



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 MARCH 2004. (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/3/2004 RM'000	Preceding year corresponding quarter 31/3/2003 RM'000	Current year to date 31/3/2004 RM'000	Preceding year corresponding period 31/3/2003 RM'000
Revenue	14,542	N/A	28,025	N/A
Cost Of Sales	(11,056)	N/A	(21,013)	N/A
Gross Profit	3,486	N/A	7,012	N/A
Operating Expenses	(1,593)	N/A	(2,747)	N/A
Profit Before Finance Cost And Depreciation	1,893	N/A	4,265	N/A
Finance Cost	(70)	N/A	(191)	N/A
Depreciation	(188)	N/A	(330)	N/A
Other Income	408	N/A	503	N/A
Profit Before Taxation	2,043	N/A	4,247	N/A
Taxation	(605)	N/A	(1,286)	N/A
Profit After Taxation	1,438	N/A	2,961	N/A
Minority Interests	-	N/A	-	N/A
Net Profit Attributable To Members Of The Company	1,438	N/A	2,961	N/A
Earnings Per Share	Sen	Sen	Sen	Sen
- Basic	1.72	N/A	3.69	N/A
- Diluted	1.46	N/A	3.12	N/A

Note:

Comparative figures for the preceding year are not available as Digistar Corporation Berhad was listed on the MESDAQ Market of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) on 7 November 2003.

The Condensed Consolidated Income Statement should be read in conjunction with the Group's annual financial report for the financial period ended 30 September 2003.



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

QUARTERLY REPORT ON CONSOLIDATED BALANCE SHEET (The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEET

	As at end of current quarter 31/3/2004 RM'000	As at 30/9/2003 RM'000
PROPERTY, PLANT AND EQUIPMENT	6,735	5,386
CURRENT ASSETS		
Inventories held for resale	1,624	1,680
Trade receivables	4,471	5,665
Other receivables, deposit and prepayment	280	451
Amount owing by contract customers	4,129	2,730
Fixed deposits with licensed banks	13,314	3,249
Cash and bank balances	315	123
	24,133	13,898
CURRENT LIABILITIES		
Trade payables	3,379	4,283
Other payables and accruals	223	252
Bank overdraft	196	317
Short term borrowings	1,640	1,396
Provision for taxation	1,337	1,040
	6,775	7,288
NET CURRENT ASSETS	17,358	6,610
	24,093	11,996
Financed by:-		
SHARE CAPITAL	8,344	6,258
SHARE PREMIUM	8,393	-
RETAINED PROFITS	2,316	556
RESERVE ON CONSOLIDATION	4,031	4,031
	23,084	10,845
HIRE PURCHASE PAYABLES	924	1,066
DEFERRED TAXATION	85	85
	24,093	11,996
NET TANGIBLE ASSETS PER SHARE (Sen)	27.7	17.3

Note:

Comparative figures for the preceding year are not available as Digistar Corporation Berhad was listed on the MESDAQ Market of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) on 7 November 2003.

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial period ended 30 September 2003.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Reserve on Consolidation RM'000	Total RM'000
At 1 October 2003	6,258	-	556	4,031	10,845
Issued during the period	2,086	8,393	-	-	10,479
Net profit for the period	-	-	2,961	-	2,961
Interim Dividend	-	-	(1,201)	-	(1,201)
At 31 March 2004	8,344	8,393	2,316	4,031	23,084

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's annual financial report for the financial period ended 30 September 2003.



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2004 (The figures have not been audited)

	<i>RM'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	4,247
Adjustments for:	
Non cash items	330
Non operating items	(1,032)
Operating profit before working capital changes	<u>3,545</u>
Net changes in current assets	(23)
Net changes in current liabilities	<u>94</u>
CASH GENERATED FROM OPERATIONS	<u>3,616</u>
Interest paid	(85)
Income tax paid	<u>(989)</u>
Net cash generated from operating activities	<u>2,542</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	169
Purchase of property, plant and equipment	(1,680)
Proceed from issuance of shares	<u>11,473</u>
Net cash from investing activities	<u>9,962</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in bills payable	185
Repayment of hire purchase obligation	(356)
Payment of cash dividend	(1,201)
Repayment of term loan	<u>(754)</u>
Net cash used in financing activities	<u>(2,126)</u>
 Net increase in cash and cash equivalents	10,378
 Cash and cash equivalents at 1 October 2003	<u>3,055</u>
Cash and cash equivalents at 31 March 2004	<u>13,433</u>

Note:

Cash and cash equivalents comprise of:

Fixed deposits with licensed bank	13,314
Cash and bank balances	315
Bank overdrafts	<u>(196)</u>
	<u>13,433</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's annual financial report for the financial period ended 30 September 2003.



UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 MARCH 2004

A. EXPLANATORY NOTES AS PER MASB 26

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the Malaysian Accounting Standard Board (MASB) No. 26 "Interim Financial Reporting" and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Malaysia") for the MESDAQ market, and should be read in conjunction with the Group's annual financial report for the financial period ended 30 September 2003.

The accounting policies adopted by Digistar and its subsidiary companies ("Group") in the interim financial report are consistent with those adopted for the financial statement for the financial period ended 30 September 2003.

A2. Qualification of Financial Statements

The audit report of the preceding financial statements for the period from 15 January 2003 (Date of Incorporation) to 30 September 2003 was not subject to any audit qualification.

A3. Seasonal or Cyclical Factors

The results of the Company/Group were not materially affected by any significant seasonal or cyclical factors during the quarter under review.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the quarter under review.

A5. Material Changes In Estimates

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

A6. Debts and Equity Securities

Save as disclosed in Note B8 below, there was no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, share held as treasury shares and resale of treasury shares for the current period and financial year-to-date.



A7. Dividend Paid

The Company had paid an interim dividend of 2 sen per share, less 28% income tax for the year ending 30 September 2004 on 24 February 2004. The net amount of the interim dividend paid was RM1,201,468.70.

A8. Segmental Information

Revenue by activities

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/3/2004 RM'000	Preceding year corresponding quarter 31/3/2003 RM'000	Current year to date 31/3/2004 RM'000	Preceding year corresponding period 31/3/2003 RM'000
Contract revenue	14,133	N/A	27,416	N/A
Maintenance income	59	N/A	147	N/A
Sales of goods	339	N/A	437	N/A
Rental Income	11	N/A	25	N/A
	14,542	N/A	28,025	N/A

A9. Valuation Of Property, Plant And Equipment

There were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have effect in the current quarter under review.

A10. Material Events Subsequent To The End Of The Quarter

There were no material events subsequent to the current quarter under review up to the date of this report which is likely to substantially affect the results of the operations of the Company.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review that have not been reflected in the financial statements.



A12. Contingent Liabilities

- a) The Company has provided corporate guarantees for hire purchase facilities granted to a wholly-owned subsidiary for a total amount of RM910,000. As at 31 March 2004, the said hire purchase balance stood at RM855,852.
- b) The Company has also provided a corporate guarantee to secure the payments for goods purchased by a wholly-owned subsidiary up to an amount of €106,950.90 (equivalent to RM497,556.98)

Save as disclosed in the above, there were no material contingent liabilities as at 17 May 2004, being the date not earlier than 7 days from the date of this announcement.

A13. Capital Commitments

There were no capital commitments as at the date of this announcement.

A14. Significant Related Party Transactions

There were no significant related party transactions during the quarter under review.



B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS

B1. Review of the Performance

The Group achieved revenue and profit before taxation ("PBT") of approximately RM14.5 million and RM2.0 million respectively for the current quarter ended 31 March 2004. The improvement in the turnover is mainly due to the recognition of revenue from the automated digital newsroom system integration project for Kementerian Penerangan Malaysia. There are no material factors which have affected the earnings and revenue of the Group for the current quarter and financial year to date.

B2. Comparison with Preceding Quarter's Results

The Group's PBT of approximately RM2.0 million for the current quarter was lower than preceding quarter by 7.8%. This was mainly due to lower contribution from the automated digital newsroom system integration project for Kementerian Penerangan Malaysia.

B3. Current Year Prospects

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group will be satisfactory in the remaining quarters of the financial year ending 30 September 2004 and the Group is on track to meet its profit forecast as set out in its Prospectus dated 10th October 2003.

B4. Variance of Profit Estimate

Not applicable for the quarter under review.

B5. Taxation

The effective tax rate of the Group for the current quarter and financial year-to-date is higher than the statutory tax rate of 28% due to certain expenses being disallowed for taxation purposes.

B6. Profit / (Loss) on Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments and/or properties for the current quarter and financial year-to-date.

B7. Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter.

The Company/Group does not hold any quoted securities as at 31 March 2004.



B8. Status of Corporate Proposals

a) Listing On The MESDAQ Market Of Bursa Malaysia (“Public Issue”)

On 10 October 2003, the Company issued a prospectus for the public issue of 20,860,000 new ordinary shares of RM0.10 each at an issue price of RM0.55 per share payable in full on application comprising:

- (i) 3,500,000 new ordinary shares of RM0.10 each available for application by the Malaysian public;
- (ii) 1,500,000 new ordinary shares of RM0.10 each available for application by eligible employees of the Group; and
- (iii) 15,860,000 new ordinary shares of RM0.10 each by way of private placement

in conjunction with its listing on the MESDAQ Market of Bursa Malaysia. The new shares were fully subscribed on its closing date on 28 October 2003. On 29 October 2003, the Company allotted and issued 20,860,000 ordinary shares of RM0.10 each to the successful applicants.

The Company was listed on the MESDAQ Market of Bursa Malaysia on 7 November 2003.

b) Status Of Utilisation Of Listing Proceed

The status of utilisation of the proceeds raised from the Public Issue pursuant to the listing of the Company on the Mesdaq Market of Bursa Malaysia on 7 November 2003 amounting to RM12.72 million is as follows:

	As approved by the Securities Commission & Bursa Malaysia RM'000	Actual Utilisation RM'000	Balance RM'000
Investment in DRMSB	1,000	80	920
Capital expenditure for office expansion	3,100	984	2,116
Future business expansion	1,000	-	1,000
Renovation and upgrading of showroom	200	62	138
Purchase of fixed assets	1,000	285	715
Repayment of term loan	753	753	-
Working capital	4,472	4,472	-
Estimated listing expenses	1,200	993	207
Total	12,725	7,629	5,096



B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all secured and denominated in Ringgit Malaysia) as at 31 March 2004 consist of the following:

	Short term <i>RM'000</i>	Long term <i>RM'000</i>	Total <i>RM'000</i>
Bank overdraft	196	-	196
Trust receipts and bankers acceptance	1,260	-	1,260
Hire purchase liabilities	380	924	1,304
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	1,836	924	2,760

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 17 May 2004, being the date not earlier than 7 days from the date of this announcement.

B11. Material Litigation

The Company/Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Company/Group as at 17 May 2004, being the date not earlier than 7 days from the date of this announcement.

B12. Proposed Dividend

There was no dividend proposed by the Board of Directors for the current financial period under review.



B13. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to members of the company by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/3/2004	Preceding year corresponding quarter 31/3/2003	Current year to date 31/3/2004	Preceding year corresponding period 31/3/2003
Net profit attributable to members of the company (RM'000)	1,438	N/A	2,961	N/A
Weighted average number of ordinary shares in issue	83,435,325	N/A	80,243,631	N/A
Basic earnings per share (Sen)	1.72	N/A	3.69	N/A

(b) Diluted Earnings Per Share

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the period had been adjusted for the effects of dilutive potential ordinary shares from exercise of the Employees Share Option Scheme ("ESOS").

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/3/2004	Preceding year corresponding quarter 31/3/2003	Current year to date 31/3/2004	Preceding year corresponding period 31/3/2003
Net profit attributable to members of the company (RM'000)	1,438	N/A	2,961	N/A
Weighted average number of ordinary shares in issue	83,435,325	N/A	80,243,631	N/A
Adjustment for assumed exercise of ESOS	14,781,000	N/A	14,781,000	N/A
Adjusted weighted average number of ordinary shares in issue and issuable	98,216,325	N/A	95,024,631	N/A
Diluted earnings per share (Sen)	1.46	N/A	3.12	N/A

B14. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 May 2004.