



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 MARCH 2006 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2006 RM'000	Preceding Year Corresponding Quarter 31/03/2005 RM'000	Current Year To Date 31/03/2006 RM'000	Preceding Year Corresponding Period 31/03/2005 RM'000
Revenue	6,910	8,420	14,092	20,695
Cost of sales	(5,342)	(6,016)	(10,952)	(14,794)
Gross profit	1,568	2,404	3,140	5,901
Operating expenses	(1,252)	(967)	(2,446)	(2,411)
Profit before finance costs and depreciation	316	1,437	694	3,490
Finance costs	(101)	(68)	(204)	(162)
Depreciation	(189)	(179)	(385)	(355)
Other income	83	82	144	156
Profit before taxation	109	1,272	249	3,129
Taxation	(65)	(413)	(135)	(960)
Profit after taxation	44	859	114	2,169
Minority interest	-	-	-	-
Net profit attributable to members of the Company	44	859	114	2,169
Earnings per share (sen)				
- basic	0.03	0.49	0.07	1.26
- fully diluted	0.03	0.49	0.07	1.26

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.



QUARTERLY REPORT ON CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006 (The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31/03/2006 RM'000	As At Preceding Financial Year Ended 30/09/2005 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,248	7,593
Long term investment	1,000	1,000
	<u>8,248</u>	<u>8,593</u>
CURRENT ASSETS		
Inventories held for resale	2,626	2,358
Trade receivables	11,116	10,935
Other receivables, deposit and prepayment	295	338
Amount owing by contract customers	8,145	5,942
Fixed deposits with licensed banks	6,631	6,566
Tax refundable	343	12
Cash and bank balances	71	104
Properties held for resale	418	418
	<u>29,645</u>	<u>26,673</u>
CURRENT LIABILITIES		
Trade payables	3,473	1,680
Other payables and accruals	735	558
Bank overdraft	3,841	3,747
Short term borrowings	1,631	1,010
Provision for taxation	14	20
	<u>9,694</u>	<u>7,015</u>
NET CURRENT ASSETS	<u>19,951</u>	<u>19,658</u>
	<u>28,199</u>	<u>28,251</u>
FINANCED BY:-		
Share capital	17,358	17,358
Share premium	1,146	1,146
Retained profits	5,084	4,970
Reserve on consolidation	4,031	4,031
SHAREHOLDERS' EQUITY	<u>27,619</u>	<u>27,505</u>
Hire purchase payables	509	675
Deferred taxation	71	71
	<u>28,199</u>	<u>28,251</u>
NET ASSETS PER SHARE (sen)	<u>15.91</u>	<u>15.85</u>

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 SECOND QUARTER ENDED 31 MARCH 2006 (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	-	-	114	-	114
At 31 March 2006	<u>17,358</u>	<u>1,146</u>	<u>5,084</u>	<u>4,031</u>	<u>27,619</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	-	-	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>

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 MARCH 2006 (The figures have not been audited)

	Quarter Ended 31/03/2006 RM'000	Quarter Ended 31/03/2005 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit before taxation	249	3,129
Adjustments for:-		
Non cash items	385	353
Non operating items	41	(53)
Operating profit before working capital changes	675	3,429
Net changes in current assets	(2,610)	2,149
Net changes in current liabilities	1,970	(2,306)
Cash from operations	35	3,272
Interest paid	(180)	(97)
Income tax paid	(472)	(1,073)
Net cash (for)/from operating activities	(617)	2,102
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Interest received	139	150
Purchase of property, plant and equipment	(39)	(111)
Proceeds from disposal of equipment	-	36
Long term investment	-	(1,000)
Net cash from/(for) investing activities	100	(925)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bills payable	639	197
Repayment of hire purchase obligations	(184)	(187)
Proceeds from issuance of shares	-	1,756
Dividend paid	-	(1,250)
Net cash from financing activities	455	516
Net (decrease)/increase in cash and cash equivalents	(62)	1,693
Cash and cash equivalents at beginning of the year	2,923	8,062
Cash and cash equivalents at end of the period	2,861	9,755
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	1,433	6,430
- restricted	5,198	4,384
Cash and bank balances	71	180
Bank overdraft	(3,841)	(1,239)
	2,861	9,755

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 SECOND QUARTER ENDED 31 MARCH 2006

A. EXPLANATORY NOTES AS PER FRS 134₂₀₀₄

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the Financial Reporting Standard (FRS) 134₂₀₀₄: Interim Financial Reporting 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 B1 and 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 31/03/2006 RM'000	Preceding Year Corresponding Quarter 31/03/2005 RM'000	Current Year To Date 31/03/2006 RM'000	Preceding Year Corresponding Period 31/03/2005 RM'000
REVENUE BY ACTIVITIES				
System Integration	5,767	7,715	11,259	19,343
Maintenance income	793	180	1,597	255
Sales of goods	256	514	1,103	1,075
Rental income	94	11	133	22
Total	6,910	8,420	14,092	20,695

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 2006, the said hire purchase balance stood at RM528,237.
- b) 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 March 2006, 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 23 May 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 RM6.9 million and RM109 thousand respectively for the second quarter ended 31 March 2006. The reduction in turnover and PBT as compared to the preceding year corresponding quarter is mainly due to tougher operating environment as a result of further contraction in construction industry which is highly correlated to the Group's business operations.

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 31/03/2006 RM'000	Preceding Quarter Ended 31/12/2005 RM'000	Difference	
			RM'000	%
Revenue	6,910	7,182	(272)	(3.8)
PBT	109	141	(32)	(22.7)

The turnover and PBT for the current quarter was decreased by 3.8% and 22.7% respectively due to further contraction in construction activities which related to projects in hand of the Group. The decrease in the PBT was in tandem with the decrease in turnover.

B3. Prospects for the Financial Year Ending 30 September 2006

Going forward, the Directors anticipate that maintaining the profitability of the Group for the remaining quarters of financial year will be a challenging task given the slow recovery in the construction industry. As disclosed in the Economic Report 2005/2006 from Ministry of Finance, Malaysian Government had made a higher allocation for development expenditure totalling RM22.0 billion 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 March 2006.

B8. Status of Corporate Proposals

a) Status of Utilisation of Listing Proceed

During the quarter ended 31 March 2006, Digistar has fully utilised 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.

The Board of Directors of Digistar and the Securities Commission had, on 30 September 2005 and 6 March 2006, respectively, approved the variation for the utilisation of proceeds raised through Digistar's IPO and the extension of time for the utilisation of all the remaining proceeds raised through Digistar's Initial Public Offering ("IPO") up to one (1) year, from 1 October 2005 to 30 September 2006. The status of the utilisation of listing proceeds is as follows:-

	Original Utilisation Schedule (before variation) RM'000	Current Approved Utilisation Schedule (after variation) RM'000	Actual Utilisation RM'000	Balance RM'000
(i) Investment in DRMSB	1,000	1,000	1,000	-
(ii) Capital expenditure for office expansion	3,100	2,222	2,222	-
(iii) Future business expansion	1,000	1,000	1,000	-
(iv) Renovation and upgrading of showroom	200	72	72	-
(v) Purchase of fixed assets	1,000	621	621	-
(vi) Repayment of term loan	753	753	753	-
(vii) Working capital	4,472	6,064	6,064	-
(viii) Listing expenses	1,200	993	993	-
Total	12,725	12,725	12,725	-



B8. Status of Corporate Proposals (Cont'd)

b) Proposed Rights Issue of Warrants

On 10 May 2006, Hwang-DBS Securities Berhad, on behalf of the Board, had announced that Digistar proposed to implement a rights issue of up to 95,316,925 Warrants, at an issue price of RM0.01 per Warrant, to the existing shareholders of Digistar on the basis of one (1) Warrant for every two (2) existing Digistar Shares held on an entitlement date to be determined.

B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all secured and denominated in Ringgit Malaysia) as at 31 March 2006 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Bank overdraft	3,841	-	3,841
Trust receipts and bankers acceptance	1,294	-	1,294
Hire purchase liabilities	337	509	846
Total	<u>5,472</u>	<u>509</u>	<u>5,981</u>

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 23 May 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 28 June 2006 for hearing of DHSB application to amend the defence and counterclaim.



B12. Dividends

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

B13. Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2006	Preceding Year Corresponding Quarter 31/03/2005	Current Year To Date 31/03/2006	Preceding Year Corresponding Period 31/03/2005
(a) Basic Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	44	859	114	2,169
Weighted average number of ordinary shares in issue	173,580,650	173,580,650	173,580,650	171,514,265
Basic earnings per share (sen)	0.03	0.49	0.07	1.26
(b) Diluted Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	44	859	114	2,169
Weighted average number of ordinary shares in issue	173,580,650	173,580,650	173,580,650	171,514,265
Adjustment for assumed exercise of ESOS	-	-	-	599,577
Adjusted weighted average number of ordinary shares in issue and issuable	173,580,650	173,580,650	173,580,650	172,113,842
Diluted earnings per share (sen)	0.03	0.49	0.07	1.26

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 23 May 2006.