



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 JUNE 2007 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/06/2007 RM'000	Preceding Year Corresponding Quarter 30/06/2006 RM'000	Current Year To Date 30/06/2007 RM'000	Preceding Year Corresponding Period 30/06/2006 RM'000
Revenue	5,610	6,842	20,841	20,934
Cost of sales	(4,015)	(5,377)	(16,818)	(16,329)
Gross profit	1,595	1,465	4,023	4,605
Other income	64	41	231	185
Administrative expenses	(1,284)	(1,242)	(3,756)	(3,688)
Other expenses	(171)	(191)	(549)	(576)
Finance costs	(124)	(110)	(390)	(315)
Profit/(Loss) before taxation	80	(37)	(441)	211
Income tax expense	12	(30)	120	(165)
Profit/(Loss) for the period	92	(67)	(321)	46
Attributable to:				
Equity holders of the parent	92	(67)	(321)	46
Minority interest	-	5	-	5
	92	(62)	(321)	51
Earnings/(Loss) per share attributable to equity holders of the parent:				
- basic (sen)	0.05	(0.04)	(0.18)	0.03
- 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 30 JUNE 2007 (The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 30/06/2007 RM'000	As At Preceding Financial Year Ended (As Restated) 30/09/2006 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6,168	6,679
Prepaid lease payments	604	609
Long term investment	-	1,000
	6,772	8,288
CURRENT ASSETS		
Inventories held for resale	2,312	2,418
Trade receivables	12,055	10,598
Other receivables, deposit and prepayment	331	435
Amount owing by contract customers	8,740	7,433
Fixed deposits with licensed banks	7,839	6,703
Tax refundable	208	214
Cash and bank balances	69	568
Properties held for resale	366	366
	31,920	28,735
TOTAL ASSETS	38,692	37,023
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital	18,008	17,358
Share premium	1,246	1,146
Warrant reserve	503	-
Retained profits	7,888	8,209
TOTAL EQUITY	27,645	26,713
NON-CURRENT LIABILITIES		
Hire purchase payables	197	383
Deferred taxation	42	42
TOTAL NON-CURRENT LIABILITIES	239	425
CURRENT LIABILITIES		
Trade payables	3,003	1,961
Other payables and accruals	436	918
Bank overdraft	4,312	4,612
Short term borrowings	3,057	2,394
TOTAL CURRENT LIABILITIES	10,808	9,885
TOTAL LIABILITIES	11,047	10,310
TOTAL EQUITY AND LIABILITIES	38,692	37,023
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)		
	15.35	15.39

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 THIRD QUARTER ENDED 30 JUNE 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	-	(30)	-	-	-	(30)
Rights Issue of Warrants	-	-	900	-	-	900
Rights Issue of Warrants expenses	-	-	(397)	-	-	(397)
Net loss for the period	-	-	-	(321)	-	(321)
At 30 June 2007	18,008	1,246	503	7,888	-	27,645
At 1 October 2005	17,358	1,146	-	4,970	4,031	27,505
Net profit for the period	-	-	-	51	-	51
At 30 June 2006	17,358	1,146	-	5,021	4,031	27,556

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 30 JUNE 2007 (The figures have not been audited)

	30/06/2007 RM'000	30/06/2006 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(441)	211
Adjustments for:-		
Non cash items	549	576
Non operating items	(318)	101
Operating profit before working capital changes	(210)	888
Net changes in current assets	(2,554)	(568)
Net changes in current liabilities	560	548
Cash (for)/from operations	(2,204)	868
Interest paid	(333)	(278)
Income tax refunded/(paid)	126	(484)
Net cash (for)/from operating activities	(2,411)	106
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	191	177
Purchase of property, plant and equipment	(33)	(563)
Proceeds from disposal of equipment	32	-
Proceeds from disposal of long term investment	1,000	-
Net cash from/(for) investing activities	1,190	(386)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Increase in bills payable	708	393
Repayment of hire purchase obligations	(230)	(269)
Proceeds from issuance of shares	780	-
Proceeds from issuance of warrants	900	-
Net cash from financing activities	2,158	124
Net increase/(decrease) in cash and cash equivalents	937	(156)
Cash and cash equivalents at beginning of the period	2,659	2,923
Cash and cash equivalents at end of the period	3,596	2,767
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	2,443	2,434
- restricted	5,396	4,245
Cash and bank balances	69	24
Bank overdraft	(4,312)	(3,936)
	3,596	2,767

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 THIRD QUARTER ENDED 30 JUNE 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	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	Corresponding Period
	30/06/2007	30/06/2006	30/06/2007	30/06/2006
	RM'000	RM'000	RM'000	RM'000
REVENUE BY ACTIVITIES				
System integration	2,253	5,378	13,658	16,637
Maintenance income	537	426	1,113	2,023
Sales of goods	2,698	979	5,707	2,082
Rental income	122	59	363	192
Total	<u>5,610</u>	<u>6,842</u>	<u>20,841</u>	<u>20,934</u>

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 except for the increased of shareholding in Digistar Media Sdn Bhd (“DMSB”), a dormant subsidiary company from 51% to 70% vide the acquisition of 19 ordinary shares of RM1.00 each in DMSB by cash at par on 12 June 2007.

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 RM148,211.
- b) The Company has also provided corporate guarantees for bank facilities granted to a wholly-owned subsidiary for a total amount of RM29 million. As at 30 June 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 28 August 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 RM5.6 million and RM80,000 respectively for the third quarter ended 30 June 2007 as compared to a revenue and loss before tax of RM6.8 million and RM37,000 in the preceding year corresponding quarter. The higher profit before tax is mainly due to increase of revenue and profit margin from the maintenance and sales of goods activities during the current quarter.

The Group registered cumulative revenue of RM20.8 million for the nine (9)-month period ended 30 June 2007, an marginal decrease of 0.4% compared to the preceding nine (9)-month period ended 30 June 2006. The Group registered a cumulative loss before tax of RM441,000 for the nine (9)-month period ended 30 June 2007 compared to a profit before tax of RM211,000 for the preceding nine (9)-month period ended 30 June 2006. This is mainly due to the lower profit margin derived from the system integration jobs rendered during the nine (9)-month ended 30 June 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 30/06/2007 RM'000	Preceding Quarter Ended 31/03/2007 RM'000	Difference	
			RM'000	%
Revenue	5,610	5,183	427	8.2
Profit before taxation	<u>80</u>	<u>71</u>	<u>9</u>	<u>12.7</u>

The revenue for the current quarter increased by 8.2% while the Group's profit before taxation of marginally increased from RM71,000 in the preceding quarter to RM80,000 in the current quarter due to better contribution from maintenance and sales of goods activities 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 30/06/2007 RM'000	Current Year To Date 30/06/2007 RM'000
Current provision	17	104
Overprovision of tax in prior years	(29)	(224)
	<u>(12)</u>	<u>(120)</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 27% due to certain expenses being disallowed for taxation purposes and tax losses incurred by certain subsidiaries.

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 June 2007.

B8. Status of Corporate Proposals

a) Utilisation of Proceed From Private Placement and Rights Issue of Warrants

As of 30 June 2007, the Company has fully utilised the proceeds raised of RM1.68 million as follows:

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

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



B8. Status of Corporate Proposals (Cont'd)

b) Proposed Private Placement

On 24 May 2007, Hwang-DBS, on behalf of the Board, had announced that the Company proposed to undertake a proposed private placement of not more than ten percent (10%) of the Company's issued and paid-up share capital. HwangDBS has on 13 June 2007 submitted the application to the Securities Commission and additional listing application to Bursa Malaysia Securities Berhad ("Bursa Malaysia") in respect of the listing of and quotation for the new ordinary shares of RM0.10 each in Digistar pursuant to the Proposed Private Placement.

The Securities Commission ("SC") has, vide its letter dated 15 June 2007, approved the proposed private placement of up to 22,156,017 new ordinary shares of RM0.10 each in Digistar, representing approximately 8% of the issued and paid-up share capital of Digistar ("Proposed Private Placement") subject to certain conditions.

Bursa Malaysia has, vide its letter dated 21 June 2007, approved in-principle the additional listing application of up to 22,156,017 new ordinary shares of RM0.10 each in Digistar to be issued pursuant to the Proposed Private Placement.

On 8 August 2007, the Board of Digistar has fixed the placement price at RM0.14 per share pursuant to the Private Placement which represents a discount of approximately 6.67 % over the five (5)-days weighted average market price of Digistar Shares up to and including 7 August 2007, being the date immediately prior to the price-fixing date, of RM0.15 per share.

On 17 August 2007, the Company had allotted 11,500,000 ordinary shares of RM0.10 each to identified investors at the placement price of RM0.14 per share. The additional 11,500,000 new ordinary shares of RM0.10 each issued pursuant to the Private Placement were granted listing and quotation on 22 August 2007.

Save as disclosed above, there are no other corporate proposals announced but not completed as at 28 August 2007.

B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 30 June 2007 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	4,312	-	4,312
Trust receipts and bankers acceptance	2,811	-	2,811
Hire purchase liabilities	46	103	149
Unsecured:-			
Hire purchase	200	94	294
Total	<u>7,369</u>	<u>197</u>	<u>7,566</u>



B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 28 August 2007, being the date not earlier than 7 days from the date of this announcement.

B11. Material Litigation

Save as disclosed below, the Company and/or its subsidiaries are not engaged in any material litigation which may materially or adversely affect the financial position or business of the Digistar Group.

a) Kuala Lumpur High Court Suit No: D6-22-300-2005

Digistar Holdings Sdn Bhd (“DHSB”), a wholly owned subsidiary of Digistar 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 first came up for case management on 14 February 2007 which was adjourned to 2 July 2007 and 24 July 2007. However, Maju did not request for a date for the case management of Maju’s suit against DHSB.

On 15 August 2006, DHSB had also filed an application for summary judgment, which came up for hearing on 24 May 2007. The Court had on such date, allowed DHSB’s application with interest to be calculated from the judgment date, and costs. On 4 June 2007, Maju filed an appeal to the Judge in Chambers. On 2 July 2007, the Court set 24 July 2007 to hear Maju’s appeal in Chambers. On 24 July 2007, the Court proceeded with the hearing of Maju’s appeal and the Judge had fixed the decision date for Maju’s appeal to 6 August 2007. The Court had on such date dismissed Maju’s appeal and confirming DHSB’s summary judgement with costs.

On 18 July 2007, DHSB had through its counsel served a Notice pursuant to Section 218 of the Companies Act, 1965 to Maju for the amount due and owing under a Judgement dated 24 May 2007. The said Notice is expiring on 8 August 2007, after which DHSB is entitled to file winding up petition against Maju. Maju is currently negotiating with DHSB to allow them to settle the principal amount by instalment payments.

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) Klang Sessions Court Summons No: 1-52-1105-2004

On 10 June 2004, DHSB commenced legal proceedings against a former employee, Koh Jui Lian, 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 Lian. In turn, Koh Jui Lian 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 first fixed for trial on 6 July 2006, has now been adjourned to 25 September 2007.

DHSB had also filed an application to amend the Reply to Defence and Defence to Counterclaim on 10 April 2007, and an order in terms in respect of such application was obtained on 8 June 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 Lian 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 todate.

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B13. Earnings/(Loss) Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/06/2007	Preceding Year Corresponding Quarter 30/06/2006	Current Year To Date 30/06/2007	Preceding Year Corresponding Period 30/06/2006
Basic Earnings/(Loss) Per Share				
Net profit/(loss) attributable to members of the Company (RM'000)	92	(62)	(321)	51
Weighted average number of ordinary shares in issue	180,080,650	173,580,650	180,056,840	173,580,650
Basic earnings/(loss) per share (sen)	0.05	(0.04)	(0.18)	0.03

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 28 August 2007.

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