

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

Notes to the quarterly financial report on consolidated results for the financial year ended 31 December 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 year 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 year 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 year under review.

7. DIVIDEND PAID

There were no dividends paid for the current financial year 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.

	year ended	
	31.12.08	31.12.07
	RM'000	RM'000
SEGMENT REVENUE		
Malaysia	130,448	122,516
Hong Kong	9,071	17,315
	<u>139,519</u>	<u>139,831</u>
	As At	As At
	31.12.08	31.12.07
	RM'000	RM'000
SEGMENT ASSETS		
Malaysia	103,705	73,962
Hong Kong	6,935	1,496
	<u>110,640</u>	<u>75,458</u>
	As At	As At
	31.12.08	31.12.07
	RM	RM
CAPITAL EXPENDITURE		
Malaysia	157,412	241,324
Hong Kong	29,004	67,939
	<u>186,416</u>	<u>309,263</u>

9. VALUATION OF PROPERTY, PLANT & EQUIPMENT

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

On 12 January 2009, another acquisition of shares was completed. DIST had acquired 5,100 ordinary shares of HK\$1.00 each in DIS B2B Int'l (HK) Limited (“DISB2B”). The acquisition is in line with DIST's future expansion plan and to seek for new business opportunities in Hong Kong.

DISB2B will be principally involved in online trading and e-commerce.

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 RM49.05 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 year under review.

13. TAXATION

	Current Year Quarter 31/12/2008 RM'000	Preceding Year Corresponding Quarter 31/12/2007 RM'000	Current Year To Date 31/12/2008 RM'000	Preceding Year To Date 31/12/2007 RM'000
Tax Expenses	63	9	108	218

The effective tax rate for the current financial quarter is higher 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. The Company is in the midst of applying to Multimedia Development Corporation for the extension of another 5 years of pioneer status tax relief period.

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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 year to date.

15. PURCHASE/DISPOSAL OF QUOTED SECURITIES

There was no purchase/disposal of quoted securities for the current financial year 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 year 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 31 December 2008 is as follows:

Short Term Borrowings	RM'000
Bill Payables	63,325
Bank Overdrafts	2,560
Term Loan	577
Total	66,462
Hire Purchase Creditors (included in other payables and accrued expenses)	98

Long Term Borrowings	RM'000
Hire Purchase Creditors	116
Term Loan	1,799

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.

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21. REVIEW OF PERFORMANCE

For the financial year under review, there was only marginal change in the Group’s turnover as compared to the preceding year. However, the Group has suffered a loss of approximately RM0.8 million as compared to profit of approximately RM1.8 million in the preceding year. The loss was attributable primarily to competitive price war in the information technology (“IT”) industry, unrealised loss in foreign exchange as a result of weakened value of the Ringgit Malaysia against other foreign currencies.

22. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group recorded a Loss before Taxation for the current quarter of approximately RM3.2 million as compared to approximately RM1.2 million in PBT recorded in the 3rd quarter of 2008. The decrease was primarily due to competitive price war in the information technology (“IT”) industry, unrealised loss in foreign exchange as a result of weakened value of the Ringgit Malaysia against other foreign currencies.

23. CURRENT YEAR PROSPECTS

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 year 2009

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.

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27. EARNINGS PER SHARE (“EPS”)

	Current Year Quarter 31/12/2008	Preceding Year Quarter 31/12/2007	Current Year To Date 31/12/2008	Preceding Year To Date 31/12/2007
Net profit/(loss) for the year (RM'000)	(3,253)	(484)	(853)	1,829
Weighted average no. of ordinary shares ('000)	143,268	143,268	143,268	143,268
Basic EPS (sen)	(2.27)	(0.34)	(0.60)	1.28
Diluted EPS (sen)	N/A	N/A	N/A	N/A

BY ORDER OF THE BOARD

LIM YONG CHIAT
COMPANY SECRETARY
26 FEBRUARY 2009