

DIS TECHNOLOGY HOLDINGS BERHAD (“DIST” OR “THE COMPANY”)

Notes to the quarterly financial report on consolidated results for the financial year ended 30 September 2008

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“FRS”) FRS134 Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ market (“MMLR”).

The interim financial report should be read in conjunction with the audited financial statements of DIST and its subsidiary companies (“the Group” or “DIST Group”) for the financial year ended 31 December 2007. 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 December 2007.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted and used in the preparation of the most recent audited financial statements for the year ended 31 December 2007 except for the adoption of the new/revised standard which is effective for the annual periods beginning on or after 1 July 2007. Those new/revised standards are as follows:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provision, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of changes in Foreign Exchange Rates

The adoption of the above FRS does not have any significant financial impact on the Group. As at the date of this quarterly financial report, the Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has yet to be determined by the MASB.

2. QUALIFICATION OF FINANCIAL STATEMENTS

The audit report for the audited financial statements of the Group for the financial year ended 31 December 2007 was not subject to any qualification.

3. SEASONALITY OR CYCLICALITY FACTORS

Seasonal or cyclical factors do not have any material impact on the Group's business operations.

4. UNUSUAL ITEMS

There were no items of an unusual nature affecting the financial statements during the current financial quarter under review.

5. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior financial years, which have a material impact on the current financial quarter under review.

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6. DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt securities, shares buy-back, and shares cancellation, shares held as treasury shares and resale of treasury shares during the current financial quarter under review.

7. DIVIDEND PAID

There were no dividends paid for the current financial quarter under review and financial period year to date.

8. SEGMENTAL REPORTING

Business Segments

The Group is principally engaged in development, trading and supply of information technology products, internet online and offline business and provision of management and consultancy services. Business segment information has not been prepared as the Group's revenue, operating results, assets, liabilities, capital expenditure, depreciation and other non-cash expenses are mainly confined to one business segment.

Geographical Segments

The business segment of the Group is managed principally in Malaysia and Hong Kong. The products are distributed mainly in Malaysia and Hong Kong. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets and capital expenditure are based on the geographical location of assets.

	9months ended	
	30.09.2008	30.09.2007
	RM'000	RM'000
SEGMENT REVENUE		
Malaysia	82,180	86,743
Hong Kong	9,485	3,902
	<u>91,665</u>	<u>90,645</u>
	As At	As At
	30.09.08	30.09.07
	RM'000	RM'000
SEGMENT ASSETS		
Malaysia	99,257	72,694
Hong Kong	7,529	1,834
	<u>106,786</u>	<u>74,528</u>
	As At	As At
	30.09.08	30.09.07
	RM	RM
CAPITAL EXPENDITURE		
Malaysia	44,418	186,417
Hong Kong	8,378	42,002
	<u>52,796</u>	<u>228,419</u>

9. VALUATION OF PROPERTY, PLANT & EQUIPMENT

The Group did not revalue any of its property, plant & equipment during the current financial quarter under review.

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10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM REPORTING YEAR

There was no material events that have arisen subsequent to the end of the current financial reporting that have not been reflected in the financial statements for the said period.

11. CHANGES IN THE COMPOSITION OF THE GROUP

DIST had on 29 October 2008 invested in 1 ordinary share of RM1.00 each, fully paid-up in the capital of Fujiruku Technology (Malaysia) Sdn Bhd (“FTMSB”), for a total cash consideration of RM1.00. This represents 50% of the total issued and paid-up capital of FTMSB.

The purpose of the investment in FTMSB is to venture into the liquid crystal module and also liquid crystal display market in the South East Asia and South American Region.

Save as disclosed above, there were no other changes in the composition of the Group for the current financial quarter under review.

12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

As at the date of this quarterly financial report, the Company is contingently liable to the extent of RM41.36 million (2007: RM37.73 million) in respect of corporate guarantee given to local banks for credit facilities granted to its subsidiary companies.

Save as disclosed above, there were no other contingent liabilities or contingent assets for the current financial quarter under review.

13. TAXATION

	Current Year Quarter 30/09/3008 RM'000	Preceding Year Corresponding Quarter 30/09/2007 RM'000	Current Year To Date 30/09/2008 RM'000	Preceding Year To Date 30/09/2007 RM'000
Tax Expenses	30	16	45	209

The effective tax rate for the current financial quarter is lower than the statutory tax rate of 26%. The current tax expense is in respect of interest income derived from fixed deposits. The tax expense incurred in the preceding year was due to an under provision of tax for the previous year due to disallowable of certain expenses incurred by the Inland Revenue Board from Digital Integrated System Sdn Bhd (a wholly owned subsidiary company, prior to its acquisition by DIST) and also interest income derived from fixed deposits.

No provision for taxation has been made for the business income for the current financial quarter under review as the Company has been granted pioneer status, which exempts their profits from Malaysian Income Tax for a period of 5 years commencing from 4 February 2004 to 3 February 2009.

14. PROFITS ON SALE OF UNQUOTED INVESTMENTS/PROPERTIES

There were no sales of unquoted investment/properties for the current financial quarter under review and the financial period year to date.

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15. PURCHASE/DISPOSAL OF QUOTED SECURITIES

There was no purchase/disposal of quoted securities for the current financial quarter under review. Currently, the Group does not hold any quoted securities.

16. STATUS OF CORPORATE PROPOSAL

There are no corporate proposals that have been announced but not completed as the date of this quarterly financial report.

17. STATUS OF UTILISATION OF PROCEEDS FROM ANY CORPORATE PROPOSAL

For the current financial quarter under review, the Group did not have any proceeds from equity financing exercises to be utilised.

18. GROUP BORROWINGS (all on secured basis)

The Group's borrowings as at 30 September 2008 is as follows:

Short Term Borrowings	RM'000
Bill Payables	43,527
Bank Overdrafts	5,411
Term Loan	465
Total	49,402
Hire Purchase Creditors (included in other payables and accrued expenses)	107

Long Term Borrowings	RM'000
Hire Purchase Creditors	154
Term Loan	1,865

The above borrowings are denominated in Ringgit Malaysia.

19. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There is no financial instrument with off balance sheet risk as at the date of this quarterly report.

20. MATERIAL LITIGATIONS

There is no pending material litigation against the Group or taken by the Group since the last audited balance sheet date until the date of this announcements.

21. REVIEW OF PERFORMANCE

For the quarter under review, The Group recorded a Profit Before taxation (“PBT”) of RM 1.22million at the back of revenue of RM29.64 million. There was a drop of 23.98% in terms of revenue as compared to that achieved in the preceding year corresponding quarter. The PBT of RM1.22 million incurred in current quarter represents an increase of 11.93% as compared to RM1.09 million incurred in preceding year corresponding quarter. The decrease in the revenue was mainly due to the Group placing more focus on the expansion of product lines with higher profit margin. It has also led to an increase in PBT despite of a drop in revenue

22. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group's PBT for the current quarter of RM1.21 million represents an improvement of 42.35% as compared to RM0.85 in PBT recorded in the 2nd quarter of 2008. The increase was due to the expansion of product lines with higher profit margin

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23. CURRENT YEAR PROSPECTS

A key initiative in 2009 will be to keep our concentration on untapped markets around the globe, venturing especially into South America and more Asian countries. It is also our main priority to maintain and nurture our existing business, hence growing together with our valued partners.

The Group will also continue to concentrate on research and development to further enhance our existing products and widen our product range, with the aim to dish out more innovative gadgets to satiate the mounting demand from the European, South American and Asian markets.

The recession that has hit global market has thwarted the progress of many companies. The Group has taken precautionary actions in business directions to avoid any unnecessary pitfalls. With careful planning and undivided focus, the Group is confident to maintain our momentum in the coming year.

Barring any unforeseen circumstances, the Group predicts a challenging but stable path for the remaining period to the end of the financial year ending 31 December 2008

24. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no profit forecast was published.

25. DIVIDEND

No dividends were declared during the current financial quarter under review or the financial period year to date.

26. RELATED PARTY TRANSACTION

There were no inter-company transactions other than those incurred in the ordinary course of business consistent with the previous quarters.

There were no transactions with the directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

27. EARNINGS PER SHARE (“EPS”)

	Current Year Quarter 30/09/2008	Preceding Year Quarter 30/09/2007	Current Year To Date 30/09/2008	Preceding Year To Date 30/09/2007
Net profit/(loss) for the year (RM'000)	1,200	1,072	2,400	2,313
Weighted average no. of ordinary shares ('000)	143,268	143,268	143,268	143,268
Basic EPS (sen)	0.84	0.75	1.68	1.61
Diluted EPS (sen)	N/A	N/A	N/A	N/A

BY ORDER OF THE BOARD

ONG AI LENG
COMPANY SECRETARY
27 November 2008