

Notes to the unaudited results of the Group for the third quarter ended 31 May 2012.

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 Appendix 9B 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 (öFRSsö), Amendments to FRSs and IC Interpretations by the Group with effect from 1 September 2011.

FRSs, Amendments to FRSs and IC 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 14 Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)
- IC Interpretation 18 Transfers of Assets from Customers
- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to FRSs issued in 2010

Other than the new disclosures required under the Amendments to FRS 7, the application of the above amendments to FRSs, IC Interpretations and improvements to FRSs 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 FRSs, amendments to FRSs and IC 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

- FRS 124 Related Party Disclosures
- Amendments to FRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7 Disclosures - Transfers of Financial Assets
- Amendments to FRS 112 Deferred Tax: Recovery of Underlying Assets

Effective for financial periods beginning on or after 1 July 2012

- Amendments to FRS 101 Presentation of Items of Other Comprehensive Income

2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

Effective for financial periods beginning on or after 1 January 2013

- FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- FRS 10 Consolidated Financial Statements
- FRS 11 Joint Arrangements
- FRS 12 Disclosure of Interests in Other Entities
- FRS 13 Fair Value Measurement
- FRS 119 Employee Benefits
- FRS 127 Separate Financial Statements
- FRS 128 Investment in Associates and Joint Ventures
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The initial application of the above FRSs, amendments to FRSs and IC 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.

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. (໔ISCMT໐), were affected by flood in both Rojana and Navanakorn Industrial Estate from October 2011 to November 2011 respectively forcing the subsidiary to cease operations temporarily. The impact of this damaged was reported in previous quarters performance. As of 31 May 2012, ISCMT has received a partial payment of the insurance claims.

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.

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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.

9 Segmental Reporting

The Group's segmental analysis is as follows:

9 months period ended 31 May 2012	Integrated Supply Chain Products And Services	Contract Manufacturing Services	Supply of Packaging Materials	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
External revenue	44,206	6,301	68,994	-	119,501
Inter-segment revenue	819	189	11,055	(12,063)	-
Total segment revenue	45,025	6,490	80,049	(12,063)	119,501
RESULTS					
Segment results	(329)	4,740	(1,701)	-	2,710
Unallocated corporate expenses					(1,023)
Operating profit					1,687
Finance costs, net					(1,496)
Profit before taxation					191
Taxation					(604)
Loss after taxation					(413)
Interest revenue	9	6	233	-	248
Interest expense	53	136	1,307	-	1,496
Depreciation and amortisation	49	376	2,544	-	2,969
Other significant non-cash items	50	6,571	1,628	-	8,249
Segment assets	13,033	21,570	89,545	-	124,148
Unallocated assets					6,327
Total assets					130,475
Segment liabilities	7,929	8,740	49,603	-	66,272
Unallocated liabilities					4,395
Total liabilities					70,667

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9 Segmental Reporting (Cont'd)

9 months period ended 31 May 2011	Integrated Supply Chain Products And Services	Contract Manufacturing Services	Supply of Packaging Materials	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
External revenue	38,234	18,582	69,892	-	126,708
Inter-segment revenue	2,619	251	12,203	(15,073)	-
Total segment revenue	40,853	18,833	82,095	(15,073)	126,708
RESULTS					
Segment results	1,542	3,535	4,502	-	9,579
Unallocated corporate expenses					(4,184)
Operating profit					5,395
Finance costs, net					(1,090)
Profit before taxation					4,305
Taxation					(1,565)
Profit after taxation					2,740
Interest revenue	(40)	62	218	-	240
Interest expense	53	50	987	-	1,090
Depreciation and amortisation	50	1,225	1,794	-	3,069
Other significant non-cash items	78	(94)	264	-	248
Segment assets	13,206	14,966	79,871	-	108,403
Unallocated assets					4,065
Total assets					112,108
Segment liabilities	6,940	3,761	38,725	-	49,426
Unallocated liabilities					5,225
Total liabilities					54,651

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 except for the following:

As of 20 July 2012, ISCMT has received a second tranche of proceeds from insurance claims.

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 (SSA) 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 has been settled on 31 May 2012.

On 1 June 2012, both parties have fulfilled the obligations in accordance with the terms and conditions of the SSA and the above acquisition was completed.

13 Changes in Contingent Liabilities and Assets

The Company provided corporate guarantees amounting to RM27,238,000 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 31 May 2012 are as follows:

	RM'000
Approved and contracted for: - Building	5,000
Total Capital Commitments	5,000

15 Analysis of performance for current quarter and financial period-to-date

The current quarter's revenue is registered at approximately RM43.2 million, comparing this to the same quarter of last year, the Group's revenue has shown a decrease of approximately 7% by RM3.3 million, whereas the profit before taxation has increased to RM14.0 million.

The details of the performance of the segments are as follows:

Integrated Supply Chain Products and Services

The current quarter's revenue has increased by RM1.7 million as compared to the same quarter last year. However, a slight loss is recorded in this quarter compared to a profit of RM429,000 last year's quarter is mainly due to increase in operating costs.

Revenue for the nine months period is RM6.0 million higher than last year however the profitability for this business segment has worsen by RM1.9 million. This loss is mainly due to higher inventories written off as some of our inventories were damaged due to flood at our customer's factory in Southern Thailand.

Contract Manufacturing Services

The current quarter's revenue has decreased by 55% to only RM2.7 million compared to revenue of RM6.0 million reported in the same quarter of last year. This is because our facilities in Bangkok, Thailand have been damaged by the flood as mentioned in previous announcements. To date, our facilities have been restored and operations are expected to increase gradually. A significant increase in profit before taxation of RM15.6 million has been recorded upon receiving of insurance claims as mentioned in note 5 above.

Revenue for the nine months period is approximately RM12.3 million lower compared to the nine months period in 2011 due to the flood in Bangkok, Thailand. The profit before taxation is net of the proceeds from the insurance claims and the damages which we had written off during this nine months period.

Supply of Packaging Materials

The current quarter's revenue has slightly decreased to RM24.4 million as compared to the same quarter last year, whereas the loss before taxation has decreased by RM2.3 million. Revenue for nine months period is slightly lesser than last year by 1%. However, the performance for this business segment has reduced from a profit of RM4.5 million to a loss of RM1.7 million.

While our revenue has been mitigated through our continuous expansion, the loss incurred is mainly due to the impact of the flood and increase in labour costs, which have badly affected the whole industry in Thailand as well as the profitability of our Thailand subsidiaries. There was a reversal of trade creditors in the nine months period of 2011 as mentioned in previous announcements which recorded an additional profit of RM1.5 million.

16 Material Changes in Profit Before Taxation Against Preceding Quarter

The current quarter's revenue is higher by RM7.6 million as compared to the immediate preceding quarter and the profit reported in current quarter is significantly higher than last quarter by RM14.0 million. The details analysis by business segment is further analyse as follows:

Integrated Supply Chain Products and Services

The current quarter's revenue has increased by RM2.9 million as compared to last quarter. This is due to increase demand from our customers after they recovered from the recent flood in southern Thailand. However, the performance for current quarter is slightly lower than last quarter due to the minimum wage that has impacted the profitability in this business segment.

Contract Manufacturing Services

The current quarter's revenue has increase significantly after we had successfully restored our facilities in Bangkok, Thailand. We reported a profit of RM15.1 million is mainly due to partial compensation of insurance claims as mentioned in note 5 and 15 above of which the assets had been written off in the previous quarters.

Supply of Packaging Materials

The current quarter revenue has shown an increase by 12% to RM24.4 million as compared to last quarter mainly due to higher demand. This business segment has also recorded a higher profit in current quarter as compared to a loss of RM1.2 million in last quarter due to inventories write off and higher maintenance costs that has recognized in the last quarter.

17 Prospects

In general, the overall performance of the Group has shown improvement leading to a recovery from the impact of the October-November 2011 floods in Thailand. Although the manufacturing facilities in Bangkok, Thailand have been affected by the flood, the restoration of the facilities has been completed and has been in operation since May 2012. We expect our performance in Bangkok to gradually improve.

Despite the recovery of the business from the normalisation of the facilities in Bangkok, the Group is expected to face other challenges such as the fluctuation of currencies and the increase in operating costs due to the minimum wage regulations introduced by the governments of Malaysia and Thailand.

The management will continue to explore all areas to mitigate the potential challenges and the hike in operation cost as well as to further grow the business and profitability.

18 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast or profit guarantee for the year.

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19 Taxation

	Current Quarter		Cumulative Quarter	
	31 May 2012	31 May 2011	31 May 2012	31 May 2011
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	184	457	361	1,568
Prior period	120	-	220	-
Deferred tax:				
Current period	7	(5)	(10)	(20)
Provision no longer required	-	-	33	17
Total tax expenses	311	452	604	1,565

The effective tax rate for the current period was higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

20 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)

ESOS	First Tranche	Second Tranche	Total
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	127,000	8,000	135,000
As at 31 May 2012	799,000	56,000	855,000
Option price per Ordinary Share (RM)	1.00	1.34	

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20 Status of Corporate Proposal (Cont'd)

(b) Status of Utilization of Proceeds from the ESOS

There were no proceeds during current financial period.

21 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:-

	As At 31 May 2012 RM'000	As At 31 Aug 2011 RM'000
Secured:		
Short Term	22,422	17,807
Long Term	14,984	6,665
Total	37,406	24,472
Unsecured:		
Short Term	1,907	330
Grand Total	39,313	24,802

22 Derivative Financial Instrument

As at 31 May 2012, the foreign currency contracts which have been entered into by the Group to hedge its foreign receivable in foreign currency are as follow:

Forward Foreign Currency Contracts	Contract Value RM'000	Fair Value RM'000	Loss RM'000
Less than 1 year	2,231	2,333	(102)

The net fair value changes of derivative financial asset had resulted in a loss of RM155,000 for the current financial period ended 31 May 2012.

23 Realised and unrealised profit/losses disclosure

	As At 31 May 2012 RM'000	As At 31 Aug 2011 RM'000
Total (accumulated losses)/ retained profits of the Company and its subsidiaries:-		
- Realised	523	84
- Unrealised	583	592
	1,106	676
Add : Consolidated adjustments	(15,761)	(13,816)
Total Group accumulated losses as per consolidated income statements	(14,655)	(13,140)

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24 Material Litigation

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

Mr. Goh Hong Lim (øGHLø), the ex Managing Director of Dønonce Technology Bhd (øDTBø) filed an industrial claim through the Industrial Court Case No. 9/4-2896/2006 seeking monetary compensation due to wrongful termination. GHLø'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. DTBø's legal advisers have advised that there is a likelihood that GHLø's claim may not succeed.

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

25 Dividend

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

26 Earnings Per Share

	Current Quarter		Cumulative Quarter	
	31 May 2012	31 May 2011	31 May 2012	31 May 2011
Basic				
Profit/(Loss) attributable to ordinary equity holders of the parent (RMø000)	9,413	523	(1,528)	2,062
Weighted average number of ordinary shares in issue (ø000)	45,101	45,101	45,101	45,101
Basic earnings/(loss) per share (sen)	20.87	1.16	(3.39)	4.57

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26 Earnings Per Share (Cont'd)

Diluted	Current Quarter		Cumulative Quarter	
	31 May 2012	31 May 2011	31 May 2012	31 May 2011
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	9,413	523	(1,528)	2,062
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Effect of dilution : share options ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	45,101	45,101	45,101	45,101
Diluted earnings/(loss) per share (sen)	20.87	1.16	(3.39)	4.57

27 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 26 July 2012.

By Order of the Board
Gunn Chit Geok
Chew Siew Cheng
 Company Secretaries
 26 July 2012
 Pulau Pinang