



**D'NONCE GROUP OF COMPANIES**

**INTERIM FINANCIAL RESULTS**

**THIRD QUARTER ENDED 31 MAY 2018**

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

The Board wishes to announce the following unaudited results of the Group for the third financial quarter ended 31 May 2018.

**Unaudited Condensed Consolidated Statement of Financial Position As At 31 May 2018**

		As At 31/05/2018 RM'000	As At 31/08/2017 RM'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	51,179	51,321
Investment properties		11,837	11,622
Intangible assets		289	289
Trade receivable		6,998	13,518
Deferred tax assets		49	51
		<u>70,352</u>	<u>76,801</u>
<b>Currents assets</b>			
Inventories		24,831	21,079
Trade receivables		52,049	50,972
Other receivables, deposit and prepayment		12,770	13,757
Tax recoverable		2,040	1,230
Cash and bank balances		26,989	29,272
		<u>118,679</u>	<u>116,310</u>
<b>TOTAL ASSETS</b>		<u>189,031</u>	<u>193,111</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	<i>7</i>	50,579	46,179
Other capital reserve		5,120	5,120
Foreign currency translation reserve		6,152	6,699
Employees share option scheme reserve	<i>7</i>	2,341	3,324
Legal reserve		32	32
Warrant reserve		8,777	8,777
Retained earnings		1,305	48
		<u>74,306</u>	<u>70,179</u>
<b>Non-controlling interest</b>		<u>4,842</u>	<u>4,742</u>
<b>Total equity</b>		<u>79,148</u>	<u>74,921</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations		827	780
Borrowings	<i>21</i>	17,584	21,830
Deferred tax liabilities		287	281
		<u>18,698</u>	<u>22,891</u>

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

The Board wishes to announce the following unaudited results of the Group for the third financial quarter ended 31 May 2018.

**Unaudited Condensed Consolidated Statement of Cash Flows For The Period Ended 31 May 2018****(cont'd)**

		<b>As At</b>	<b>As At</b>
		<b>31/05/2018</b>	<b>31/08/2017</b>
	<i>Note</i>	<b>RM'000</b>	<b>RM'000</b>
<b>Current liabilities</b>			
Retirement benefit obligations		234	187
Borrowings	<i>21</i>	59,783	57,616
Trade payables		19,065	25,179
Other payables		12,095	12,217
Current tax payable		8	100
		<u>91,185</u>	<u>95,299</u>
<b>Total liabilities</b>		<u>109,883</u>	<u>118,190</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>189,031</u>	<u>193,111</u>
Net tangible assets per share (RM)	<i>27</i>	<u>0.38</u>	<u>0.38</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2017.)

The accompanying notes are an integral part of this statement.

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

The Board wishes to announce the following unaudited results of the Group for the third financial quarter ended 31 May 2018.

**Unaudited Condensed Consolidated Income Statement For The Quarter Ended 31 May 2018**

	<b>CURRENT QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>31/05/2018</b>	<b>31/05/2017</b>	<b>31/05/2018</b>	<b>31/05/2017</b>
<i>Note</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	47,606	48,443	145,901	141,572
Operating expenses	(46,276)	(48,035)	(140,572)	(139,899)
Other income including investment income	1,876	1,141	4,636	3,142
Profit from operations	3,206	1,549	9,965	4,815
Depreciation	(1,675)	(1,768)	(4,919)	(5,240)
Fair value changes in derivatives	-	-	-	50
Foreign exchange gain/(loss)	273	(196)	(876)	(77)
Gain on disposal of property, plant and equipment	1	-	42	1,888
Interest expense	(1,217)	(1,291)	(3,528)	(3,811)
Interest income	450	507	1,251	1,673
Property, plant and equipment written off	-	-	(2)	-
Provision for and written off of inventories	(28)	16	(24)	60
Provision for and written off of receivables	-	(24)	-	58
Profit/(Loss) before taxation	1,010	(1,207)	1,909	(584)
Taxation	<b>19</b> (410)	(175)	(552)	(727)
Profit/(Loss) for the period	<b>600</b>	<b>(1,382)</b>	<b>1,357</b>	<b>(1,311)</b>
<b>Profit/(Loss) attributable to:</b>				
Owner of the parent	526	(1,418)	1,257	(1,500)
Non-controlling interests	74	36	100	189
	<b>600</b>	<b>(1,382)</b>	<b>1,357</b>	<b>(1,311)</b>
Earnings/(Loss) per share:	<b>26</b>			
(a) Basic (sen)	0.29	(0.79)	0.68	(0.83)
(b) Fully Diluted (sen)	0.25	(0.79)	0.59	(0.83)

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2017.)

The accompanying notes are an integral part of this statement.

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

The Board wishes to announce the following unaudited results of the Group for the third financial quarter ended 31 May 2018.

**Unaudited Condensed Consolidated Statement of Comprehensive Income For The Quarter Ended 31 May 2018 (cont'd)**

	<b>CURRENT QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>31/05/2018</b>	<b>31/05/2017</b>	<b>31/05/2018</b>	<b>31/05/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit/(Loss) for the period	600	(1,382)	1,357	(1,311)
Foreign currency translation differences for foreign operations	(40)	(264)	(547)	1,273
Total comprehensive gain for the period	<u>560</u>	<u>(1,646)</u>	<u>810</u>	<u>(38)</u>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owner of the parent	486	(1,682)	710	(227)
Non-controlling interests	74	36	100	189
	<u>560</u>	<u>(1,646)</u>	<u>810</u>	<u>(38)</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2017.)

The accompanying notes are an integral part of this statement.

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

The Board wishes to announce the following unaudited results of the Group for the third financial quarter ended 31 May 2018.

**Unaudited Condensed Consolidated Statements of Changes in Equity For The Quarter Ended 31 May 2018**

	←————— Attributable to owners of the parent —————→							Total RM'000	Non- controlling Interest RM'000	Total Equity RM'000
	←————— Non-distributable —————→									
	Share Capital RM'000	Other Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Share Option Scheme Reserve RM'000	Legal Reserve RM'000	Warrant Reserve RM'000	Retained earnings RM'000			
At 1 September 2017	46,179	5,120	6,699	3,324	32	8,777	48	70,179	4,742	74,921
Issuance of ordinary shares pursuant to ESOS	2,780	-	-	(983)	-	-	-	1,797	-	1,797
Issuance of ordinary shares pursuant to Private Placement	1,620	-	-	-	-	-	-	1,620	-	1,620
Total comprehensive (loss)/income for the period	-	-	(547)	-	-	-	1,257	710	100	810
At 28 May 2018	<u>50,579</u>	<u>5,120</u>	<u>6,152</u>	<u>2,341</u>	<u>32</u>	<u>8,777</u>	<u>1,305</u>	<u>74,306</u>	<u>4,842</u>	<u>79,148</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2017.)

The accompanying notes are an integral part of this statement.

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

The Board wishes to announce the following unaudited results of the Group for the third financial quarter ended 31 May 2018.

**Unaudited Condensed Consolidated Statements of Changes in Equity For The Quarter Ended 31 May 2018 (cont'd)**

	←————— Attributable to owners of the parent —————→										
	←————— Non-distributable —————→										
	Foreign										
	Share	Share	Other	Currency	Employees' Share	Legal	Warrant	Accumulated		Non-	Total
	Capital	Premium	Capital	Translation	Option Scheme	Reserve	Reserve	Losses	Total	controlling	Equity
	RM'000	RM'000	Reserve	Reserve	Reserve ("ESOS")	RM'000	RM'000	RM'000	RM'000	Interest	RM'000
			RM'000	RM'000	RM'000					RM'000	RM'000
At 1 September 2016	45,101	394	5,120	5,014	3,566	32	8,777	(2,257)	65,747	4,562	70,309
Reclassification due to compliance with Companies Act 2016	394	(394)	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to ESOS	66	-	-	-	(23)	-	-	-	43	-	43
Total comprehensive income/(loss) for the period	-	-	-	1,273	-	-	-	(1,500)	(227)	189	(38)
At 31 May 2017	45,561	-	5,120	6,287	3,543	32	8,777	(3,757)	65,563	4,751	70,314

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2017.)

The accompanying notes are an integral part of this statement.

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

The Board wishes to announce the following unaudited results of the Group for the third financial quarter ended 31 May 2018.

**Unaudited Condensed Consolidated Statement of Cash Flows For The Period Ended 31 May 2018**

	<b>9 months ended</b>	
	<b>31/05/2018</b>	<b>31/05/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit/(Loss) before taxation	1,909	(584)
Adjustments for non-cash flows:		
Depreciation	4,919	5,240
Gain on disposal of property, plant and equipment	(42)	(1,888)
Interest expense	3,528	3,811
Interest income	(1,251)	(1,673)
Provision for and written off of inventories	24	(60)
Net fair value changes in derivatives	-	(50)
Property, plant and equipment written off	2	-
Reversal of provision for receivables	-	(58)
Non-operating items	(267)	1,662
Operating profit before working capital changes	8,822	6,400
Decrease in receivables	4,890	1,461
Increase in inventories	(3,777)	(4,332)
Decrease in payables	(5,952)	(1,390)
Cash generated from operations	3,983	2,139
Tax refund/(paid)	173	(1,089)
Interest paid	(3,528)	(3,811)
Net cash generated from/(used in) operating activities	628	(2,761)
<b>Cash Flows From Investing Activities</b>		
Interest income	1,251	1,673
Purchase of property, plant and equipment	(2,259)	(7,298)
Proceeds from disposal of property, plant and equipment	187	598
Proceeds from disposal of investments	-	2,100
Net changes to fixed deposit	280	3,419
Net cash (used in)/generated from investing activities	(541)	492
<b>Cash Flows From Financing Activities</b>		
Proceeds from exercise of ESOS	1,797	43
Proceeds from shares issued pursuant to Private Placement	1,620	-
Drawdown/(Repayment) of short term borrowings	790	(3,410)
Repayment of hire purchase and lease financing	(2,140)	(1,468)
(Repayment)/Drawdown of term loans	(6,763)	767
Net cash used in financing activities	(4,696)	(4,068)



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

The Board wishes to announce the following unaudited results of the Group for the third financial quarter ended 31 May 2018.

**Unaudited Condensed Consolidated Statement of Cash Flows For The Period Ended 31 May 2018****(cont'd)**

Net decrease in cash and cash equivalents	(4,609)	(6,337)
Effect of exchange rate changes	390	(745)
Cash and cash equivalents at beginning of the period	(5,850)	(2,876)
Cash and cash equivalents at end of the period	<u>(10,069)</u>	<u>(9,958)</u>
Cash and cash equivalents comprise:		
Cash and bank balances	26,989	20,904
Bank overdraft - secured	(15,854)	(14,291)
	<u>11,135</u>	<u>6,613</u>
Less: Deposits with licensed banks for more than 3 months and pledged with licensed banks	(21,204)	(16,571)
	<u>(10,069)</u>	<u>(9,958)</u>

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 September 2017 RM'000	Cash flows RM'000	Non-cash changes Others RM'000	Carrying amount as at 31 May 2018 RM'000
Bank overdraft	13,639	-	2,215	15,854
Short term borrowings	31,708	790	-	32,498
Hire purchase and lease financing	5,678	(2,140)	3,819	7,357
Term loans	28,421	(6,763)	-	21,658
	<u>79,446</u>	<u>(8,113)</u>	<u>6,034</u>	<u>77,367</u>

**(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 August 2017.)**

**The accompanying notes are an integral part of this statement.**

## **D'NONCE TECHNOLOGY BHD.**

**(503292-K)**

**Notes to the condensed consolidated interim financial statements of the Group for the third quarter ended 31 May 2018.**

### **1 Basis of Preparation**

The interim financial statement is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). These interim financial report also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The interim financial statement should be read in conjunction with the audited financial statements of the Group for the year ended 31 August 2017. The explanatory notes attached to the 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 2017.

### **2 Significant Accounting Policies**

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 August 2017 except for the adoption of new MFRSs and Interpretations and Amendments to certain MFRSs which are effective for the Group from 1 September 2017.

Adoption of these new MFRSs and Interpretations and Amendments to certain MFRSs did not have any material effect on the financial performance or position of the Group.

In addition, there are new MFRSs and Interpretations and Amendments to certain MFRSs that are issued but not yet effective up to the date of issuance of these condensed consolidated interim financial statements. The Group intend to adopt these standards, interpretations and amendments to standards if applicable, when they become effective.

The Directors expect that the adoption of these new MFRSs and Interpretations and Amendments to certain MFRSs will have no material impact on the financial statements in the period of initial application other than for MFRS 9 *Financial Instruments*, MFRS 15 *Revenue from Contracts with Customers* and MFRS 16 *Leases*. The Group is still in the progress of assessing the financial impact of MFRS 9 *Financial Instruments*, MFRS 15 *Revenue from Contracts with Customers* and MFRS 16 *Leases*.

### **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 2017 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.

## D'NONCE TECHNOLOGY BHD.

(503292-K)

### 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 implementation of the corporate exercise as mentioned in Note 20.

### 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

As at the quarter ended 31 May 2018, a total of 11,686,500 new ordinary shares were issued and allotted pursuant to the exercise of the Employee Share Option Scheme ("ESOS") and Private Placement, details of the issued and paid-up capital and the ESOS reserve of the Company as at 31 May 2018 are as follows:

#### Share Capital

	No. of shares	RM'000
As at 31 August 2017	182,174,000	46,179
Ordinary shares issued pursuant to the ESOS	7,186,500	2,780
Ordinary shares issued pursuant to the Private Placement	4,500,000	1,620
As at 31 May 2018	193,860,500	50,579

#### ESOS Reserve

	No. of options	RM'000
As at 31 August 2017	24,299,500	3,324
Exercised	(7,186,500)	(983)
As at 31 May 2018	17,113,000	2,341

Other than the above, 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>9 months period ended 31-May-18</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	29,143	17,571	99,187	-	145,901
Inter-segment revenue	71	525	18,744	(19,340)	-
<b>Total segment revenue</b>	<b>29,214</b>	<b>18,096</b>	<b>117,931</b>	<b>(19,340)</b>	<b>145,901</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>3,061</b>	<b>335</b>	<b>6,002</b>	<b>-</b>	<b>9,398</b>
Unallocated expenses					(3,961)
Operating profit					5,437
Finance costs, net					(3,528)
Profit before taxation					1,909
Taxation					(552)
Profit after taxation					1,357
<b>Segment assets</b>	<b>10,310</b>	<b>27,858</b>	<b>148,734</b>	<b>-</b>	<b>186,902</b>
Unallocated assets					2,129
<b>Total assets</b>					<b>189,031</b>
<b>Segment liabilities</b>	<b>3,729</b>	<b>11,527</b>	<b>93,807</b>	<b>-</b>	<b>109,063</b>
Unallocated liabilities					820
<b>Total liabilities</b>					<b>109,883</b>

[The remainder of this page is intentionally left blank]

**D'NONCE TECHNOLOGY BHD.**

**(503292-K)**

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

<b>9 months period ended 31-May-17</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	41,470	12,899	87,203	-	141,572
Inter-segment revenue	54	369	16,040	(16,463)	-
<b>Total segment revenue</b>	<b>41,524</b>	<b>13,268</b>	<b>103,243</b>	<b>(16,463)</b>	<b>141,572</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>3,042</b>	<b>(2,440)</b>	<b>4,093</b>	<b>-</b>	<b>4,695</b>
Unallocated expenses					(1,468)
Operating profit					3,227
Finance costs, net					(3,811)
Loss before taxation					(584)
Taxation					(727)
Loss after taxation					(1,311)
<b>Segment assets</b>	<b>12,468</b>	<b>23,848</b>	<b>155,343</b>	<b>-</b>	<b>191,659</b>
Unallocated assets					1,710
<b>Total assets</b>					<b>193,369</b>
<b>Segment liabilities</b>	<b>7,807</b>	<b>12,674</b>	<b>100,004</b>	<b>-</b>	<b>120,485</b>
Unallocated liabilities					2,570
<b>Total liabilities</b>					<b>123,055</b>

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**

There was no revaluations of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

### **11 Subsequent Material Event**

There were no significant subsequent 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 significant changes in the composition of the Group for the current financial quarter and financial period to date.

### **13 Changes in Contingent Liabilities and Assets**

The Company provided corporate guarantees amounting to RM76,556,736 (31.8.2017: RM77,429,724) 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 2018 are as follows:

	<b>RM'000</b>
Approved and not contracted for:	
- Land and Building	4,300
Approved and contracted for:	
- Motor vehicles	231
<b>Total Capital Commitments</b>	<b>4,531</b>

**D'NONCE TECHNOLOGY BHD.****(503292-K)****15 Analysis of performance for current quarter and financial period-to-date**

A comparison of D'nonce Technology's performance for the third quarter ended 31 May 2018 ("Q3'18") with the corresponding period last financial year is as follows:

	Quarter 3 ("Q3")			Year-To-Date ("YTD")		
	FY2018 RM'000	FY2017 RM'000	Variance %	FY2018 RM'000	FY2017 RM'000	Variance %
Revenue	47,606	48,443	-2%	145,901	141,572	3%
Operating profit	3,206	1,549	107%	9,965	4,815	107%
Profit before interest and tax	2,227	84	2551%	5,437	3,227	68%
Profit/(Loss) before tax	1,010	(1,207)	184%	1,909	(584)	427%
Profit/(Loss) after tax	600	(1,382)	143%	1,357	(1,311)	204%
Profit/(Loss) attributable to ordinary equity holders of the parent	526	(1,418)	137%	1,257	(1,500)	184%

**Group**

Compared to the third quarter of last year, the Group's revenue for the third quarter have reduced marginally by RM0.8 million to RM47.6 million. The profit before tax for the quarter was RM1.0 million compared to loss of RM1.2 million for the same quarter last year.

For YTD of 2017, the loss before tax included gain on disposal of investment property by one of the subsidiary of RM1.6 million. After removing this impact from the gain, current YTD's results of profit before tax of RM1.9 million is an improvement of RM4.1 million compared to the YTD 2017's results.

The performance by business segments are further analysed as below:

**Integrated Supply Chain Products and Services**

The current quarter's revenue of RM8.4 million is a decrease of RM5.6 million compared to the same quarter last year.

The segmental profit of RM0.9 million in the current reporting quarter has increased by RM0.7 million compared to the same quarter in previous year which reported segment profit of RM0.2 million. This was due to the better margin in the current quarter for the products sold.

For YTD revenue of RM29.1 million in 2018 is a decrease of RM12.3 million compared to YTD in 2017. However, the results for YTD 2018 was RM3.1 million which remained the same as YTD 2017.

This lower revenue was due to lower revenue from a major customer in YTD 2018.

## **D'NONCE TECHNOLOGY BHD.**

**(503292-K)**

### **15 Analysis of performance for current quarter and financial period-to-date (cont'd)**

A comparison of D'nonce Technology's performance for the third quarter ended 31 May 2018 ("Q3'18") with the corresponding period last financial year is as follows (cont'd):

#### **Contract Manufacturing Services**

The current third quarter's revenue of RM6.1 million is higher by RM1.8 million compared to the same quarter of last year. This was mainly due to higher demand from our customers.

The current quarter reported a profit of RM0.3 million which is an improvement of RM1.6 million compared to same quarter in previous year. This was due to increase in revenue and improved margin.

In first 9 months of FY2018, this segment recorded revenue of RM17.6 million. This is an increase of RM4.7 million compared to first 9 months of FY2017.

The first 9 months of FY2018 saw this segment generating RM0.3 million profit which is an improvement of RM2.7 million compared to first 9 months of FY2017 loss of RM2.4 million.

One of our subsidiary in Thailand contributed significantly to this improvement.

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

The current quarter's revenue is RM33.1 million. There is an increase of RM2.9 million from the revenue in the same quarter for last financial year. This was mainly contributed by two of our subsidiaries in Malaysia.

This segment has generated profit of RM2.8 million in this quarter. This is an improvement of RM4.0 million compared to the same quarter in FY2017 arising from higher revenue and margin earned.

The revenue for the 9 months of FY2018 was RM99.2 million. This is an improvement of RM12 million compared to first 9 months of FY2017.

The results for the first 9 months was profit of RM6.0 million. This is an increase of RM1.9 million compared to previous financial year first 9 months results. In FY2017, there was a gain from the disposal of an investment property of RM1.6 million. After removing the impact from this gain, the increase is RM3.5 million. The higher profit was due to the improvement in revenue .



**D'NONCE TECHNOLOGY BHD.****(503292-K)****16 Material Changes in Profit Before Taxation Against Preceding Quarter**

	<b>Q3'18</b> <b>RM'000</b>	<b>Q2'18</b> <b>RM'000</b>	<b>Variance</b> <b>%</b>
Revenue	47,606	49,014	-3%
Operating profit	3,206	2,733	17%
Profit before interest and tax	2,227	1,332	67%
Profit before tax	1,010	222	355%
Profit after tax	600	224	168%
Profit attributable to ordinary equity holders of the parent	526	269	96%

**Group**

The Group's current quarter revenue is RM47.6 million compared to previous quarter revenue of RM49.0 million. The result for this period is profit before tax of RM1.0 million compared to previous quarter profit before tax of RM0.2 million.

The performance by business segments are further analysed as below:

**Integrated Supply Chain Products and Services**

The revenue in this quarter has decreased by RM1.3 million and segmental result for this business increased by RM0.4 million compared to the revenue and segmental result in previous quarter. This higher results was due to higher margin for our products.

**Contract Manufacturing Services**

The revenue in this business segment has increased by RM0.2 million to RM6.1 million as compared to the immediate preceding quarter.

The segmental results for this business segment registered a profit before tax of RM0.3 million while the previous quarter recorded a loss before tax of RM0.1 million.

**Supply of Packaging and Other Materials**

The revenue in this current quarter of RM33.1 million which is lower by RM0.3 million compared to preceding quarter.

This segment generated segment results of RM2.8 million. The segment result is an improvement of RM0.8 million as compared to previous quarter. This is the result of better margin and cost control in this quarter.

**D'NONCE TECHNOLOGY BHD.****(503292-K)****17 Prospects**

The current global business sentiment remains challenging due to the prevailing global economic conditions and fluctuation of foreign currencies. The Group will continue to actively 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.

In view of the past efforts undertaken and plans that have been put in place, the Group is confident of an improve business performance in the coming financial quarters.

**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 2018 RM'000	31 May 2017 RM'000	31 May 2018 RM'000	31 May 2017 RM'000
Income tax:				
Current period	310	184	447	741
Prior period	99	(14)	99	(14)
Deferred tax:				
Current period	1	12	(14)	-
Prior period	-	(7)	20	-
<b>Total tax expenses</b>	<b>410</b>	<b>175</b>	<b>552</b>	<b>727</b>

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 offset against taxable profits made by other subsidiaries.

[The remainder of this page is intentionally left blank]

**20 Status of Corporate Proposal**

- (a) As disclosed in prior quarters, the Company has implemented and completed the corporate proposals except the full utilisation of proceeds from the rights issue with warrants.

**Extension of time for the utilisation of proceeds raised from the rights issue with warrants**

On 26 October 2017, the Board of Directors of the Company announced that the estimated timeframe of 3 of the planned utilisation of proceeds from the rights issue with warrants is now extended from 24 months to 36 months from the listing date.

The 3 planned utilisation are:

- (i) To partly finance the purchase of land and factory building, renovation and refurbishment expenses
- (ii) Construction of clean room facility and purchase of 3 lines of tray cleaning systems in Thailand
- (iii) Construction of new factory building in Thailand

The extension of time for the Utilisation of Proceeds are not subjected to any regulatory or shareholders' approval. Notwithstanding the aforesaid, the Company shall continue to be vigilant and prudent in managing the proceeds raised from the rights issue with warrants and will continue to disclose the status of the utilisation of the proceeds in the Company's quarterly results and annual reports until its full utilisation.

[The remainder of this page is intentionally left blank]

**D'NONCE TECHNOLOGY BHD.****(503292-K)****20 Status of Corporate Proposal (cont'd)**

- (a) As disclosed in prior quarters, the Company has implemented and completed the corporate proposals except the full utilisation of proceeds from the rights issue with warrants. (cont'd)

Utilisation of proceeds from corporate proposal:

Purpose	Proposed Utilisation	Actual Utilisation *	Adjustments	Balance yet to be utilised	Extended Timeframe for Utilisation from date of listing of the Rights Shares	Deviation	
						RM'000	RM'000
(i) To partly finance the purchase of land and factory building, renovation and refurbishment expenses	5,000	-	-	5,000	Within 36 months	N/A	N/A
(ii) Construction of clean room facility and purchase of 3 lines of tray cleaning systems in Thailand	4,400	646	-	3,754	Within 36 months	N/A	N/A
(iii) Construction of new factory building in Thailand	2,200	-	-	2,200	Within 36 months	N/A	N/A
Total	11,600	646	-	10,954		N/A	N/A

\* As at 23 July 2018.

On 25 July 2018, the Board of Directors of the Company announced that the Board had resolved to vary the utilisation of the balance yet to be utilised to be re-allocated for the purpose of the Proposed Acceptance of Development Rights as well as to fund the additional working capital of D'nonce Technology Bhd and its subsidiaries.

## **D'NONCE TECHNOLOGY BHD.**

**(503292-K)**

### **20 Status of Corporate Proposal (cont'd)**

#### **(b) Proposed Private Placement of up to 10% of the Issued Ordinary Shares of the Company**

As at the date of the report:

The Company has on 2 January 2018 announced a proposal to undertake a private placement ("Proposed Private Placement") of up to 10% of the issued ordinary shares of D'nonce Technology Bhd. ("DTB").

On 9 January 2018, the Company announced that an application in relation to the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") for approval.

On 17 January 2018, Bursa Securities had resolved to approved the listing and quotation of up to 18,433,600 Placement Shares to be issued pursuant to the Proposed Private Placement subject to the following conditions:

- (i) DTB and Inter-Pacific Securities Sdn. Bhd. ("IPS") must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Private Placement;
- (ii) DTB and IPS to inform Bursa Securities upon the completion of the Proposed Private Placement;
- (iii) IPS to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities's approval once the Proposed Private Placement is completed; and
- (iv) DTB to furnish Bursa Securities with a certified true copy of the resolution passed pursuant to Sections 75 and 76 of the Companies Act, 2016 in the event the existing authority has expired prior to full implementation of the Proposed Private Placement.

On 19 January 2018, the Company announced that the Board of Directors has resolved to fix the issue price for the Private Placement at RM0.36 per Placement Share. For further details, please refer to Bursa website for the announcement made by the Company.

On 30 January 2018, the Company announced that the 1st tranche of the Private Placement comprising 4,500,000 Placement Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

On 3 July 2018, IPS announced that, on 2 July 2018, the Company submitted application to Bursa Securities for an extension of time of six (6) months from 17 July 2018 to 16 January 2019 to enable the Company to complete the implementation of the Proposed Private Placement. On 4 July 2018, Bursa Securities had resolved to grant the Company for the extension of time to complete the Private Placement.

## **D'NONCE TECHNOLOGY BHD.**

**(503292-K)**

### **20 Status of Corporate Proposal (cont'd)**

#### **(c) Proposed Acceptance of Development Rights**

D'nonce Properties Sdn Bhd (formerly known as D'nonce Health Science Sdn Bhd), a wholly-owned subsidiary of D'nonce Technology Bhd, had on 25 July 2018 entered into a development rights agreement with Tan Than Kau and Tan Tian Yang ("Vendors") to accept the rights granted by the Vendors for the development of one plot of land, namely a parcel of freehold land measuring 6,774 square metres held under title identified as Lot No. 10320, GM No. 1496 (formerly PT 471, HSM 1598), Mukim 10, Seberang Perai Tengah, Pulau Pinang for a total consideration of RM10,000,000 to be fully satisfied via cash.

The development rights agreement is pending completion.

#### **(d) Proposed Diversification of the Principal Activities**

D'nonce Technology Berhad and its subsidiaries ("DTB Group" or "Group") proposes to diversify the principal activities of the Group to include property development and construction businesses.

Other than the above, there are no corporate proposals announced as at the date of this report.

[The remainder of this page is intentionally left blank]

**D'NONCE TECHNOLOGY BHD.**

**(503292-K)**

**21 Group Borrowings and Debt Securities**

The Group Borrowings as at 31 May 2018 were as follows:

	As At 31 May 2018	
	Foreign Denomination '000	RM'000
<b>Secured:</b>		
<b>Short Term (Denominated in THB)</b>		
Bank overdrafts	43,420	5,402
Bankers' acceptance	3,630	452
Revolving credits	26,814	3,336
Trust receipts	20,958	2,607
Factoring	16,455	2,047
Promissory note	20,000	2,488
Term loans	8,427	1,048
Hire purchases and lease creditors	7,798	970
	147,502	18,350
<b>Short Term (Denominated in RM)</b>		
Bank overdrafts	-	10,452
Bankers' acceptance	-	14,568
Revolving credits	-	7,000
Term loans	-	7,920
Hire purchases and lease creditors	-	1,493
	147,502	59,783
<b>Long Term (Denominated in THB)</b>		
Term loans	11,519	1,433
Hire purchases and lease creditors	6,862	854
	18,381	2,287
<b>Long Term (Denominated in RM)</b>		
Term loans	-	11,257
Hire purchases and lease creditors	-	4,040
	18,381	17,584
<b>Total</b>	<b>165,883</b>	<b>77,367</b>

**Total borrowings as at 31 May 2018**

		Exchange Rate	RM'000
a) in Thai Baht	THB 165,883,000	0.1244	20,637
b) in Ringgit Malaysia	RM 56,730,000	-	56,730
			<u>77,367</u>

**D'NONCE TECHNOLOGY BHD.**

**(503292-K)**

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

The Group Borrowings as at 31 May 2018 were as follows (cont'd):

	As At 31 May 2017	
	Foreign Denomination '000	RM'000
<b>Secured:</b>		
<b>Short Term (Denominated in THB)</b>		
Bank overdrafts	40,538	5,083
Bankers' acceptance	6,487	814
Revolving credits	16,090	2,018
Trust receipts	8,122	1,019
Factoring	12,796	1,605
Promissory note	20,000	2,508
Term loans	9,365	1,174
Hire purchases and lease creditors	9,262	1,161
	122,660	15,382
<b>Short Term (Denominated in RM)</b>		
Bank overdrafts	-	9,207
Bankers' acceptance	-	12,499
Revolving credits	-	11,000
Term loans	-	6,615
Hire purchases and lease creditors	-	1,132
	122,660	55,835
<b>Long Term (Denominated in THB)</b>		
Term loans	22,387	2,807
Hire purchases and lease creditors	12,609	1,581
	34,996	4,388
<b>Long Term (Denominated in RM)</b>		
Term loans	-	23,625
Hire purchases and lease creditors	-	2,098
	34,996	30,111
<b>Total</b>	<b>157,656</b>	<b>85,946</b>

**Total borrowings as at 31 May 2017**

		Exchange Rate	RM'000
a) in Thai Baht	THB 157,656,000	0.1254	19,770
b) in Ringgit Malaysia	RM 66,176,000	-	66,176
			<u>85,946</u>



## **D'NONCE TECHNOLOGY BHD.**

**(503292-K)**

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

There is no new major borrowings during the quarter to date other than new hire purchases for fixed assets purchase. This is netted by repayments made for current facilities.

The weighted average interest rate of borrowings were as follows:

	<b>31 May 2018</b>	<b>31 May 2017</b>
Fixed rates	4.50% - 5.00%	4.50% - 6.50%
Floating rates	5.05% - 7.50%	5.05% - 7.50%

There is no hedging to RM on borrowings denominated in foreign currencies as it was used by Thailand subsidiaries for their own operation purpose.

### **22 Derivative Financial Instrument**

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

### **23 Related Party Transactions**

During the current quarter under review and up to the date of this announcement, the Group did not enter into any related party transactions or recurrent related party transactions of a revenue or trading nature that has not been included or exceeded the estimated value by 10% or more which had been mandated by the shareholders during the Annual General Meeting held on 30 January 2018.

### **24 Material Litigation**

There was no pending material litigation as at the date of this quarterly report.

### **25 Dividend**

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

[The remainder of this page is intentionally left blank]

**D'NONCE TECHNOLOGY BHD.****(503292-K)****26 Earnings/(Loss) Per Share**

	Current Quarter		Cumulative Quarter	
	31 May 2018	31 May 2017	31 May 2018	31 May 2017
<b>Basic</b>				
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	526	(1,418)	1,257	(1,500)
Weighted average number of ordinary shares in issue ('000)	184,219	180,517	184,819	180,517
<b>Basic earnings/(loss) per share (sen)</b>	<b>0.29</b>	<b>(0.79)</b>	<b>0.68</b>	<b>(0.83)</b>

	Current Quarter		Cumulative Quarter	
	31 May 2018	31 May 2017	31 May 2018	31 May 2017
<b>Diluted</b>				
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	526	* N/A	1,257	* N/A
Weighted average number of ordinary shares in issue ('000)	206,933	* N/A	213,202	* N/A
<b>Diluted earnings/(loss) per share (sen)</b>	<b>0.25</b>	<b>* N/A</b>	<b>0.59</b>	<b>* N/A</b>

\* The warrants and ESOS for the current quarter ended 31 May 2017 were not assumed to be exercised because they were antidilutive in the period. Therefore, the basic and diluted loss per share is the same.

**27 Net Tangible Assets Per Share**

	As At 31 May 2018 RM'000	As At 31 Aug 2017 RM'000
Equity attributable to equity holders of the parent	74,306	70,179
Less: Intangible assets	(289)	(289)
<b>Net Tangible Assets</b>	<b>74,017</b>	<b>69,890</b>
Number of ordinary shares in issue ('000)	193,861	182,174
<b>Net Tangible Assets Per Share (RM)</b>	<b>0.38</b>	<b>0.38</b>

**D'NONCE TECHNOLOGY BHD.**

**(503292-K)**

**28 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 25 July 2018.

By Order of the Board

**Chew Siew Cheng**

**Lim Choo Tan**

Company Secretaries

25 July 2018

Pulau Pinang