



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

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2005 RM'000	Preceding Year Corresponding Quarter 31/12/2004 RM'000	Current Year To Date 31/12/2005 RM'000	Preceding Year Corresponding Period 31/12/2004 RM'000
Revenue	7,182	12,274	7,182	12,274
Cost of sales	(5,610)	(8,778)	(5,610)	(8,778)
Gross profit	1,572	3,496	1,572	3,496
Operating expenses	(1,194)	(1,444)	(1,194)	(1,444)
(Loss)/Profit before finance costs and depreciation	378	2,052	378	2,052
Finance costs	(102)	(94)	(102)	(94)
Depreciation	(195)	(176)	(195)	(176)
Other income	60	74	60	74
(Loss)/Profit before taxation	141	1,856	141	1,856
Taxation	(70)	(547)	(70)	(547)
Profit after taxation	71	1,309	71	1,309
Minority interest	-	-	-	-
Net (loss)/profit attributable to members of the Company	71	1,309	71	1,309
Earnings per share (sen)				
- basic	0.04	0.78	0.04	0.78
- fully diluted	0.04	0.76	0.04	0.76

The Condensed Consolidated Income Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2005.



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

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

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31/12/2005 RM'000	As At Preceding Financial Year Ended 30/09/2005 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,409	7,593
Long term investment	1,000	1,000
	8,409	8,593
CURRENT ASSETS		
Inventories held for resale	2,448	2,358
Trade receivables	10,205	10,935
Other receivables, deposit and prepayment	212	338
Amount owing by contract customers	5,196	5,942
Fixed deposits with licensed banks	6,616	6,566
Cash and bank balances	42	104
Properties held for resale	418	418
	25,137	26,661
CURRENT LIABILITIES		
Trade payables	2,491	1,680
Other payables and accruals	408	558
Bank overdraft	1,957	3,747
Short term borrowings	657	1,010
Provision for taxation	(203)	8
	5,310	7,003
NET CURRENT ASSETS	19,827	19,658
	28,236	28,251
FINANCED BY:-		
Share capital	17,358	17,358
Share premium	1,146	1,146
Retained profits	5,041	4,970
Reserve on consolidation	4,031	4,031
SHAREHOLDERS' EQUITY	27,576	27,505
Hire purchase payables	589	675
Deferred taxation	71	71
	28,236	28,251
NET ASSETS PER SHARE (sen)	15.89	15.85

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2005.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 DECEMBER 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 2005	17,358	1,146	4,970	4,031	27,505
Net profit for the period	-	-	71	-	71
At 31 December 2005	<u>17,358</u>	<u>1,146</u>	<u>5,041</u>	<u>4,031</u>	<u>27,576</u>
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	-	-	1,309	-	1,309
Dividend paid	-	-	(1,250)	-	(1,250)
At 31 December 2004	<u>8,679</u>	<u>9,904</u>	<u>4,863</u>	<u>4,031</u>	<u>27,477</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 2005.



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

	Quarter Ended 31/12/2005 RM'000	Quarter Ended 31/12/2004 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
(Loss)/Profit before taxation	141	1,856
Adjustments for:-		
Non cash items	195	174
Non operating items	27	(21)
Operating profit before working capital changes	363	2,009
Net changes in current assets	1,512	(1,718)
Net changes in current liabilities	661	(526)
Cash from/(for) operations	2,536	(235)
Interest paid	(87)	(49)
Income tax paid	(281)	(536)
Net cash from/(for) operating activities	2,168	(820)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	60	70
Purchase of property, plant and equipment	(12)	(9)
Proceeds from disposal of equipment	-	36
Long term investment	-	-
Net cash from investing activities	48	97
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
(Decrease)/Increase in bills payable	(345)	1,494
Repayment of hire purchase obligations	(94)	(93)
Proceeds from issuance of shares	-	1,756
Dividend paid	-	(1,250)
Net cash (for)/from financing activities	(439)	1,907
Net increase in cash and cash equivalents	1,777	1,184
Cash and cash equivalents at beginning of the year	2,924	8,062
Cash and cash equivalents at end of the period	4,701	9,246
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank	6,616	9,783
Cash and bank balances	42	95
Bank overdraft	(1,957)	(632)
	4,701	9,246

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 2005.



UNAUDITED QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 DECEMBER 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 2005.

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 2005.

A2. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2005 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

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 31/12/2005 RM'000	Preceding Year Corresponding Quarter 31/12/2004 RM'000	Current Year To Date 31/12/2005 RM'000	Preceding Year Corresponding Period 31/12/2004 RM'000
REVENUE BY ACTIVITIES				
Contract revenue	5,492	11,628	5,492	11,628
Maintenance income	804	74	804	74
Sales of goods	847	561	847	561
Rental income	39	11	39	11
Total	<u>7,182</u>	<u>12,274</u>	<u>7,182</u>	<u>12,274</u>

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

- 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 December 2005, the said hire purchase balance stood at RM572,780.
- The Company has also provided corporate guarantees for bank facilities granted to a wholly-owned subsidiary for a total amount of RM28.5 million. As at 31 December 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 21 February 2006, 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 BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of the Performance

The Group registered a revenue and profit before taxation ("PBT") of RM7.2 million and RM141 thousand respectively for the first quarter ended 31 December 2005. The reduction in turnover as compared to the preceding year corresponding quarter 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	Preceding Quarter	Difference	
	Ended 31/12/2005 RM'000	Ended 30/09/2005 RM'000	RM'000	%
Revenue	7,182	6,031	1,151	19.1
PBT	141	371	(230)	(62.0)

The turnover for the current quarter was increased by 19.1% as a result of the recovery of the project execution activities and the increased in the recurring maintenance income. PBT for the current quarter ended 31 December 2005 was decreased by 62.0% to RM141 thousand as compared to a profit of RM371 thousand achieved in the preceding quarter. The decrease in the PBT in the current quarter under review was due to the higher profit margin of the jobs rendered in the preceding quarter.

B3. Prospects for the Financial Year Ending 30 September 2006

Going forward, the Directors anticipate that the coming financial year will be a challenging year given the poor market sentiment dooming the construction industry. However, Malaysian Government had allocated RM14.4 billion for development expenditure under the 2006 National Budget. Therefore, the Company is looking forward to garner some benefit from the 2006 National Budget spending especially in the healthcare and education sectors. As a measure to mitigate the slow market condition, the Company has emphasized to boost its recurring service and maintenance income. Barring any unforeseen circumstances, the Directors anticipate that the Group will remain profitable in the financial year ending 30 September 2006.

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 financial year-to-date is higher than the statutory tax rate of 28% due to certain expenses being disallowed for taxation purposes. The effective tax rate for the current quarter is higher than the statutory tax rate of 28% due to the adjustment for the under provision of taxation for the previous quarters during the year and 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 December 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
(i) Investment in DRMSB	1,000	1,000	-
(ii) Capital expenditure for office expansion	3,100	2,222	878
(iii) Future business expansion	1,000	1,000	-
(iv) Renovation and upgrading of showroom	200	72	128
(v) Purchase of fixed assets	1,000	633	367
(vi) Repayment of term loan	753	753	-
(vii) Working capital	4,472	4,679	(207)
(viii) Listing expenses	1,200	993	207
Total	12,725	11,352	1,373

Note:

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



b) The Proposed Variation And The Extension of The Utilisation of Listing Proceeds

The Board of Directors of Digistar had, on 30 September 2005, approved the extension of time up to one (1) year, from 1 October 2005 to 30 September 2006, for the utilisation of all the remaining proceeds raised through Digistar's Initial Public Offering ("IPO"); and the Company proposes to undertake a variation to the utilisation of item (ii), (iv) and (v) above totalling RM1.385 million of proceeds raised through Digistar's IPO for working capital purposes. Please refer to the Company's Announcement dated 30 September 2005 for full details.

B9. Group Borrowings and Debt Securities

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

	Short Term RM'000	Long Term RM'000	Total RM'000
Bank overdraft	1,957	-	1,957
Trust receipts and bankers acceptance	310	-	310
Hire purchase liabilities	347	589	936
Total	<u>2,614</u>	<u>589</u>	<u>3,203</u>

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 21 February 2006, 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 litigations 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>



B11. Material Litigation (Cont'd)

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 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.

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 10 March 2005, MHSB served a Writ of Summons and Statement of Claim together with an application for injunction to stop DHSB from filing the winding up petition which are dated 4 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.

On 29 April 2005, MHSB served another Writ of Summons and Statement of Claim which are dated 31 March 2005 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.

On 12 July 2005, the Court allowed an injunction to restrain DHSB from filing a winding up petition on MHSB on the ground that the Section 218(2) notice was challenged by MHSB.

On 19 September 2005, DHSB had filed an application to the court to amend the defence and counterclaim.

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's legal action to recover its trade debts from MHSB.

No immediate financial and operational impact is expected on the DCB 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. The Court had fixed 16 March 2006 for hearing.



B12. Dividends

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

13. Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2005	Preceding Year Corresponding Quarter 31/12/2004	Current Year To Date 31/12/2005	Preceding Year Corresponding Period 31/12/2004
(a) Basic Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	71	1,309	71	1,309
Weighted average number of ordinary shares in issue	173,580,650	168,342,726	173,580,650	168,342,726
Basic earnings per share (sen)	0.04	0.78	0.04	0.78
(b) Diluted Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	71	1,309	71	1,309
Weighted average number of ordinary shares in issue	173,580,650	168,342,726	173,580,650	168,342,726
Adjustment for assumed exercise of ESOS	-	3,224,393	-	3,224,393
Adjusted weighted average number of ordinary shares in issue and issuable	173,580,650	171,567,119	173,580,650	171,567,119
Diluted earnings per share (sen)	0.04	0.76	0.04	0.76

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 21 February 2006.