



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 MARCH 2007 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2007 RM'000	Preceding Year Corresponding Quarter 31/03/2006 RM'000	Current Year To Date 31/03/2007 RM'000	Preceding Year Corresponding Period 31/03/2006 RM'000
Revenue	5,183	6,910	15,231	14,092
Cost of sales	(3,579)	(5,342)	(12,803)	(10,952)
Gross profit	1,604	1,568	2,428	3,140
Other income	67	83	167	144
Administrative expenses	(1,308)	(1,252)	(2,472)	(2,446)
Other expenses	(180)	(189)	(378)	(385)
Finance costs	(112)	(101)	(266)	(204)
Profit/(Loss) before taxation	71	109	(521)	249
Income tax expense	125	(65)	108	(135)
Profit/(Loss) for the period	196	44	(413)	114
Attributable to:				
Equity holders of the parent	196	44	(413)	114
Minority interest	-	-	-	-
	196	44	(413)	114
Earnings/(Loss) per share attributable to equity holders of the parent:				
- basic (sen)	0.11	0.03	(0.23)	0.07
- fully diluted (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2006.



QUARTERLY REPORT ON CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007 (The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31/03/2007 RM'000	As At Preceding Financial Year Ended (As Restated) 30/09/2006 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6,320	6,679
Prepaid lease payments	606	609
Long term investment	-	1,000
	<u>6,926</u>	<u>8,288</u>
CURRENT ASSETS		
Inventories held for resale	2,244	2,418
Trade receivables	10,786	10,598
Other receivables, deposit and prepayment	278	435
Amount owing by contract customers	7,121	7,433
Fixed deposits with licensed banks	7,803	6,703
Tax refundable	477	214
Cash and bank balances	82	568
Properties held for resale	366	366
	<u>29,157</u>	<u>28,735</u>
TOTAL ASSETS	<u>36,083</u>	<u>37,023</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital	18,008	17,358
Share premium	1,262	1,146
Warrant reserve	625	-
Retained profits	7,796	4,178
Reserve on consolidation	-	4,031
	<u>27,691</u>	<u>26,713</u>
TOTAL EQUITY	<u>27,691</u>	<u>26,713</u>
NON-CURRENT LIABILITIES		
Hire purchase payables	259	383
Deferred taxation	42	42
	<u>301</u>	<u>425</u>
TOTAL NON-CURRENT LIABILITIES	<u>301</u>	<u>425</u>
CURRENT LIABILITIES		
Trade payables	1,569	1,961
Other payables and accruals	342	918
Bank overdraft	2,450	4,612
Short term borrowings	3,730	2,394
	<u>8,091</u>	<u>9,885</u>
TOTAL CURRENT LIABILITIES	<u>8,091</u>	<u>9,885</u>
TOTAL LIABILITIES	<u>8,392</u>	<u>10,310</u>
TOTAL EQUITY AND LIABILITIES	<u>36,083</u>	<u>37,023</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)		
	<u>15.38</u>	<u>15.39</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 2006.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 MARCH 2007 (The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Reserve on Consolidation RM'000	Total RM'000
At 1 October 2006	17,358	1,146	-	4,178	4,031	26,713
Current year adjustment - effects of adopting FRS 3	-	-	-	4,031	(4,031)	-
At 1 October 2006 (as restated)	17,358	1,146	-	8,209	-	26,713
Private placement of 6,500,000 shares	650	130	-	-	-	780
Private placement expenses	-	(14)	-	-	-	(14)
Rights Issue of Warrants	-	-	900	-	-	900
Rights Issue of Warrants expenses	-	-	(275)	-	-	(275)
Net loss for the period	-	-	-	(413)	-	(413)
At 31 March 2007	18,008	1,262	625	7,796	-	27,691
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	17,358	1,146	-	5,084	4,031	27,619

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 2006.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2007 (The figures have not been audited)

	31/03/2007 RM'000	31/03/2006 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(521)	249
Adjustments for:-		
Non cash items	346	385
Non operating items	(186)	41
Operating profit before working capital changes	(361)	675
Net changes in current assets	453	(2,610)
Net changes in current liabilities	(967)	1,970
Cash (for)/from operations	(875)	35
Interest paid	(232)	(180)
Income tax paid	(156)	(472)
Net cash for operating activities	(1,263)	(617)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	129	139
Purchase of property, plant and equipment	(15)	(39)
Proceeds from disposal of equipment	32	-
Proceeds from disposal of long term investment	1,000	-
Net cash from investing activities	1,146	100
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Increase in bills payable	1,376	639
Repayment of hire purchase obligations	(163)	(184)
Proceeds from issuance of shares	780	-
Proceeds from issuance of warrants	900	-
Net cash from/(for) financing activities	2,893	455
Net increase/(decrease) in cash and cash equivalents	2,776	(62)
Cash and cash equivalents at beginning of the period	2,659	2,923
Cash and cash equivalents at end of the period	5,435	2,861
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	1,442	1,433
- restricted	6,361	5,198
Cash and bank balances	82	71
Bank overdraft	(2,450)	(3,841)
	5,435	2,861

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 2006.



UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 MARCH 2007

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 2006.

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 2006.

A2. Changes in Accounting Policies

The Company has adopted the following new and revised FRS issued by MASB that are relevant to its operations effective from accounting periods beginning on 1 October 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of all of the above FRS does not have any significant financial impact on the Group except for FRS 3, Business Combinations and FRS 117, Leases.

The adoption of FRS 3 resulted in a change in accounting policy for negative goodwill. Under FRS 3, any excess of the Group’s interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as “negative goodwill arising from acquisition”), after reassessment, is now recognised immediately in profit or loss.



A2. Changes in Accounting Policies (Cont'd)

In accordance with the provisions of FRS 3, the negative goodwill arising from acquisition has been transferred to the retained earnings as follows:-

	Reserve on Consolidation RM'000	Retained Profits RM'000
Balance as at 1 October 2006	4,031	4,178
Current year adjustment - effects of adopting FRS 3	(4,031)	4,031
Balance as at 1 October 2006 (as restated)	<u>-</u>	<u>8,209</u>

The adoption of FRS 117 has affected the presentation of leasehold land which is now required to be presented as prepaid lease payments as a separate line item under non-current assets and are amortised on a straight-line basis over the lease terms.

The Condensed Consolidated Balance Sheet as at 30 September 2006 has been restated in accordance with the adoption of FRS 117 as follows:

	As Previously Reported RM'000	Effects of Adoption of FRS 117 RM'000	As Restated RM'000
Property, plant and equipment	7,288	(609)	6,679
Prepaid lease payments	<u>-</u>	<u>609</u>	<u>609</u>

A3. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2006 was not subject to any audit qualification.

A4. 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.

A5. 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.



A6. 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.

A7. 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.

A8. Dividend Paid

No dividend was paid during the quarter under review.

A9. Segmental Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2007 RM'000	Preceding Year Corresponding Quarter 31/03/2006 RM'000	Current Year To Date 31/03/2007 RM'000	Preceding Year Corresponding Period 31/03/2006 RM'000
REVENUE BY ACTIVITIES				
System integration	3,329	5,767	11,405	11,259
Maintenance income	200	793	576	1,597
Sales of goods	1,537	256	3,009	1,103
Rental income	117	94	241	133
Total	5,183	6,910	15,231	14,092

A10. 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.

A11. 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.



A12. 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.

A13. 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 31 March 2007, the said hire purchase balance stood at RM159,329.
- 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 2007, the total outstanding balances of the bank facilities are disclosed in Note B9 below.
- c) A legal proceeding was initiated by the Company against a third party, claiming the sum of RM1,300,697.34 for the outstanding amount owing for more than two (2) years. The third party is counter-claiming a sum of RM7,483,580 for liquidated and ascertained damages in respect of the purported delay in the completion of contracted works.

Save as disclosed in the above, there were no material contingent liabilities as at 22 May 2007, being the date not earlier than 7 days from the date of this announcement.

A14. Capital Commitments

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

A15. 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 profit before taxation of RM5.2 million and RM71,000 respectively for the second quarter ended 31 March 2007 as compared to a revenue and profit before tax of RM6.9 million and RM109,000 in the preceding year corresponding quarter. The lower profit before tax is mainly due to reduction of revenue from the system integration activities during the current quarter.

The Group registered a cumulative revenue of RM15.2 million for the six (6)-month period ended 31 March 2007, an increase of 8% compared to the preceding six (6)-month period ended 31 March 2006. The increased in revenue is mainly due to timing of execution of system integration jobs in hand. The Group registered a cumulative loss of RM413,000 for the six (6)-month period ended 31 March 2007 compared to a profit of RM114,000 for the preceding six (6)-month period ended 31 March 2006. This is mainly due to the lower profit margin derived from the system integration jobs rendered during the six (6)-month period ended 31 March 2007.

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 31/03/2007 RM'000	Preceding Quarter Ended 31/12/2006 RM'000	Difference	
			RM'000	%
Revenue	5,183	10,048	(4,865)	(48.4)
Profit before taxation	<u>71</u>	<u>(592)</u>	<u>663</u>	<u>(112.0)</u>

The revenue for the current quarter decreased by 48.4% while the Group experienced a profit before taxation of RM71,000 as compared to a loss before taxation of RM592,000 in the preceding quarter due to better contribution from maintenance and sales of goods coupling with better profit margin from the jobs done in the current quarter.

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. The Directors anticipate that maintaining the profitability of the Group will be a challenging task in the financial year ending 30 September 2007.



B4. Profit Forecast, Profit Guarantee and Internal Targets

The Group did not provide any profit forecast, profit guarantee and internal targets in any public document or any announcements made.

B5. Taxation

	Current Year Quarter 31/03/2007 RM'000	Current Year To Date 31/03/2007 RM'000
Current provision	(125)	(108)

During the quarter, a adjustment for the over-provision of taxation of RM196,000 had been made after the filing of tax returns to Inland Revenue Board.

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 2007.

B8. Status of Corporate Proposals

a) Private Placement and Rights Issue of Warrants

Since the date of last quarterly report, on behalf of the Board of Directors ("Board"), HwangDBS Investment Bank Berhad (*formerly known as Hwang-DBS Investment Bank Berhad and Hwang-DBS Securities Berhad*) ("HwangDBS") announced that Board has fixed the exercise price of the Warrants at RM0.16, after taking into consideration the five (5)-day weighted average market price of Digistar Shares up to 29 November 2006 of RM0.1489.

On behalf of the Board, Hwang-DBS announced on 15 February 2007 in regards to the completion of the Rights Issue exercise with the listing of the 90,040,325 Warrants on 14 February 2007 on the MESDAQ Market of Bursa Malaysia Securities Berhad ("MESDAQ Market")

The Company had on 2 October 2006, allotted 6,500,000 new ordinary shares of RM0.10 each to identified investors at a price of RM0.12 per share pursuant to the Company's private placement exercise.



B8. Status of Corporate Proposals (Cont'd)

As of 31 March 2007, the Company has utilised the proceeds raised of RM1.68 million as follows:

Purpose	*Proposed Utilisation	Actual Utilisation	Deviation		Explanations
	RM'000	RM'000	RM'000	%	
Working Capital	1,290	1,290	-	-	Fully utilised
Defraying of expenses incidental to the exercise	390	289	101	25.9	Payment pending
Total	<u>1,680</u>	<u>1,579</u>	<u>101</u>	<u>25.9</u>	

* The above proceed was expected to be utilised within twelve (12) months from 14 February 2007.

b) Proposed Share Buy-back

On behalf of the Board, Hwang-DBS 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 22 May 2007.

B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 31 March 2007 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	2,450	-	2,450
Trust receipts and bankers acceptance	3,480	-	3,480
Hire purchase liabilities	45	114	159
Unsecured:-			
Hire purchase	205	145	350
Total	<u>6,180</u>	<u>259</u>	<u>6,439</u>



B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 22 May 2007, 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”)

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. On 12 December 2006, the Court has fixed the hearing of the case management on 14 February 2007 and was further postponed to 2 July 2007.

On 17 January 2007, the Court has allowed Maju’s application to amend their Writ of Summons and Statement of Claim with cost to be borne by Maju, 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 (“LAD”) for alleged delay on DHSB’s part to complete certain contracted works. On 12 February 2007, Maju had been requested by the Civil Court to withdraw Kuala Lumpur High Court Suit No: S7-22-334-2005 as they had amended their Claim at the Commercial Division.

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. However, the Registrar had instructed both parties to file written submissions and fixed the next mention date for the aforesaid matter on 29 March 2007. On 29 March 2007, the Court has adjourned the mention date to 12 April 2007 pending filing of DHSB’s reply to Maju’s written submission which was received on 27 March 2007. On 12 April 2007, DHSB filed its written submission in reply and the Court fixed 24 May 2007 to decide DHSB’s application for summary judgement.

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.

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



B11. Material Litigation (Cont'd)

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 Court has further adjourned the trial to 25 September 2007.

On 10 April 2007, DHSB had filed an application to amend the Reply to Defence and Defence to Counterclaim at the Court. The Court fixed 8 June 2007 to hear the said application.

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 declared/recommended by the Board of Directors for the current financial period under review as well as the previous corresponding quarter. There is no dividend declared/recommended for the financial year to date.

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B13. Earnings/(Loss) Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2007	Preceding Year Corresponding Quarter 31/03/2006	Current Year To Date 31/03/2007	Preceding Year Corresponding Period 31/03/2006
Basic Earnings/(Loss) Per Share				
Net profit/(loss) attributable to members of the Company (RM'000)	196	44	(413)	114
Weighted average number of ordinary shares in issue	180,080,650	173,580,650	180,044,936	173,580,650
Basic earnings/(loss) per share (sen)	<u>0.11</u>	<u>0.03</u>	<u>(0.23)</u>	<u>0.07</u>

The fully diluted earnings/(loss) per share for the Group is not presented as the assumed conversion from the exercise of Warrants and the share options under the ESOS would be anti-dilutive.

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 22 May 2007.

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