



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 SEPTEMBER 2006 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year 30/09/2006 RM'000	Preceding Year Corresponding Quarter 30/09/2005 RM'000	Current Year To Date 30/09/2006 RM'000	Preceding Year Corresponding Period 30/09/2005 RM'000
Revenue	7,456	6,031	28,391	31,416
Cost of sales	(5,809)	(4,126)	(22,138)	(21,796)
Gross profit	1,647	1,905	6,253	9,620
Operating expenses	(1,968)	(1,421)	(5,656)	(4,729)
Profit before finance costs and depreciation	(321)	484	597	4,891
Finance costs	(135)	(163)	(450)	(424)
Depreciation	(322)	(201)	(898)	(891)
Other income	97	251	282	547
(Loss)/Profit before taxation	(681)	371	(469)	4,123
Taxation	(98)	(297)	(264)	(1,458)
(Loss)/Profit after taxation	(779)	74	(733)	2,665
Minority interest	-	-	5	-
Net (loss)/profit attributable to members of the Company	(779)	74	(728)	2,665
(Loss)/Earnings per share (sen)				
- basic	(0.45)	0.04	(0.42)	1.54
- fully diluted	(0.45)	0.04	(0.42)	1.49

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 30 SEPTEMBER 2006 (The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 30/09/2006 RM'000	As At Preceding Financial Year Ended 30/09/2005 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,288	7,593
Long term investment	1,000	1,000
	<u>8,288</u>	<u>8,593</u>
CURRENT ASSETS		
Inventories held for resale	2,418	2,358
Trade receivables	10,598	10,935
Other receivables, deposit and prepayment	387	338
Amount owing by contract customers	7,433	5,942
Fixed deposits with licensed banks	6,703	6,566
Tax refundable	213	12
Cash and bank balances	568	104
Deferred expenses	48	-
Properties held for resale	366	418
	<u>28,734</u>	<u>26,673</u>
CURRENT LIABILITIES		
Trade payables	1,961	1,680
Other payables and accruals	855	558
Bank overdraft	4,612	3,747
Short term borrowings	2,393	1,011
Provision for taxation	-	20
	<u>9,821</u>	<u>7,016</u>
NET CURRENT ASSETS	<u>18,913</u>	<u>19,657</u>
	<u>27,201</u>	<u>28,250</u>
FINANCED BY:-		
Share capital	17,358	17,358
Share premium	1,145	1,145
Retained profits	4,242	4,970
Reserve on consolidation	4,031	4,031
SHAREHOLDERS' EQUITY	<u>26,776</u>	<u>27,504</u>
Hire purchase payables	383	675
Deferred taxation	42	71
	<u>27,201</u>	<u>28,250</u>
NET ASSETS PER SHARE (sen)	<u>15.43</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 FOURTH QUARTER ENDED 30 SEPTEMBER 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	1,145	4,970	4,031	27,504
Net loss for the period	-	-	(728)	-	(728)
At 30 September 2006	<u>17,358</u>	<u>1,145</u>	<u>4,242</u>	<u>4,031</u>	<u>26,776</u>
At 1 October 2004	8,360	8,467	4,805	4,031	25,663
Issued during the period	319	1,437	-	-	1,756
Bonus issue of 1:1	8,679	(8,679)	-	-	-
Bonus issue expenses	-	(80)	-	-	(80)
Net profit for the period	-	-	2,665	-	2,665
Dividend paid	-	-	(2,500)	-	(2,500)
At 30 September 2005	<u>17,358</u>	<u>1,145</u>	<u>4,970</u>	<u>4,031</u>	<u>27,504</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 30 SEPTEMBER 2006 (The figures have not been audited)

	Quarter Ended 30/09/2006 RM'000	Quarter Ended 30/09/2005 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(469)	4,123
Adjustments for:-		
Non cash items	898	505
Non operating items	176	9
Operating profit before working capital changes	605	4,637
Net changes in current assets	(1,259)	(1,177)
Net changes in current liabilities	578	(2,078)
Cash (for)/from operations	(76)	1,382
Interest paid	(406)	(307)
Income tax paid	(508)	(2,060)
Net cash for operating activities	(990)	(985)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	229	298
Purchase of property, plant and equipment	(594)	(1,930)
Proceeds from disposal of equipment	-	219
Long term investment	-	(1,000)
Net cash for investing activities	(365)	(2,413)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Increase in bills payable	1,448	(611)
Repayment of hire purchase obligations	(358)	(307)
Proceeds from issuance of shares	-	1,757
Payment of corporate/listing expenses	-	(80)
Dividend paid	-	(2,500)
Net cash from/(for) financing activities	1,090	(1,741)
Net decrease in cash and cash equivalents	(265)	(5,139)
Cash and cash equivalents at beginning of the year	2,924	8,062
Cash and cash equivalents at end of the period	2,659	2,923
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	2,439	2,139
- restricted	4,264	4,427
Cash and bank balances	568	104
Bank overdraft	(4,612)	(3,747)
	2,659	2,923

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 FOURTH QUARTER ENDED 30 SEPTEMBER 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 9B 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 statements 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

Save as disclosed in 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 30/09/2006 RM'000	Preceding Year Corresponding Quarter 30/09/2005 RM'000	Current Year To Date 30/09/2006 RM'000	Preceding Year Corresponding Period 30/09/2005 RM'000
REVENUE BY ACTIVITIES				
System integration	5,205	5,304	21,842	28,585
Maintenance income	542	498	2,565	1,115
Sales of goods	1,570	186	3,652	1,640
Rental income	139	43	332	76
Total	<u>7,456</u>	<u>6,031</u>	<u>28,391</u>	<u>31,416</u>

A9. Valuation of Property, Plant and Equipment

Save for the impairment in value of the properties held for resale of RM51,541, 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.

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A12. Contingent Liabilities

- a) The Company has provided corporate guarantee for a hire purchase facility granted to a wholly-owned subsidiary for a total amount of RM390,000. As at 30 September 2006, the said hire purchase balance stood at RM190,903.
- 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 30 September 2006, the total outstanding balances of the bank facilities are disclosed in Note B9 below.
- c) The Company has also provided a corporate guarantee on 12 October 2006 to a supplier to secure the payments for good purchase by a wholly owned subsidiary up to an amount of RM300,000.

Save as disclosed in the above, there were no material contingent liabilities as at 23 November 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.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of the Performance

The Group registered a revenue and loss before taxation of RM7.5 million and RM681 thousand respectively for the fourth quarter ended 30 September 2006 as compared to a revenue and profit before tax of RM6.0 million and RM371 thousand in the preceding year corresponding quarter. Despite higher turnover, the Group experienced loss before taxation as compared to the preceding year corresponding quarter. This is mainly due to tougher operating environment and lower profit margin during the current quarter.

The Group registered a revenue and loss before taxation of RM28.4 million and RM469 thousand for the cumulative quarter ended 30 September 2006 while in the preceding year corresponding cumulative quarter the Group registered a revenue and profit before tax of RM31.4 million and RM4.1 million respectively. This is also mainly due to tougher operating environment and lower profit margin during the year.

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 30/09/2006 RM'000	Preceding Quarter Ended 30/06/2006 RM'000	Difference	
			RM'000	%
Revenue	7,456	6,842	614	9.0
Loss before taxation	(681)	(37)	(644)	1,740.5

The turnover for the current quarter decreased by 9.0% while the Group experienced a loss before taxation of RM681 thousand as compared to a loss before taxation of RM37 thousand in the preceding quarter due to further contraction in construction activities which is related to projects in hand of the Group.

B3. Prospects for the Financial Year Ending 30 September 2007

In the Ninth Malaysia Plan 2006 – 2010 ("9MP"), Malaysian Government had made significant allocation for development expenditure. Since the launch of the 9MP, construction industry had experience some recovery in business activities. The Company is striving to garner some benefit from the 9MP especially in the healthcare and education sectors. For broadcasting, as most of the television networks and production facilities in the Asia-Pacific region are still on analogue systems, this give ample opportunity for the Company to offer it broadcast system integration services to broadcasters in this region. Barring any unforeseen circumstances, the Directors anticipate that the Group will be profitable in the financial year ending 30 September 2007.



B4. Variance of Profit Forecast

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

B5. Taxation

	Current Year Quarter 30/09/2006 RM'000	Current Year To Date 30/09/2006 RM'000
Current provision	160	324
Overprovision of tax in prior years	(33)	(31)
Reversal of deferred tax liability	(29)	(29)
	<u>98</u>	<u>264</u>

The effective tax rate of the Group for the financial year-to-date and the current quarter 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 30 September 2006.

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B8. Status of Corporate Proposals

a) Proposed Private Placement

Further to the Company's last quarterly report, on behalf of the Board of Directors, Hwang-DBS Securities Berhad announced on 22 September 2006 that the Board has fixed an issue price for the 1st tranche of ordinary shares of RM0.10 each in Digistar ("Digistar Shares") to be issued pursuant to the Proposed Private Placement at RM0.12 per share.

The issue price of RM0.12 per share represents a discount of approximately 9.8% over the five (5)-day weighted average market price of Digistar Shares up to and including 21 September 2006, being the date immediately prior to the price-fixing date, of RM0.1331 per share.

On 2 October 2006, 6,500,000 new ordinary shares of RM0.10 each were allotted at a price of RM0.12 per share to identified investors.

b) Proposed Rights Issue of Warrants

Since the date of last quarterly report, an Extraordinary General Meeting ("EGM") was duly held on 15 November 2006 and the Proposed Renounceable Rights Issue of up to 104,773,817 Warrants to the existing shareholders of Digistar on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.10 each held on an entitlement date to be determined were duly approved by the shareholders of the Company in the said EGM.

The proposed right issue of warrants is pending implementation by the Company.

c) Proposed Share Buy-back

On behalf of the Board of Directors, Hwang-DBS Securities Berhad announced on 4 October 2006 that the Board proposed that the Company purchase its own ordinary shares on the MESDAQ Market of Bursa Malaysia Securities Berhad of up to ten percent (10%) of the issued and paid-up capital of the Company, and in an EGM duly held on 15 November 2006, the shareholders of the Company had approved the proposed share buy-back.

Save as disclosed above, there are no other corporate proposals announced but not completed as at 23 November 2006.

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B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 30 September 2006 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	4,612	-	4,612
Trust receipts and bankers acceptance	2,103	-	2,103
Hire purchase liabilities	82	109	191
Unsecured:-			
Hire purchase	208	274	482
Total	<u>7,005</u>	<u>383</u>	<u>7,388</u>

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 23 November 2006, being the date not earlier than 7 days from the date of this announcement.

B11. Material Litigation

- a) Kuala Lumpur High Court Suit No: D6-22-300-2005
Maju Holdings Sdn. Bhd. vs Digistar Holdings Sdn. Bhd.

DHSB had on 2 February 2005 issued a notice to Maju Holdings Sdn Bhd ("Maju") under section 218(2) Companies Act, 1965 for a sum of RM1,400,697.34 towards outstanding payments due from Maju. On 3 February 2005, Maju had paid a sum of RM100,000 to DHSB, thus reducing the amount being claimed by DHSB to RM1,300,697.34. Maju subsequently filed a suit against DHSB for unliquidated damages for issuing the Section 218 notice, and to prevent DHSB from filing a winding up petition, Maju had applied for an injunction, which was obtained on 12 July 2005. DHSB subsequently filed an application to include in their defence, a counterclaim for the sum of RM1,317,279.97 against Maju, and an order in terms in respect of such application was obtained on 28 June 2006. The matter came up for case management on 12 October 2006 and the next hearing date has been fixed for 12 December 2006. DHSB had also filed an application for summary judgment on 15 August 2006, which came up for hearing on 7 September 2006. Pursuant to Maju's request, the matter has been adjourned to 16 November 2006 to enable Maju to reply to DHSB's affidavit in support. The court had further adjourned the hearing date to 8 February 2007.

The directors have been advised by their legal counsel that to succeed in its claim, Maju will need to prove the damages suffered and that such claim would be difficult to prove. On the other hand, the legal counsel are of the opinion that DHSB has a good counterclaim against Maju, as it is based on Maju's approved certificates.



B11. Material Litigation (Cont'd)

- b) Kuala Lumpur High Court Suit No: S7-22-334-2005
Maju Holdings Sdn. Bhd. vs Digistar Holdings Sdn. Bhd.

On 31 March 2005, Maju had also instituted legal proceedings in the Kuala Lumpur High Court claiming a sum of RM7,483,580 (together with interest on the said sum at the rate of 8% per annum calculated from 1 March 2003 until the date of full realisation) as liquidated damages for alleged delay on DHSB's part to complete certain contracted works. This claim is connected to the first suit mentioned above.

A striking out application was filed by DHSB on the ground that this suit is a duplicity of Maju's first suit. However, on 8 February 2006, the application was disallowed with cost by the Deputy Registrar. DHSB subsequently filed an appeal against the decision, and the same has been fixed for hearing, together with case management, on 8 December 2006.

The directors have been advised by their legal counsel that DHSB has a good defence against Maju's claim as from the facts of the case, DHSB was only appointed by Maju to install electrical equipment at Maju's buildings. The alleged delay in the completion of the contracted works was inevitably caused by the delay in the actual construction of the buildings (for which DHSB was not appointed and is outside of DHSB's control).

- c) Klang Sessions Court Summons No: 1-52-1105-2004
Digistar Holdings Sdn. Bhd. vs Koh Jui Lian

In 2004, DHSB commenced legal proceedings against a former employee, Koh Jui Lan, whereby DHSB is claiming for the return of a sum of RM31,000.00 (together with interest on the said sum at the rate of 8% per annum calculated from 10 June 2004 until the date of full realisation), which was erroneously paid as advance sales commission to the said Koh Jui Lan. In turn, Koh Jui Lan is counter-claiming for a sum of RM450,129.00 towards outstanding sales commission allegedly due to him between 1995 and 1999.

The matter, which was fixed for trial on 6 July 2006, has been adjourned to 27 February 2007.

The directors have been advised by their legal counsel that a part of each party's claims against the other is barred by the prescribed limitation period under the Limitation Act. Further, to succeed in his claim, Koh Jui Lan will be required to prove all his commission claims at the upcoming trial.

B12. Dividends

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

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B13. Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2006	Preceding Year Corresponding Quarter 30/09/2005	Current Year To Date 30/09/2006	Preceding Year Corresponding Period 30/09/2005
(a) Basic Earnings Per Share				
Net (loss)/profit attributable to members of the Company (RM'000)	(779)	74	(728)	2,665
Weighted average number of ordinary shares in issue	173,580,650	173,580,650	173,580,650	172,550,288
Basic (loss)/earnings per share (sen)	<u>(0.45)</u>	<u>0.04</u>	<u>(0.42)</u>	<u>1.54</u>
(b) Diluted Earnings Per Share				
Net (loss)/profit attributable to members of the Company (RM'000)	(779)	74	(728)	2,665
Weighted average number of ordinary shares in issue	173,580,650	173,580,650	173,580,650	172,550,288
Adjustment for assumed exercise of ESOS	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,556,256</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>173,580,650</u>	<u>173,580,650</u>	<u>173,580,650</u>	<u>179,106,545</u>
Diluted (loss)/earnings per share (sen)	<u>(0.45)</u>	<u>0.04</u>	<u>(0.42)</u>	<u>1.49</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 23 November 2006.

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