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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007**

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**A. Explanatory Notes Pursuant to Financial Reporting Standard (“FRS”) No.134<sub>2004</sub>**

**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 134<sub>2004</sub>, 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 119<sub>2004</sub>(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		9 months ended	
	30.09.07	30.09.06	30.09.07	30.09.06
<u>Segment Revenue</u>	RM'000	RM'000	RM'000	RM'000
Manufacturing	16	376	357	1,618
Trading	14,124	14,291	40,909	40,413
Total revenue including inter-segment sales	14,140	14,667	41,266	42,031
Elimination of inter-segment sales	(4,827)	(5,841)	(15,756)	(17,510)
Total revenue	9,313	8,826	25,510	24,521
<u>Segment Results</u>	RM'000	RM'000	RM'000	RM'000
Profit/(loss) from operations:				
Manufacturing	(17)	(373)	(466)	(1,962)
Trading	282	56	1,088	992
	265	(317)	622	(970)
Profit/(loss) before taxation:				
Manufacturing	(17)	(373)	(476)	(1,929)
Trading	281	55	1,081	987
	264	(318)	605	(942)

**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.

## **DISCCOMP BERHAD**

(Company No. 55420-P)  
(Incorporated in Malaysia)



### **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 September 2007 up to the date of this report which is likely to substantially affect the results of the operations of the Group.

## DISCCOMP BERHAD

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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:

	9 months ended 30.09.07 RM'000	9 months ended 30.09.06 RM'000
a) <u>Sale of goods to other related parties</u>		
i) CHRB Group	-	25
b) <u>Other related parties</u>		
i) Rental of premises paid to CHRB Group	141	201
ii) Rental of house paid to LKC & Sons	-	9
iii) Security services and management/ administrative services received from CHRB Group	-	29
iv) Rental of premises received from CHRB Group	18	18
v) Management services received from an associated company of CHRB	3	5
c) <u>Subsidiary companies</u>		
i) Rental income received from subsidiary companies	30	56
ii) Management fees received from subsidiary companies	86	81

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		9 months ended	
	30/09/07	30/09/06	30/09/07	30/09/06
	RM'000	RM'000	RM'000	RM'000
Revenue	9,313	8,826	25,510	24,521
Profit/(Loss) before taxation	264	(318)	605	(942)

The Group's revenue for the third quarter and nine (9) months financial period ended 30 September 2007 have increased by approximately 5.2% and 3.9% 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 RM264,000 and RM605,000 for the third quarter and nine (9) months financial period ended 30 September 2007 respectively as compared to the losses before taxation for the corresponding period in the preceding financial year of approximately RM318,000 and RM942,000. The improved performance were mainly due to improved gross profit margin and the consolidation of some operation to reduce the overheads.

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

	3 months ended	
	30/09/07	30/06/07
	RM'000	RM'000
Profit/(Loss) before taxation	264	386

During the financial quarter under review, the Group recorded a profit before taxation of approximately RM264,000 as compared to a profit before taxation of approximately RM386,000 for the preceding quarter ended 30 June 2007. This is mainly due to the reduced gross profit margin achieved during the quarter owing to market competition.

## DISCCOMP BERHAD

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### B3 Commentary on Prospects

The Group have strategically consolidated the operations of the "ESYINK" range of IT consumable products viz. compatible ink cartridges and coated paper. The move has enabled an effective business focus on the more stable range of products in terms of profitability. The Group will continue to draw on the strength of a ready network of distribution/retail outlets throughout the country with the aim of maintaining 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 has in the mean time reduced the operations to a minimal level while aiming to relocate or dispose of the MFD manufacturing activity in the near future.

The Group hopes to benefit from the country's improving economic fundamentals and resilient domestic demand. This is 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 to the performance of the Group.

### 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		9 months ended	
	30/09/07	30/09/06	30/09/07	30/09/06
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
- current	(3)	22	133	174
- under/(over) provision in prior years	(2)	6	(3)	2
	<hr/>	<hr/>	<hr/>	<hr/>
	(5)	28	130	176
Deferred taxation	-	7	-	(11)
TOTAL	<hr/>	<hr/>	<hr/>	<hr/>
	(5)	35	130	165

The effective tax rate for the 9 months financial period ended 30 September 2007 and 30 September 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 September 2007.

**B8 Corporate Proposals**

The Group does not have any corporate proposals announced but not completed as at 20 November 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 September 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 September 2007.

**DISCCOMP BERHAD**

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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 number of ordinary shares in issue for the respective periods as follows:

	3 months ended		9 months ended	
	30/09/07	30/09/06	30/09/07	30/09/06
Profit/(Loss) attributable to the equity holders of the parent (RM'000)	237	(374)	381	(1,170)
Total number of ordinary shares in issue ('000)	48,500	48,500	48,500	48,500
Basic profit/(loss) per share (sen)	0.49	(0.77)	0.79	(2.41)

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

**BY ORDER OF THE BOARD**

*[ Signed ]*

**DATO' LIM LOONG HENG**  
**MANAGING DIRECTOR**

Date: 26 November 2007