



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 MARCH 2005 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year 31/03/2005 RM'000	Preceding Year Corresponding Quarter 31/03/2004 RM'000	Current Year To Date 31/03/2005 RM'000	Preceding Year Corresponding Period 31/03/2004 RM'000
Revenue	8,420	14,542	20,695	28,025
Cost of sales	(6,016)	(11,056)	(14,794)	(21,013)
Gross profit	2,404	3,486	5,901	7,012
Operating expenses	(967)	(1,593)	(2,411)	(2,747)
Profit before finance costs and depreciation	1,437	1,893	3,490	4,265
Finance costs	(68)	(70)	(162)	(191)
Depreciation	(179)	(188)	(355)	(330)
Other income	82	408	156	503
Profit before taxation	1,272	2,043	3,129	4,247
Taxation	(413)	(605)	(960)	(1,286)
Profit after taxation	859	1,438	2,169	2,961
Minority interest	-	-	-	-
Net profit attributable to members of the Company	859	1,438	2,169	2,961
Earnings per share (sen)				
- basic	0.99	1.72	2.53	3.69
- fully diluted	0.99	1.62	2.51	3.46

The Condensed Consolidated Income Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2004.



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

QUARTERLY REPORT ON CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005 (The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31/03/2005 RM'000	As At Preceding Financial Year Ended 30/09/2004 RM'000
NON-CURRENT ASSET		
Property, plant and equipment	6,009	6,287
Long term investment	1,000	-
	7,009	6,287
CURRENT ASSETS		
Inventories held for resale	1,990	1,838
Trade receivables	8,133	12,310
Other receivables, deposit and prepayment	491	302
Amount owing by contract customers	5,921	4,234
Fixed deposits with licensed banks	10,814	9,744
Cash and bank balances	180	142
	27,529	28,570
CURRENT LIABILITIES		
Trade payables	1,723	3,456
Other payables and accruals	287	860
Bank overdraft	1,239	1,824
Short term borrowings	1,792	1,621
Provision for taxation	510	622
	5,551	8,383
NET CURRENT ASSETS	21,978	20,187
	28,987	26,474
FINANCED BY:-		
Share capital	8,679	8,360
Share premium	9,904	8,467
Retained profits	5,723	4,804
Reserve on consolidation	4,031	4,031
SHAREHOLDERS' EQUITY	28,337	25,662
Hire purchase payables	591	753
Deferred taxation	59	59
	28,987	26,474
NET TANGIBLE ASSETS PER SHARE (sen)	32.65	30.70

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2004.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 MARCH 2005 (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 2004	8,360	8,467	4,804	4,031	25,662
Issued during the period	319	1,437	-	-	1,756
Net profit for the period	-	-	2,169	-	2,169
Dividend paid	-	-	(1,250)	-	(1,250)
At 31 March 2005	<u>8,679</u>	<u>9,904</u>	<u>5,723</u>	<u>4,031</u>	<u>28,337</u>
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
Dividend paid	-	-	(1,201)	-	(1,201)
At 31 March 2004	<u>8,344</u>	<u>8,393</u>	<u>2,316</u>	<u>4,031</u>	<u>23,084</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2004.



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2005 (The figures have not been audited)

	Quarter Ended 31/03/2005 RM'000	Quarter Ended 31/03/2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,129	4,247
Adjustments for:-		
Non cash items	353	330
Non operating items	(53)	(1,032)
Operating profit before working capital changes	3,429	3,545
Net changes in current assets	2,149	(23)
Net changes in current liabilities	(2,306)	94
Cash from in operations	3,272	3,616
Interest paid	(97)	(85)
Income tax paid	(1,073)	(989)
Net cash from operating activities	2,102	2,542
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	150	169
Purchase of property, plant and equipment	(111)	(1,680)
Proceeds from disposal of equipment	36	-
Long term investment	(1,000)	-
Net cash for investing activities	(925)	(1,511)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bills payable	197	185
Repayment of hire purchase obligations	(187)	(356)
Repayment of term loan	-	(754)
Proceeds from issuance of shares	1,756	11,473
Dividend paid	(1,250)	(1,201)
Net cash from financing activities	516	9,347
Net increase in cash and cash equivalents	1,693	10,378
Cash and cash equivalents at beginning of the year	8,062	3,055
Cash and cash equivalents at end of the period	9,755	13,433
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank	10,814	13,314
Cash and bank balances	180	315
Bank overdraft	(1,239)	(196)
	9,755	13,433

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2004.



UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 MARCH 2005

A. EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the Financial Reporting Standard (FRS) 134: Interim Financial Reporting (formerly known as MASB 26) and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ market, and should be read in conjunction with the Group’s annual financial report for the financial year ended 30 September 2004.

The accounting policies adopted by Digistar Corporation Berhad (“Digistar”) and its subsidiary companies (“Group”) in the interim financial report are consistent with those adopted for the financial statement for the financial year ended 30 September 2004.

A2. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2004 was not subject to any audit qualification.

A3. Seasonal or Cyclical Factors

Save as disclosed in Note B2, the results of the 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 below and Note B8, 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

No dividend was paid during the quarter under review.

A8. Segmental Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2005 RM'000	Preceding Year Corresponding Quarter 31/03/2004 RM'000	Current Year To Date 31/03/2005 RM'000	Preceding Year Corresponding Period 31/03/2004 RM'000
REVENUE BY ACTIVITIES				
Contract revenue	7,715	14,133	19,343	27,416
Maintenance income	180	59	255	147
Sales of goods	514	339	1,075	437
Rental income	11	11	22	25
Total	8,420	14,542	20,695	28,025

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 except for the following:-

- incorporation of Digistar Engineering Sdn. Bhd. ("DESB") on 2 March 2005, of which 60% issued and paid-up capital of DESB, comprising sixty (60) ordinary shares of RM1.00 each are held by the Company; and
- incorporation of Digistar Vision Sdn. Bhd. ("DVSB") on 23 March 2005, of which 60% issued and paid-up capital of DVSB, comprising sixty (60) ordinary shares of RM1.00 each are held by the Company.

Both the above companies are dormant as at 31 March 2005.



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 2005, the said hire purchase balance stood at RM678,828.
- b) The Company has also provided corporate guarantees for bank facilities granted to a wholly-owned subsidiary for a total amount of RM25.28 million. As at 31 March 2005, the total outstanding balances of the bank facilities are disclosed in Note B9 below.

Save as disclosed in the above, there were no material contingent liabilities as at 24 May 2005, 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 except for the acquisition of land with a 4½ storey shop office erected thereon located at No. 19, Jalan Ampang Utama 1/1, Taman Ampang Utama, 68000 Ampang, Selangor Darul Ehsan by Digistar Properties Sdn Bhd, a wholly-owned subsidiary of Digistar, for a total consideration of RM1.2 million.

A14. Significant Related Party Transactions

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



B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of the Performance

The Group registered a revenue and profit before taxation ("PBT") of RM8.4 million and RM1.3 million respectively for the second quarter ended 31 March 2005. The reduction in turnover is mainly due to the timing differences in the execution of projects in hand as a result of Malaysian Government's delay in the implementation of certain projects.

Save as disclosed above, 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

	Current Quarter Ended 31/03/2005 RM'000	Preceding Quarter Ended 31/12/2004 RM'000	Difference	
			RM'000	%
Revenue	8,420	12,274	(3,854)	(31.40)
PBT	1,272	1,856	(584)	(31.47)

PBT for the current quarter ended 31 March 2005 decreased by 31% to RM1.2 million as compared to RM1.9 million achieved in the quarter ended 31 December 2004. The decrease in the PBT in the current quarter under review was in tandem to the lower turnover registered. The lower turnover was due to the timing differences in the execution of projects in hand as a result of Malaysian Government's delay in the implementation of certain projects.

B3. Current Year Prospects

Barring any unforeseen circumstances, the Directors anticipate that the Group will remain profitable in the remaining quarters of the financial year ending 30 September 2005.

B4. Variance of Profit Forecast

Not applicable as the Company did not publish any profit forecast.

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 2005.

B8. Status of Corporate Proposals

a) 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 Securities on 7 November 2003 amounting to RM12.72 million is as follows:

	As Approved by the Securities Commission and Bursa Securities RM'000	Actual Utilisation RM'000	Balance RM'000
Investment in DRMSB	1,000	391	609
Capital expenditure for office expansion	3,100	1,112	1,988
Future business expansion	1,000	711	289
Renovation and upgrading of showroom	200	72	128
Purchase of fixed assets	1,000	359	641
Repayment of term loan	753	753	-
Working capital	4,472	4,679	(207) #
Estimated listing expenses	1,200	993	207 #
Total	12,725	9,070	3,655

Note:

The balance of the estimated listing expenses was utilised for working capital purpose.

b) Proposed bonus issue

On November 23, 2004, Hwang-DBS Securities Berhad ("HDBS") announced on behalf of the Board of Directors of Digistar, that the Company proposed to implement a bonus issue on the basis of one (1) new ordinary share of RM0.10 each in Digistar ("Digistar Shares") for each existing Digistar Share held ("Proposed Bonus Issue").

HDBS has been appointed as the advisor for the Company for the Proposed Bonus Issue.

The Proposed Bonus Issue is subject to approvals from the following:-

- (i) Bursa Securities for the listing of and quotation for the Digistar Shares to be issued as a result of the Proposed Bonus Issue on the MESDAQ Market of Bursa Securities, which was obtained on 4 February 2005;
- (ii) shareholders of Digistar at an extraordinary general meeting to be convened, which was obtained on 22 March 2005; and
- (iii) any other relevant authorities.



B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all secured and denominated in Ringgit Malaysia) as at 31 March 2005 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Bank overdraft	1,239	-	1,239
Trust receipts and bankers acceptance	1,463	-	1,463
Hire purchase liabilities	329	591	920
Total	<u>3,031</u>	<u>591</u>	<u>3,622</u>

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 24 May 2005, being the date not earlier than 7 days from the date of this announcement.

B11. Material Litigation

Reference was made to the Company's announcements dated 3 May 2005 and 5 May 2005. For ease of reference, the details of the material litigation are summarised as follows:-

Digistar Holdings Sdn Bhd ("DHSB"), a wholly-owned subsidiary of the Company was awarded with two projects by Maju Holdings Sdn Bhd ("MHSB"), namely Pusat Teknologi Pengurusan Intan Bukit Kiara ("MTC INTAN PROJECT") and Kolej Matrikulasi Kubang Pasu ("KUBANG PASU PROJECT") with the following details:-

	<u>MTC INTAN PROJECT</u>	<u>KUBANG PASU PROJECT</u>
Date of Letter of Award	15 November 2000	27 August 2001
Contract Amount	RM2,637,561.00	RM1,400,000.00
Variation Order	RM3,000,000.00	-
Total Contract	<u>RM5,637,561.00</u>	<u>RM1,400,000.00</u>

Upon the completion of MTC INTAN PROJECT in February 2002, KUBANG PASU PROJECT together with Kolej Matrikulasi Gambang Project in March 2003, MHSB owed DHSB a total amount of RM1,740,765.60. After numerous of attempts to collect the outstanding amount, DHSB managed to collect a total of RM340,068.26 from MHSB over the period until 14 January 2005.

As the projects have been completed more than 2 years ago, the Board of the Company had decided to commence legal action against MHSB to recover the total amount outstanding of RM1,400,697.34 by sending a Letter of Demand on 14 January 2005. On 2 February 2005, DHSB served a notice pursuant to Section 218(2) of the Companies Act, 1965 to MHSB. MHSB immediately paid RM100,000.00 to DHSB on 3 February 2005. However, the Board of the Company was dissatisfied with the amount received and indicated its intention to proceed with the filing of petition to wind-up MHSB vide a letter dated 8 February 2005.



B11. Material Litigation (Cont'd)

On 3 March 2005, DHSB received a Letter of Demand from MHSB's lawyer claiming for RM7,483,580.00 for purported Liquidated and Ascertained Damages ("LAD") on the late completion of the abovementioned two (2) projects. DHSB has replied to MHSB vide a letter dated 18 March 2005 denying that the delay in completing the two projects (if any) was caused by DHSB and is not responsible and could not be made responsible to pay the LAD claim of RM7,483,580.00. MHSB has not suffered any LAD from the employer of the abovementioned projects. The Board of the Company was of the opinion that the claims made by MHSB were for the purposes of delaying DHSB's legal action to recover its trade debts from MHSB.

On 29 April 2005, MHSB served a Writ of Summons and Statement of Claim which are dated 31 March 2005 to DHSB and inter-alia alleged that DHSB were late in the completion of the abovementioned projects. MHSB is claiming for inter-alia LAD of RM7,483,580.00, interest and costs.

DHSB has completed the above projects in accordance with the terms of the contracts and its site conditions. MHSB had issued Statement of Final Account for both projects to DHSB on 30 June 2004 without any indication of LAD issue.

The Board of the Company was of the opinion that DHSB has a strong defence against the purported claim of LAD by MHSB. DHSB is of the opinion that the filing of the suit by MHSB is merely an attempt to delay DHSB from filing the petition to wind-up MHSB.

No financial and operational impact is expected on the Group as the amount due from MHSB has been provided in full. The Company does not expect to incur any losses (other than the legal fees) arising from the said Writ and Statement of Claims. DHSB had entered an appearance and will file a defence to the claim in due course.

B12. Dividends

The Board has declared an interim dividend of 2.0 sen per share, less 28% income tax in respect of the six months financial period ended 31 March 2005 (31 March 2004: 2.0 sen per share). The dividend was paid on 25 April 2005.



13. Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2005	Preceding Year Corresponding Quarter 31/03/2004	Current Year To Date 31/03/2005	Preceding Year Corresponding Period 31/03/2004
(a) Basic Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	859	1,438	2,169	2,961
Weighted average number of ordinary shares in issue	86,790,325	83,435,325	85,757,131	80,243,631
Basic earnings per share (sen)	<u>0.99</u>	<u>1.72</u>	<u>2.53</u>	<u>3.69</u>
(b) Diluted Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	859	1,438	2,169	2,961
Weighted average number of ordinary shares in issue	86,790,325	83,435,325	85,757,131	80,243,631
Adjustment for assumed exercise of ESOS	-	5,472,355	599,577	5,306,000
Adjusted weighted average number of ordinary shares in issue and issuable	<u>86,790,325</u>	<u>88,907,680</u>	<u>86,356,708</u>	<u>85,549,631</u>
Diluted earnings per share (sen)	<u>0.99</u>	<u>1.62</u>	<u>2.51</u>	<u>3.46</u>

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 24 May 2005.