

Notes to the condensed consolidated interim financial statements of the Group for the third quarter ended 31 May 2014.

1 Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs) No 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Listing requirement of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standard Boards.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2013. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 August 2013.

2 Changes in Accounting Policies and Effects Arising from Adoption of new and revised MFRSs

The significant accounting policies adopted in preparing this condensed consolidated interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 August 2013, except for the adoption of the following new Malaysian Financial Reporting Standards (MFRSs), Amendments to MFRSs and IC Interpretations by the Group with effect from 1 September 2013:

- MFRS 3: Business Combination (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10: Consolidated Financial Statements
- MFRS 11: Joint Arrangements
- MFRS 12: Disclosure of interests in Other Entities
- MFRS 13: Fair Value Measurement
- MFRS 119: Employee Benefits
- MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 128: Investment in Associate and Joint Ventures
- MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ó Government Loans
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 7: Disclosures ó Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11: Joint Arrangements: Transition Guidance
- Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine
- Amendment to IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)

2 Changes in Accounting Policies and Effects Arising from Adoption of MFRSs (cont'd)

As at the date of authorisation of these condensed consolidated interim financial statements, the following MFRSs, amendments to MFRSs 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 2014

Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Recoverable Amount Disclosure for Non-Financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21: Levies

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010-2012 Cycle
Annual Improvements to MFRSs 2011-2013 Cycle

Effective date to be announced

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9: Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

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

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 2013 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.

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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 except for the following:

In the prior quarter, the Company announced that on 29 October 2013, one of the manufacturing facilities of the Company's subsidiary in Thailand, ISCM Industries (Thailand) Co., Ltd. ("ISCM") had caught fire. The fire had damaged certain property, plant and equipment of ISCM and also inventories of ISCM and inventories of another subsidiary placed in the premise i.e., Integrated SCM Co., Ltd. (ISCM).

ISCM is principally involved in the printing of packaging materials and contract manufacturing of consumable electronic products and ISCM is involved in the sales and distribution of chemicals, packaging materials, spare parts and consumables.

The fire had caused extensive damages to ISCM especially in the printing of packaging materials segment and as a result it has not commenced operations at the date of this report.

ISCM and ISCM have made a full assessment of the extent of the damages to their assets and the financial impact from the fire incident has been included in the prior quarter's results. The insurance company has not finalized the final claim but has issued a letter on 20 May 2014 confirming the second partial payment of Thai Baht 50 million (RM5 million) which has been recognised in the current quarter.

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:

9 months period ended 31 May 2014	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	38,703	15,342	69,576	-	123,622
Inter-segment revenue	717	462	12,011	(13,189)	-
Total segment revenue	39,420	15,804	81,587	(13,189)	123,622
RESULTS					
Segment results	696	210	3,047	-	3,953
Unallocated expenses					(2,745)
Operating profit					1,208
Finance costs, net					(1,832)
Loss before taxation					(624)
Taxation					(879)
Loss after taxation					(1,503)
Interest revenue	-	-	158	-	158
Interest expense	136	295	1,401	-	1,832
Depreciation and amortisation	44	1,706	2,185	-	3,935
Other significant non- cash items	18	2	3,947	-	3,967
Segment assets	12,212	23,243	86,412	-	121,867
Unallocated assets					547
Total assets					122,414
Segment liabilities	10,319	9,964	53,648	-	73,931
Unallocated liabilities					3,036
Total liabilities					76,967

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9 Segmental Reporting (cont'd)

9 months period ended 31 May 2013	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	41,009	18,476	73,839	-	133,324
Inter-segment revenue	822	278	12,224	(13,324)	-
Total segment revenue	41,831	18,754	86,063	(13,324)	133,324
RESULTS					
Segment results	1,098	(816)	1,134	-	1,416
Unallocated expenses					(2,606)
Operating profit					(1,190)
Finance costs, net					(1,684)
Profit before taxation					(2,874)
Taxation					(549)
Profit after taxation					(3,423)
Interest revenue	-	24	202	-	226
Interest expense	51	139	1,494	-	1,684
Depreciation and amortisation	43	1,616	2,273	-	3,932
Other significant non- cash items	(15)	20	24	-	29
Segment assets	11,600	19,782	87,922	-	119,304
Unallocated assets					591
Total assets					119,895
Segment liabilities	4,497	7,898	49,798	-	62,193
Unallocated liabilities					3,625
Total liabilities					65,818

Segment profit and loss does not include taxation as this expense is managed on a group basis.

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 statements.

11 Subsequent Material Event

There were no material events that have taken place subsequent to the statements of financial position date.

12 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period.

13 Changes in Contingent Liabilities and Assets

The Company provided corporate guarantees amounting to RM44,998,000 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 2014 are as follows:

	RM'000
Approved and not contracted for: - Building	4,400
Approved and contracted for: - Plant and machinery	1,486
Total Capital Commitments	5,886

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

Compared to the same quarter of last year, the Group's revenue for the current quarter have decreased by RM2.0 million to RM40.9 million. The decrease is mainly due to the fire incident which occurred on 29 October 2013 that has affected our Southern Thailand subsidiary's operations. In this quarter, the subsidiaries has recognized an insurance claim of Thai Baht 50 million (RM5.0 million) being the second partial payment approved for its overall claim. Other potential insurance claims have not been recognised as the insurance company has not approved the amount claimed.

The performance by business segments are further analysed as below:

Integrated Supply Chain Products and Services

The current quarter's revenue of RM12.2 million is lower by RM1.4 million compared to the same quarter last year.

However, the segmental results in the current reporting quarter is RM0.4 million higher than the comparative quarter because the margin of products is higher this year compared to the same quarter of last year.

Contract Manufacturing Services

The current quarter's revenue of RM1.9 million is higher compared to the same quarter last year. This is mainly due to the higher demand from our customers.

The current quarter reported a profit of RM0.7 million compared to a loss of RM0.3 million in the same quarter last year. The improvements are because our operations in Bangkok have started to show improved results in this quarter.

Supply of Packaging Materials

The current quarter's segmental results registered a revenue of RM21.7 million with a segmental profit of RM4.4 million compared to a loss of RM1.1 million in the comparative quarter. This higher segmental profit in this quarter compared to previous year is due to the recognition of the approved second partial payment of the insurance claim amounting to Thai Baht 50 million (RM5.0 million).

16 Material Changes in Profit Before Taxation Against Preceding Quarter

The Group's current quarter revenue of RM40.9 million is RM1.5 million higher than the immediate preceding quarter. The segmental results in this quarter registered a profit of RM4.1 million compared to a profit of RM0.7 million in the previous quarter. Other than the recognition of the insurance claims, this improvement in profitability is also because of improved contribution from our Bangkok operation.

The performance by business segments are further analysed as below:

Integrated Supply Chain Products and Services

The revenue for this business segment is slightly lower by RM0.8 million compared to previous quarter of RM13.0 million. This lower revenue is mainly due to the lower demand by our customers.

The segmental profit for this quarter is RM0.1 million higher compared to a profit of RM0.3 million in the previous quarter.

16 Material Changes in Profit Before Taxation Against Preceding Quarter (cont'd)

Contract Manufacturing Services

The revenue in this business segment has increased by RM3.8 million to RM7.0 million as compared to the immediate preceding quarter mainly due to the improvement from our Bangkok operation.

The segmental results for this business segment registered a profit of RM0.7 million which is increase of RM0.8 million from the previous quarter. This is the result of improvement from our Bangkok operation.

Supply of Packaging Materials

The revenue in this current quarter is RM1.4 million lower than immediate preceding quarter is because the operations in Southern Thailand have not commenced operations since the fire incident. However, this segment registered a profit of RM4.4 million in this current quarter and this is mainly due to the recognition of the insurance claims of Thai Baht 50 million (RM5.0 million).

17 Prospects

As we have yet to re-commence our operations for the printing of packaging materials in Southern Thailand, this segment is still unable to contribute to the Group's coming period performance.

The global business sentiment also remains challenging due to the prevailing global economic conditions. The Group is trying to penetrate into other market segments as well as expanding its existing business to offset the impact. The management is continuously monitoring the Group's operational cost and efficiency to improve the overall 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 2014	31 May 2013	31 May 2014	31 May 2013
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	(4)	115	527	519
Deferred tax:				
Current period	351	17	156	7
Reversal	-	-	196	23
Total tax expenses	(347)	132	879	549

The effective tax rate for the current financial period was lower than the statutory tax rate principally due to certain income is not subject to tax.

20 Status of Corporate Proposal

There were no corporate proposals announced but not yet completed as at the date of this report.

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 and Thai Baht payable in the following manner:

31 May 2014	Denominated in Ringgit Malaysia RM'000	Denominated in Thai Baht RM'000	Total RM'000
Secured:			
Short Term	18,978	15,666	34,644
Long Term	10,220	3,967	14,187
Total	29,198	19,633	48,831
Unsecured:			
Short Term	1,536	-	1,536
Grand Total	30,734	19,633	50,367

31 Aug 2013	Denominated in Ringgit Malaysia RM'000	Denominated in Thai Baht RM'000	Total RM'000
Secured:			
Short Term	14,976	13,733	28,709
Long Term	8,976	4,094	13,070
Total	23,952	17,827	41,779
Unsecured:			
Short Term	891	-	891
Grand Total	24,843	17,827	42,670

22 Derivative Financial Instrument

As at 31 May 2014, 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	Liabilities RM'000
Less than 1 year	933	904	29

The net fair value changes of derivative financial asset had resulted in a gain of RM67,000 for current quarter.

23 Realised and unrealised profit disclosure

	As At 31 May 2014 RM'000	As At 31 Aug 2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(17,275)	(5,838)
- Unrealised	309	329
Add : Consolidated adjustments	(16,966) (4,652)	(5,509) (14,147)
Total Group accumulated losses as per consolidated income statements	(21,618)	(19,656)

24 Material Litigation

The Group is not engaged in any material litigation as at 18 July 2014 except for the following:

A former Director of the Company (the Respondent) had filed an industrial claim through the Industrial Court of Malaysia (the Industrial Court) seeking monetary compensation due to wrongful termination on 2006. The former Director's position in the Company has ceased as he was not re-elected to the Board of Directors of the Company at the members' Annual General Meeting held on 23 February 2006. The Respondent filed a representation for dismissal without just cause or excuse which was heard by the Industrial Court on 26 October 2010. The Industrial Court has on 3 April 2013 dismissed the claim on the premise that Respondent was not a 'workman' as defined under the Industrial Relations Act 1967.

Prior to the Industrial Court delivering its award, the Respondent began a claim in the High Court on 21 February 2012 and the Company succeeded in striking out the Respondent's claim.

The Respondent then appealed to the Court of Appeal, which after hearing submission from both parties allowed the Respondent's appeal and directed the matter to be litigated at the High Court.

Following this, the Respondent's claim for damages for breach of contract will proceed to trial in the High Court. However, a hearing date in the High Court has been set on 6 November 2014.

The Board, having obtained advice from its solicitors, is of the opinion that there is likelihood of success for the Company. Thus no provision has been made in respect of the claim.

25 Dividend

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

26 Earnings/(Loss) Per Share

Basic/ Diluted	Current Quarter		Cumulative Quarter	
	31 May 2014	31 May 2013	31 May 2014	31 May 2013
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	3,805	(3,627)	(1,962)	(3,634)
Weighted average number of ordinary shares in issue ('000)	45,101	45,101	45,101	45,101
Basic earnings/(loss) per share (sen)	8.44	(8.04)	(4.35)	(8.06)

27 Reviews by External Auditors

The condensed consolidated interim financial statements have been reviewed by the Company's external auditors in accordance with the International Standards on Review Engagements 2410 (ISRE 2410) ó Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

28 Authorisation For Issue

The Board of Directors authorised the issue of this unaudited interim financial statements on 25 July 2014.

By Order of the Board
Gunn Chit Geok
Chew Siew Cheng
Company Secretaries
25 July 2014
Pulau Pinang