



DSC SOLUTIONS BERHAD (721605-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS

Quarterly Report For The Fourth Quarter Ended 30 September 2012

A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 September 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to and understanding of the changes in the financial position and performance of DSC Solutions Berhad (“DSC”) since financial year ended 30 September 2011.

The accounting policies and methods of computation adopted by DSC and its subsidiary companies (“Group”) in the preparation of these interim financial statements are consistent with those adopted in the latest audited financial statements for the year ended 30 September 2011.

A2. Changes in accounting policies

The significant accounting policies, method of computation and basis of consolidation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the year ended 30 September 2011. The adoptions of new and revised FRSS, Amendments / Improvements to FRSS, IC Interpretations (“IC Int”) and Amendments to IC Int do not have significant financial impact to the Group.

A3. Auditors’ report on preceding annual financial statements

The preceding year’s annual financial statements were not subject to any qualification.

A4. Seasonal or cyclical factors

The Group’s operations are not materially affected by seasonal or cyclical factors.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter under review.

A6. Material changes in estimates

There were no changes in estimates that have had a material effect in the current financial quarter under review.

A7. Debts and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities, share buy backs, share cancellation, shares held as treasury share and resale of treasury shares for the current financial quarter under review.



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A8. Dividend

There were no dividends declared or paid during the current financial quarter under review.

A9. Segmental information

(a) Analysis of revenue by geographical area

	Current Quarter Ended 30/9/2012 RM'000	Preceding Corresponding Quarter Ended 30/9/2011 RM'000	Current Year To Date Ended 30/9/2012 RM'000	Preceding Corresponding Year To date Ended 30/9/2011 RM'000
Singapore	3,011	3,189	8,178	9,788
Malaysia	409	965	4,942	4,721
Others	593	1,340	3,097	3,813
	4,013	5,494	16,217	18,322
Less: Inter-company transactions	(627)	(676)	(3,579)	(2,758)
Total revenue	3,386	4,818	12,638	15,564

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/9/2012 RM'000	Preceding Corresponding Quarter Ended 30/9/2011 RM'000	Current Year To Date Ended 30/9/2012 RM'000	Preceding Corresponding Year To date Ended 30/9/2011 RM'000
Proprietary software	236	834	2,384	3,443
Value added products & services	3,650	1,520	7,654	6,824
AIDC hardware / equipment	127	3,140	6,179	8,055
	4,013	5,494	16,217	18,322
Less: Inter-company transactions	(627)	(676)	(3,579)	(2,758)
Total revenue	3,386	4,818	12,638	15,564



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A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current financial quarter under review.

A11. Material events subsequent to the end of the quarter

The company had incorporated new subsidiary, Resellerasia Hong Kong on 15 November 2012.

A12. Changes in composition of the Group

There were no material changes in the composition of the Group for the current financial quarter under review.

A13. Contingent assets or liabilities

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at reporting date.

A14. Capital commitments

There were no material capital commitments in respect of property, plant and equipment as at the end of the current quarter under review.

A15. Significant related party transactions

During the current financial quarter, the Directors are of the opinion that the Group has no related party transactions which would have a significant impact on the financial position and business of the Group.

A16. Cash and cash equivalents

	As at	As at
	30/9/2012	30/9/2011
	RM'000	RM'000
Cash and bank balances	2,943	670
Fixed deposits with licensed banks	715	676
	<hr/>	<hr/>
	3,658	1,346
Bank overdraft (see notes B8)	(157)	(399)
	<hr/>	<hr/>
	3,501	947

A17. Inventories

There were inventories written off during the quarter under review amounting to RM0.17 million.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET

B1. Review of performance

Current Year 4th Quarter versus Previous Year 4th Quarter

For the current quarter under review, the Group recorded revenue of RM3.39 million, which represents a reduction of approximately 30% or RM1.43 million as compared to a revenue of RM4.82 million for the same quarter of the preceding year. The reduction in revenues is due to lower sales recorded by our business units in Singapore, in the light of slower customer demand.

However, in the current quarter, the Group recorded a gross profit of RM0.95 million or a reduction of only RM0.03 million or 3.5% from the preceding corresponding quarter ended 30 September 2011 of RM0.98 million. This is due to the improvement of profit margin of 28% in current quarter as compared to 20% in the preceding corresponding quarter.

For the current quarter, the Group recorded a loss before tax of RM0.32 million as compared to a loss before tax of RM1.44 million in the same quarter of the preceding year. The reason is mainly due to lower written off of inventory during the financial period of RM0.17 million as compared to a write off of inventory of RM0.98 million in the preceding period. In addition, there was higher other income of RM0.62 million, resulting from reversal of inventory written off during the financial period as compared with RM0.08 million earned in the preceding period.

Current Year-to-Date versus Previous Year-to-Date

The Group recorded a revenue of RM12.64 million, which represents a decrease of 19% or RM2.93 million as compared to a revenue of RM15.56 million in the previous year-to-date. The decrease in revenue was mainly due to lower sales in proprietary software and AIDC Hardware/equipment as set out in Note A9(b) above.

However, in the current year, the Group recorded a gross profit of RM3.82 million or an increase of RM0.12 million or 3.2% over the preceding corresponding year ended 30 September 2011 of RM3.69 million. This is due to the improvement of profit margin of 30% in current year as compared to 24% in previous year.

The Group registered a lower loss before tax of RM0.21 million as compared to a loss before tax of RM4.95 million in the corresponding period of the previous year. These were mainly due to higher other income from write back of inventories of RM1.61 million and lower write off of inventories of RM0.32 million in current year as compared to RM3.82 million in the previous year. There is also a slight improvement in the administrative expenses of RM0.12 million in the current year due to the cost-reduction measures taken by the Company since early 2012.

B2. Comparison with preceding quarter's results

	Current Quarter 30/9/2012 RM'000	Preceding Quarter 30/6/2012 RM'000	Variance RM'000
Revenue	3,386	3,440	(54)
Loss before tax	(315)	513	(828)



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In the current quarter, the Group recorded a revenue of RM3.39 million or a slight reduction of RM0.05 million or 1.6% from the preceding quarter ended 30 June 2012 of RM3.44 million.

However, in the current quarter, the Group recorded a loss before tax of RM0.32 million compared to a profit before tax for the preceding quarter ended 30 June 2012 of RM0.51 million. The loss is mainly attributable to an increase of professional fee of RM0.17 million in which RM0.07 related to a corporate exercise. Further, the current quarter also incurred foreign exchange loss of RM0.12 million as compared to gain from foreign exchange of RM0.03 million in the preceding quarter. For this current quarter, the Group has also incurred various expenses including audit fee, upkeep of office and donation etc of RM0.36 million which were not incurred in the preceding quarter. In addition, the Group recorded inventory write off of RM0.17 million where no provision was made in the last quarter.

B3. Prospects

Our existing markets (both Malaysia and Singapore) remain unchanged in terms of overall sales turnover and market growth potential. However, we have plans to expand our sales and marketing presence in Indonesia, Myanmar and Hong Kong. We have seen an overall improvement in operational productivity as a whole. We initiated an inventory control program to improve our inventory turnaround. As a result, our inventory levels have been reduced significantly. We have also undertaken certain cost reduction measures and improve our overall overheads. Going forward, we continue to remain positive on the prospects of the Group.

B4. Taxation

There was a provision of tax liability of RM0.04 million for the fiscal year due to non allowable expenses incurred.

B5. Profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee during the current financial quarter under review.

B6. Status of utilisation of proceeds from public

DSC was listed on 9 December 2009 on the ACE Market of Bursa Securities. The utilisation of the gross proceeds of RM6.30 million from the public issue by the Group as at 30 June 2012 were as follows:-

Purpose	Proposed Amount RM'000	Amount Utilised RM'000	Amount Unutilised RM'000	Timeframe for Utilisation
Working Capital	1,389	1,517	(128)	
Business Expansion	1,400	1,400	-	We have fully utilised the proceed from public issue.
R&D Expenditure	1,800	1,800	-	
Listing Expenses	1,700	1,572	128 *	
	<u>6,289</u>	<u>6,289</u>	<u>-</u>	

* In view of the actual listing expenses were lower than estimated, the excess have been utilized for working capital purposes.



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B7. Status of corporate proposals announced and completed

On 20 January 2012, the Company announced that it proposed to implement a private placement up to 10,400,000 new ordinary shares of RM0.10 each in DSC (“DSC Shares” OR “Shares”) (“Placement Shares”), representing up to ten percent (10%) of the issued and paid-up share capital of the Company, to third party investors to be identified for the Group working capital requirements.

The private placement exercise had been successfully completed on 5 September 2012 upon listing of and quotation of 10,400,000 placement shares at the issue price of RM0.10 per share on Bursa Malaysia Securities Berhad.

The utilisation of the gross proceeds of RM1,040,000 from the private placement exercise by the Group as at 30 September 2012 is as follows:-

Purpose	Proposed Amount RM'000	Amount Utilised RM'000	Amount Unutilised RM'000	Timeframe for Utilisation
Working Capital	564	-	564	Within twelve (12) months
Business Expansion	376	-	376	Within twelve (12) months
Corporate Proposal Expenses	100	71	29	Within one (1) month
	<u>1,040</u>	<u>71</u>	<u>969</u>	

B8. Borrowings and debt securities

The total borrowings of the Group as at 30 September 2012 are as follows:

	RM'000 equivalent
Short term:	
Term loan	206
Letter of Credit	419
Bank overdrafts	157
Long term:	-
	<u>782</u>

All the borrowings are secured by way of joint and several guarantee by Directors and pledge of fixed deposits of approximately RM0.69 million. Based on the above, RM0.68 million of the Group’s borrowings is denominated in Singapore Dollars and the remaining in Malaysia Ringgit.



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B9. Material litigation

The Group has not been involved in any material litigation since the last statement of financial position dated as at 30 September 2012.

B10. Dividends

The Board of Directors does not recommend any dividends for the current financial quarter under review and the financial year-to-date.

B11. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/9/2012	Preceding Corresponding Quarter Ended 30/9/2011	Current Year To Date Ended 30/9/2012	Preceding Corresponding Year To Date Ended 30/9/2011
Net loss attributable to ordinary equity holders of the Company (RM'000)	(342)	(1,368)	(212)	(4,803)
Weighted average number of ordinary shares in issue ('000)	114,400	104,000	114,400	104,000
Basic loss per share (sen)	(0.30)	(1.32)	(0.19)	(4.62)

Diluted earnings per share is not disclosed herein as it is not applicable to the Group.

B12. Disclosure of Realised and Unrealised Profits / (Losses)

	As at 30/9/2012	As at 30/9/2011
	RM'000	RM'000
Realised	(971)	(652)
Unrealised	36	(71)
	<u>(935)</u>	<u>(723)</u>
Less: Consolidation adjustment	(588)	(588)
	<u>(1,523)</u>	<u>(1,311)</u>



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B13. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 06 December 2012.

DSC Solutions Berhad

06 December 2012