

**Notes to the unaudited results of the Group for the first quarter ended 30 Nov 2011.**

**1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 August 2011. These explanatory notes attached to the interim financial statements provide an 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 August 2011.

**2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2011, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs and Interpretations by the Group with effect from 1 September 2011.

**FRSs, Amendments to FRSs and Interpretations**

- Technical Release 3 Guidance on Disclosures of Transition to IFRSs
- Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1 Additional Exemptions for First-time Adopters
- Amendments to FRS 2 Group Cash-Settled Share-based Payment Transactions
- Amendments to FRS 7 Improving Disclosures about Financial Instruments
- IC Interpretation 4 Determining whether an Arrangement contains a Lease
- IC Interpretation 18 Transfers of Assets from Customers
- Technical Release i-4 Shariah Compliant Sale Contracts
- Improvements to FRSs issued in 2010
- Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement
- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Other than the new disclosures required under the Amendments to FRS 7, the application of the above Amendments to FRSs and Interpretations did not result in any significant changes in accounting policies and presentation of the financial results of the Group.

As at the date of authorisation of these financial statements, the following new FRSs and Interpretations were issued but not yet effective and have not been applied by the Group, which are:

**Effective for financial periods beginning on or after 1 January 2012**

- IC Interpretation 15 Agreements for the Construction of Real Estate
- FRS 124 Related Party Disclosures

The initial application of the above new FRSs and interpretations, and amendments to FRSs and Interpretations is not expected to have any significant impact on the Group.

The Malaysian Accounting Standards Board (MASB) has on 19 November 2011 issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework comprises Standards as issued by the International Accounting Standards Board (IASB) that are effective on 1 January 2012. It also comprises new/revised Standards recently issued by the IASB that will be effective after 1 January 2012 such as Standards on financial instruments, consolidation, joint arrangements, fair value measurement and employee benefits, amongst others. The Group is in the process of making an assessment of the impact of this new framework.

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**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 2011 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 and financial year to date except for the following:

The manufacturing facilities of a subsidiary in Thailand, ISCM Technology (Thailand) Co. Ltd. ("ISCMT"), were affected by flood in both Rojana and Navanakorn Industrial Estate on 9 October and 17 October 2011 respectively forcing the subsidiary to cease operations temporary. The impact of this damaged was reported in current quarter performance. As of 20 January 2012, the insurance claim to this flood incident has not been finalized.

**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>3 months period ended 30 November 2011</b>	<b>Integrated Supply Chain Products And Services</b>	<b>Contract Manufacturing Services</b>	<b>Supply of Packaging 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	15,032	3,006	22,740	-	40,778
Inter-segment revenue	202	69	4,172	(4,443)	-
<b>Total segment revenue</b>	<b>15,234</b>	<b>3,075</b>	<b>26,912</b>	<b>(4,443)</b>	<b>40,778</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>(290)</b>	<b>(6,978)</b>	<b>(37)</b>	<b>-</b>	<b>(7,305)</b>
Unallocated corporate expenses					(194)
Operating loss					(7,499)
Finance costs, net					(389)
Loss before taxation					(7,888)
Taxation					(264)
Loss after taxation					(8,152)
<b>Interest revenue</b>	-	4	79	-	83
<b>Interest expense</b>	12	17	360	-	389
<b>Depreciation and amortisation</b>	16	333	774	-	1,123
<b>Other significant non-cash items</b>	327	6,345	405	-	7,077
<b>Segment assets</b>	14,500	10,808	84,067	-	109,375
Unallocated assets					3,434
<b>Total assets</b>					<b>112,809</b>
<b>Segment liabilities</b>	6,602	4,695	45,061	-	56,358
Unallocated liabilities					4,026
<b>Total liabilities</b>					<b>60,384</b>

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

<b>3 months period ended 30 November 2010</b>	<b>Integrated Supply Chain Products And Services</b>	<b>Contract Manufacturing Services</b>	<b>Supply of Packaging 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	10,471	6,592	21,304	-	38,367
Inter-segment revenue	632	85	4,649	(5,366)	-
<b>Total segment revenue</b>	<b>11,103</b>	<b>6,677</b>	<b>25,953</b>	<b>(5,366)</b>	<b>38,367</b>
<b>RESULTS</b>					
<b>Segment results</b>	<b>518</b>	<b>1,075</b>	<b>997</b>	<b>-</b>	<b>2,590</b>
Unallocated corporate expenses					(1,239)
Operating profit					1,351
Finance costs, net					(328)
Profit before taxation					1,023
Taxation					(463)
Profit after taxation					560
<b>Interest revenue</b>	-	6	67	-	73
<b>Interest expense</b>	25	18	285	-	328
<b>Depreciation and amortisation</b>	17	475	637	-	1,129
<b>Other significant non-cash items</b>	45	(104)	(254)	-	(313)
<b>Segment assets</b>	11,130	18,533	76,602	-	106,265
Unallocated assets					1,039
Total assets					107,304
<b>Segment liabilities</b>	5,133	4,462	36,433	-	46,028
Unallocated liabilities					4,658
Total liabilities					50,686

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 statement.

**11 Subsequent Material Event**

There were no material events that have been taken place subsequent to the Balance Sheet date.

**12 Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter and financial year to date except for the following:-

On 20 January 2011, the Company has entered into a Share Sale Agreement with Mayban-JAIC Asean Fund ("Mayban-JAIC") to acquire 30% equity interest of ISCM Technology (Thailand) Co. Ltd. ("ISCMT") comprising of 300,000 ordinary share of Baht 100 each for a purchase consideration of RM7.5 million.

On 20 December 2011, both Mayban JAIC and the Company have agreed to vary the term of payment by splitting the balance payment of RM4.5 million into two settlements. The first balance payment of RM2 million has been settled before 31 December 2011, whereas the final settlement of RM2.5 million will be due on 30 June 2012.

**13 Changes in Contingent Liabilities and Assets**

The Company provided corporate guarantees amounting to RM13,054,000 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 30 November 2011 are as follows:

	<b>RM'000</b>
Approved and contracted for:	
- Building	6,387
- Plant and Machinery	227
Approved and not contracted for:	
- Building	5,000
<b>Total Capital Commitments</b>	<b>11,614</b>

## **15 Review of Performance of the Group**

The current quarter's revenue is registered at approximately RM40.8 million with a loss before taxation of RM7.6 million. Comparing this to the same quarter of last year, the Group's revenue has shown an increase of approximately RM2.4 million. This increase in revenue on the first quarter was due to better sales revenue from the Southern Thailand's operations as compared to the same period in 2011 when it was impacted by the flood.

However, the current quarter's performance recorded a loss of RM7.9 million compared to a profit before taxation of RM1.0 million in the same quarter of last year. The reason for this quarter's loss is because our factories in Bangkok, Thailand were inundated by the flood waters which has damaged our property, plant and equipment and inventories in early October 2011. The Group has written off the assets which were damaged by the flood in this current quarter. Our insurance claim has yet to be finalized by the insurance company. As to date, our factories in Bangkok have yet to commence operations.

In order to mitigate the situation above, the management had taken initiatives to temporary carry out our operations in our other facilities in Malaysia until our factories in Bangkok commence operations there.

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

The Current quarter's revenue is lower by RM4.2 million compared to the immediate preceding quarter. This is mainly due to the flood incident which occurred in Bangkok in early October 2011 which has forced our factories to stop operations

With the effect of the flood, we are reporting a loss of RM7.9 million in this quarter as compared to a profit before taxation of RM2.3 million in preceding quarter as explained in note 15 above.

## **17 Prospects**

The performance of the group for 2012 would be significantly impacted as it would take at least until April before we are able normalise the operations which were affected by the flood in Bangkok, Thailand. The operations cost will also increase in Thailand with the expected increase in minimum wage which has been announced to be effective in April 2012.

The Group expects a challenging outlook for year 2012 and will explore all areas to mitigate the potential challenges and increase operation cost as well as to further grow the business and profitability.

## **18 Profit Forecast and Profit Guarantee**

Not applicable.

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**19 Taxation**

	<b>Current and Cumulative Quarter</b>	
	<b>30 Nov 2011</b>	<b>30 Nov 2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
Current period	247	467
Deferred tax:		
Current period	(16)	(21)
Provision no longer required	33	17
<b>Total tax expenses</b>	<b>264</b>	<b>463</b>

The effective taxation rate is lower than statutory taxation rate primarily due to losses in certain subsidiaries companies has been set off against the taxable income of certain subsidiaries.

**20 Sales of Un-quoted Investments and/or Properties**

There were no sales of un-quoted investments and/or properties for the current quarter and financial year to date.

**21 Quoted Investments**

- (a) There were no purchases or disposal of quoted securities for the current quarter and financial year to date and;
- (b) The Company had no investment in quoted securities as at the end of this reporting period.

**22 Status of Corporate Proposal**

There were no corporate proposals announced but not yet completed as at the date of this report except as follows:-

**(a) Employees' Share Option Scheme (ESOS)**

<b>ESOS</b>	<b>First Tranche</b>	<b>Second Tranche</b>	<b>Total</b>
Grant Date	20 Nov 2003	16 March 2004	
Expiry Date	26 May 2013	26 May 2013	
As at 1 Sep 2011	926,000	64,000	990,000
Granted	-	-	-
Exercised	-	-	-
Foregone	42,000	8,000	50,000
As at 30 Nov 2011	884,000	56,000	940,000
Option price per Ordinary Share (RM)	1.00	1.34	

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**22 Status of Corporate Proposal (Cont'd)**

**(b) Status of Utilization of Proceeds from the ESOS**

There were no proceeds during current financial period.

**23 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 payable in the following manner:-

	<b>As At 30 Nov 2011 RM'000</b>	<b>As At 30 Nov 2010 RM'000</b>
<b>Secured:</b>		
Short Term	16,161	12,865
Long Term	8,643	9,829
<b>Total</b>	<b>24,804</b>	<b>22,694</b>
<b>Unsecured:</b>		
Short Term	1,340	660
<b>Grand Total</b>	<b>26,144</b>	<b>23,354</b>

**24 Derivative Financial Instrument**

As at 30 Nov 2011, 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>Gain / (Losses) (RM'000)</b>
Less than 1 year	3,937	4,058	121

The fair value changes of derivative financial asset had resulted in a gain of RM121,394 for the current quarter.

**25 Realised and unrealised profit/losses disclosure**

	<b>As At 30 Nov 2011 RM'000</b>	<b>As At 31 Aug 2011 RM'000</b>
Total retained profits / (accumulated losses) of the Company and its subsidiaries:-		
- Realised	(7,738)	84
- Unrealised	635	592
	(7,103)	676
Add : Consolidated adjustments	(12,150)	(13,816)
Total Group accumulated losses as per consolidated income statements	<b>(19,253)</b>	<b>(13,140)</b>

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**26 Material Litigation**

The Group is not engaged in any material litigation as at 20 January 2012 except for the following:-

Mr. Goh Hong Lim (“GHL”), the ex Managing Director of D’nonce Technology Bhd (“DTB”) filed an industrial claim through the Industrial Court Case No. 9/4-2896/2006 seeking monetary compensation due to wrongful termination. GHL’s position in DTB ceased due to his non re-election to the Board of Directors of DTB. The estimated claim is about RM577,296 if the Industrial Court rules in favor of GHL, which is 24 months of his last drawn salary. DTB’s legal advisers have advised that there is a likelihood that GHL’s claim may not succeed.

No provision has been made by the directors of D’nonce for any further liabilities that may arise relating to the above claim.

**27 Dividend**

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

**28 (Loss)/Earnings Per Share**

<b>Basic</b>	<b>Current and Cumulative Quarter</b>	
	<b>30 Nov 2011</b>	<b>30 Nov 2010</b>
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(6,113)	498
Number of ordinary shares in issue ('000)	45,101	45,101
<b>Basic (loss)/earning per share (sen)</b>	<b>(13.55)</b>	<b>1.10</b>

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**28 (Loss)/Earnings Per Share (Cont'd)**

<b>Diluted</b>	<b>Current and Cumulative Quarter</b>	
	<b>30 Nov 2011</b>	<b>30 Nov 2010</b>
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(6,113)	498
Number of ordinary shares in issue ('000)	45,101	45,101
Effect of dilution : share options ('000)	-	-
<b>Adjusted number of ordinary shares in issue and issuable('000)</b>	<b>45,101</b>	<b>45,101</b>
<b>Diluted (loss)/earning per share (sen)</b>	<b>(13.55)</b>	<b>1.10</b>

**29 Authorisation For Issue**

The Board of Directors authorised the issue of this unaudited interim financial statements on 30 January 2012.

By Order of the Board  
**Gunn Chit Geok**  
**Yeap Kok Leong**  
Company Secretaries  
30 January 2012  
Pulau Pinang