 other than as disclosed below:

On 11 June 2015, the Company had issued a Circular to Shareholders and Notice of Extraordinary General Meeting (“EGM”) in relation to the:

- (i) Proposed reduction of the issued and paid-up share capital of D'nonce Technology Bhd. (“DTB”) pursuant to Section 64(1) of the Companies Act, 1965 (“Act”), involving the cancellation of RM0.75 of the par value of each ordinary share of RM1.00 each in DTB (“proposed par value reduction”);
- (ii) Proposed renounceable rights issue of up to 90,202,000 new ordinary shares of RM0.25 each in DTB (“rights share(s)”) on the basis of two (2) rights shares for one (1) DTB ordinary share of RM0.25 each (“DTB share(s)”) held after the proposed par value reduction, together with up to 90,202,000 free detachable warrants (“warrant(s)”) on the basis of one (1) warrant for every one (1) rights share subscribed (“proposed rights issue with warrants”);
- (iii) Proposed bonus issue of up to 45,101,000 new ordinary shares of RM0.25 each in DTB (“bonus share(s)”) on the basis of one (1) bonus share for every two (2) rights shares subscribed pursuant to the proposed rights issue with warrants (“proposed bonus issue”);
- (iv) Proposed private placement of up to 36,080,800 new ordinary shares of RM0.25 each in DTB (“placement share(s)”), 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 (“proposed private placement with warrants”);
- (v) Proposed amendments to the Memorandum And Articles of Association (“M&A”) of DTB (“proposed M&A amendments”);
- (vi) proposed establishment of an Employees’ Share Option Scheme (“ESOS”) 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 and its subsidiaries (“DTB group” or “group”) (“proposed ESOS”);
- (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 (“proposed share buy-back”); 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 (“proposed increase in authorised share capital”).

(Collectively referred to as the Proposals.)

On 3 July 2015, the shareholders of the Company had approved all resolutions set-out in the Notice of EGM on 11 June 2015 in relation to the above Proposals. Thus, the Proposals are now pending implementation.



## 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>31 May 2015</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	26,013	12,058	38,071
Long Term	39,083	4,271	43,354
<b>Total</b>	<b>65,096</b>	<b>16,329</b>	<b>81,425</b>
<b>Unsecured:</b>			
Short Term	1,906	-	1,906
<b>Grand Total</b>	<b>67,002</b>	<b>16,329</b>	<b>83,331</b>

<b>31 Aug 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	22,759	13,042	35,801
Long Term	39,800	3,703	43,503
<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

As at 31 May 2015, the foreign currency contracts which have been entered into by the Group to hedge its foreign receivable in foreign currency are as follow:

<b>Forward Foreign Currency Contracts</b>	<b>Contract Value RM'000</b>	<b>Fair Value RM'000</b>	<b>Liabilities RM'000</b>
Less than 1 year	1,083	1,092	9

The net fair value changes of derivative financial liability had resulted in a gain of RM65,000 for current quarter.

### 23 Realised and unrealised profit disclosure

	<b>As At 31 May 2015 RM'000</b>	<b>As At 31 Aug 2014 RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	(11,942)	(13,927)
- Unrealised	975	760
	(10,967)	(13,167)
Add : Consolidated adjustments	(4,440)	(4,185)
Total Group accumulated losses as per consolidated income statements	<b>(15,407)</b>	<b>(17,352)</b>

### 24 Material Litigation

The Group is not engaged in any material litigation as at 22 July 2015 except for the following:

As announced in our previous quarterly report, a former Director of the Company (“the Respondent”) had filed an industrial claim in 2006 through the Industrial Court of Malaysia (“Industrial Court”) seeking monetary compensation due to wrongful termination.

Following this, the Respondent’s claim for damages for breach of contract went for full trial in the High Court on 11 and 12 May 2015. On 30 June 2015, the High Court delivered its judgement that all claims by the Respondent were dismissed with cost of RM55,000.

Following this development, the Board is of the opinion that in the event that there is appeal by the Respondent, 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>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31 May 2015</b>	<b>31 May 2014</b>	<b>31 May 2015</b>	<b>31 May 2014</b>
<b>Basic/ Diluted</b>				
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	255	3,805	1,977	(1,962)
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
<b>Basic earnings/(loss) per share (sen)</b>	<b>0.57</b>	<b>8.44</b>	<b>4.38</b>	<b>(4.35)</b>

**27 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 29 July 2015.

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

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