



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

A. Explanatory Notes Pursuant to Financial Reporting Standard (“FRS”) No.134₂₀₀₄

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of rule 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market and in compliance with the requirements of FRS 134₂₀₀₄, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board.

This interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006. It contains condensed consolidated financial statements and selected explanatory notes. These notes include explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2006. The condensed consolidated interim financial statements and notes thereon do not include all information required for the full set of financial statements prepared in accordance with FRSs.

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the applications of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

A2 Changes in Accounting Policies

This interim financial statement has been prepared in accordance with the same accounting policies adopted in audited financial statements for the financial year ended 31 December 2006 except for the adoption of the following new/revised FRS effective for financial periods beginning on or after 1 January 2007:

- i) FRS 6 : Exploration for And Evaluation of Mineral Resources

This FRS is not relevant to the Group's operation and hence no further disclosure is necessary.

- ii) FRS 119₂₀₀₄(Revised) : Employee Benefits – Actuarial Gains and Losses, Group plan and Disclosures

As the Group does not intend to change the accounting policy adopted for the recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements.

The adoptions of these FRSs do not have significant financial impact on the Group for the current quarter under review.

DISCCOMP BERHAD(Company No. 55420-P)
(Incorporated in Malaysia)**A3 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2006 was not qualified.

A4 Segment Information

	3 months ended		6 months ended	
	30.06.07	30.06.06	30.06.07	30.06.06
<u>Segment Revenue</u>	RM'000	RM'000	RM'000	RM'000
Manufacturing	16	381	341	1,242
Trading	13,305	12,649	26,785	26,122
Total revenue including inter-segment sales	13,321	13,030	27,126	27,364
Elimination of inter-segment sales	(5,308)	(5,241)	(10,929)	(11,669)
Total revenue	8,013	7,789	16,197	15,695
<u>Segment Results</u>	RM'000	RM'000	RM'000	RM'000
Profit/(loss) from operations:				
Manufacturing	(217)	(775)	(449)	(1,589)
Trading	612	433	806	936
	395	(342)	357	(653)
Profit/(loss) before taxation:				
Manufacturing	(223)	(759)	(459)	(1,556)
Trading	609	431	800	932
	386	(328)	341	(624)

A5 Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the quarter under review, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

A6 Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current quarter under review.

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A7 Seasonal or Cyclical Factors

The Group's performance was not affected by any significant seasonal or cyclical factors in the current quarter under review.

A8 Dividends Paid

No dividend has been paid in the current quarter and the financial year-to-date.

A9 Carrying Amount of Property, Plant and Equipment

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

A10 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

A11 Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter and the financial year-to-date.

A12 Capital Commitments

There were no capital commitments for the current financial year-to-date.

A13 Changes in Contingent Liabilities/Contingent Assets

There were no changes in contingent liabilities/contingent assets since the last annual balance sheet date as at 31 December 2006.

A14 Subsequent Events

There were no material events subsequent to the financial quarter ended 30 June 2007 up to the date of this report which is likely to substantially affect the results of the operations of the Group.

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A15 Related party transactions

The related parties of the Group and of the Company comprise the following:

Related companies being subsidiary companies of Disccomp Berhad ("Disccomp"):

- i) Pineapple Computer Systems Sdn Bhd ("PCS"), a 92.16%-owned subsidiary company;
- ii) Pineapple Computers & Accessories Sdn Bhd ("PCA"), a wholly-owned subsidiary company of PCS;
- iii) Pine System Technology Sdn Bhd ("PST"), a 51%-owned subsidiary company of PCS;
- iv) SC Multimedia (EM) Sdn Bhd ("SCEM"), a 51%-owned subsidiary company; and
- v) Esytech Export Sdn Bhd ("ETE"), a 51%-owned subsidiary company;
- vi) Pine Computer Sdn Bhd, a 55%-owned subsidiary company of PST.

Other related parties included:

- i) Chuan Huat Resources Berhad ("CHRB") group of companies ("CHRB Group");
- ii) Lim Kim Chuan & Sons Holdings Sdn Bhd ("LKC & Sons").

The significant related party transactions are as follows:

	6 months ended 30.06.07 RM'000	6 months ended 30.06.06 RM'000
a) <u>Sale of goods to other related parties</u>		
i) CHRB Group	-	22
b) <u>Other related parties</u>		
i) Rental of premises paid to CHRB Group	94	154
ii) Rental of house paid to LKC & Sons	-	8
iii) Security services and management/ administrative services received from CHRB Group	-	21
iv) Rental of premises received from CHRB Group	12	12
v) Management services received from an associated company of CHRB	3	3
c) <u>Subsidiary companies</u>		
i) Rental income received from subsidiary companies	15	48
ii) Management fees received from subsidiary companies	77	57

CHRB holds 100% equity interest in Chuan Huat Hardware Holdings Sdn Bhd, which in turn holds 63.86% equity interest in Disccomp.

LKC & Sons is a company owned by Dato' Lim Khoon Heng, Dato' Lim Loong Heng, Lim Khoon Hock, Lim Kim Chuan and Hew Kwee Won ("The Lim Family"). The Lim Family is deemed interested in the related party transactions between the Group and LKC & Sons.

In the opinion of the Directors, the above related party transactions have been entered into in the normal course of business and have been established under terms that are no more favourable than those arranged with independent third parties.



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B. Explanatory Notes Pursuant to rule 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market**B1 Performance Review**

	3 months ended		6 months ended	
	30/06/07	30/06/06	30/06/07	30/06/06
	RM'000	RM'000	RM'000	RM'000
Revenue	8,013	7,789	16,197	15,695
Profit/(Loss) before taxation	386	(328)	341	(624)

The Group's revenue for the second quarter and six (6) months financial period ended 30 June 2007 have increased by approximately 2.9% and 3.2% respectively, as compared to the preceding year's corresponding period in the preceding financial year. The increases in revenue were mainly contributed by the improved performances from the retail outlets and branches.

The Group recorded profit before taxation of approximately RM386,000 and RM341,000 for the second quarter and six (6) months financial period ended 30 June 2007 respectively as compared to the losses before taxation for the corresponding period in the preceding financial year of approximately RM328,000 and RM624,000. The improved performance were mainly due to a higher gross profit margin and the streamlining of the operation to reduce the expenses.

B2 Comment on Material Change in Profit/(Loss) Before Taxation

	3 months ended	
	30/06/07	31/03/07
	RM'000	RM'000
Profit/(Loss) before taxation	386	(45)

During the financial quarter under review, the Group recorded a profit before taxation of approximately RM386,000 as compared to a loss before taxation of approximately RM45,000 for the preceding quarter ended 31 March 2007. This is mainly due to the improved gross profit margin.

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**B3 Commentary on Prospects**

The Group have shifted the business focus back to the more stable “ESYINK” range of IT consumable products viz. compatible ink cartridges and coated paper. This was in line with the strategy of managing the adverse effects arising from the sharp decline in prices of flash memory products which was the Group’s core focus previously. The Group will continue to draw on the strength of a ready network of distribution/retail outlets throughout the country to maintain the “ESYINK” brand leadership in the compatible ink market of the country. In view of the discouraging prospect of the Micro Floppy Diskettes (“MFD”) sector, the Group aims to relocate or dispose of the MFD manufacturing activity in the near future to stop the losses from this division.

The country’s improving economic fundamentals, sustained global growth and resilient domestic demand are expected to impact positively on the retailing sector of IT products. Barring unforeseen circumstance, the Board is optimistic that the Group’s core division of trading and retailing will contribute positively.

B4 Profit Forecast and Profit Guarantee

Not applicable as the Group did not announce any profit forecast or profit guarantee.

B5 Income Tax Expenses

	3 months ended		6 months ended	
	30/06/07	30/06/06	30/06/07	30/06/06
	RM’000	RM’000	RM’000	RM’000
Malaysia income tax				
- current	80	68	136	152
- under/(over) provision in prior years	(1)	(4)	(1)	(4)
	<u>79</u>	<u>64</u>	<u>135</u>	<u>148</u>
Deferred taxation	-	(91)	-	(18)
TOTAL	<u>79</u>	<u>(27)</u>	<u>135</u>	<u>130</u>

The effective tax rate for the financial period ended 30 June 2007 and 30 June 2006 is not reflective of the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purposes.

B6 Sale of Unquoted Investment and Properties

There were no sales of unquoted investments and properties during the quarter under review and financial year-to-date.

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**B7 Quoted Securities**

- (a) There were no purchases or disposals of quoted securities during the quarter under review and financial year-to-date.
- (b) There were no investments in quoted securities as at 30 June 2007.

B8 Corporate Proposals

The Group does not have any corporate proposals announced but not completed as at 25 August 2007 (the latest practical date which is not earlier than 7 days from the date of this report).

B9 Borrowings and Debt Securities

The Group does not have any borrowings or debt securities as at 30 June 2007.

B10 Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B11 Changes in Material Litigation

There was no material litigation involving the Group as at the date of this report.

B12 Dividend Payable

No dividend has been declared or recommended for payment for the quarter ended 30 June 2007.

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**B13 Profit/(Loss) Per Share****Basic**

The basic profit/(loss) per share is calculated by dividing profit/(loss) after taxation and minority interests by the weighted average number of ordinary shares in issue for the respective periods as follows:

	3 months ended		6 months ended	
	30/06/07	30/06/06	30/06/07	30/06/06
Profit/(Loss) attributable to the equity holders of the parent (RM'000)	263	(326)	144	(796)
Total number of ordinary shares in issue ('000)	48,500	48,500	48,500	48,500
Basic profit/(loss) per share (sen)	0.54	(0.67)	0.30	(1.64)

There were no potential dilutive components in the shareholdings of Disccomp as at 30 June 2007 and 30 June 2006.

BY ORDER OF THE BOARD**DATO' LIM LOONG HENG
MANAGING DIRECTOR**

Date: 27 August 2007