



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

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2007 RM'000	Preceding Year Corresponding Quarter 31/12/2006 RM'000	Current Year To Date 31/12/2007 RM'000	Preceding Year Corresponding Period 31/12/2006 RM'000
Revenue	15,884	10,048	15,884	10,048
Cost of sales	(13,924)	(9,224)	(13,924)	(9,224)
Gross profit	1,960	824	1,960	824
Other income	75	100	75	100
Administrative expenses	(1,692)	(1,164)	(1,692)	(1,164)
Other expenses	(163)	(198)	(163)	(198)
Finance costs	(98)	(154)	(98)	(154)
Profit/(Loss) before taxation	82	(592)	82	(592)
Income tax expense	(21)	(17)	(21)	(17)
Profit/(Loss) for the period	61	(609)	61	(609)
Attributable to:				
Equity holders of the parent	61	(609)	61	(609)
Minority interest	-	-	-	-
	61	(609)	61	(609)
Earnings/(Loss) per share attributable to equity holders of the parent:				
- basic (sen)	0.03	(0.34)	0.03	(0.34)
- fully diluted (sen)	0.03	N/A	0.03	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 2007.



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

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31/12/2007 RM'000	As At Preceding Financial Year Ended (As Restated) 30/09/2007 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	5,893	6,042
Prepaid lease payments	600	602
Investment Properties	366	366
	6,859	7,010
CURRENT ASSETS		
Inventories held for resale	2,114	2,019
Trade receivables	20,288	15,524
Other receivables, deposit and prepayment	368	460
Amount owing by contract customers	1,582	2,667
Fixed deposits with licensed banks	8,297	8,836
Tax refundable	283	271
Cash and bank balances	1,717	1,818
	34,649	31,595
TOTAL ASSETS	41,508	38,605
EQUITY AND LIABILITIES		
EQUITY		
Share capital	19,158	19,158
Share premium	1,630	1,630
Warrant reserve	503	503
Treasury Shares, at cost	(1,109)	(590)
Retained profits	6,295	6,234
TOTAL EQUITY	26,477	26,935
NON-CURRENT LIABILITIES		
Hire purchase payables	79	133
Deferred taxation	42	42
TOTAL NON-CURRENT LIABILITIES	121	175
CURRENT LIABILITIES		
Trade payables	9,204	3,904
Other payables and accruals	474	824
Provision for taxation	6	-
Bank overdraft	3,683	3,234
Short term borrowings	1,543	3,533
TOTAL CURRENT LIABILITIES	14,910	11,495
TOTAL LIABILITIES	15,031	11,670
TOTAL EQUITY AND LIABILITIES	41,508	38,605
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)		
	14.32	14.35

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2007.



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

	← Non-Distributable Reserve →					→	Distributable Reserve Retained Profits	Total
	Share Capital	Share Premium	Warrant Reserve	Treasury Shares	Negative Goodwill	RM'000		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2007 (as restated)	19,158	1,630	503	(590)	-	6,234	26,935	
Share Repurchased	-	-	-	(519)	-	-	(519)	
Net Profit for the period	-	-	-	-	-	61	61	
At 31 December 2007	<u>19,158</u>	<u>1,630</u>	<u>503</u>	<u>(1,109)</u>	<u>-</u>	<u>6,295</u>	<u>26,477</u>	
At 1 October 2006	17,358	1,146	-	-	4,031	4,178	26,713	
Effects of adopting FRS 3	-	-	-	-	(4,031)	4,031	-	
Private placement of 6,500,000 shares	650	130	-	-	-	-	780	
Net Loss for the Period	-	-	-	-	-	(609)	(609)	
At 31 December 2006	<u>18,008</u>	<u>1,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,600</u>	<u>26,884</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 2007.



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

	31/12/2007 RM'000	31/12/2006 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	82	(592)
Adjustments for:-		
Non cash items	163	166
Non operating items	11	68
Operating profit before working capital changes	256	(358)
Net changes in current assets	(3,682)	240
Net changes in current liabilities	4,950	(278)
Cash from/(for) operations	1,524	(396)
Interest paid	(84)	(135)
Income tax paid	(30)	(78)
Net cash (for)/from operating activities	1,410	(609)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	73	67
Purchase of property, plant and equipment	(9)	(5)
Proceeds from disposal of equipment	-	32
Net cash from investing activities	64	94
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	780
Acquire of treasury shares	(519)	-
(Decrease)/Increase in bills payable	(1,983)	2,166
Repayment of hire purchase obligations	(61)	(83)
Net cash (for)/from financing activities	(2,563)	2,863
Net (decrease)/increase in cash and cash equivalents	(1,089)	2,348
Cash and cash equivalents at beginning of the period	7,420	2,659
Cash and cash equivalents at end of the period	6,331	5,007
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	2,811	1,441
- restricted	5,486	5,326
Cash and bank balances	1,717	61
Bank overdraft	(3,683)	(1,821)
	6,331	5,007

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 2007.



UNAUDITED QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2007

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 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 2007.

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 2007.

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 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above FRS does not have any significant financial impact on the Group.

A3. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2007 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 item affecting assets, liabilities, equity, net income or cash flows during the quarter under review.



A6. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior interim periods, which have a material effect in the current quarter under review.

A7. Debts and Equity Securities

Save as disclosed in Note B8 and below, there was no issuance, repurchase and repayment of debt and equity securities, for the current quarter under review.

A total of 2,855,700 ordinary shares of the Company were repurchased from the open market for a total consideration of RM518,685 in the current financial quarter under review. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. As at 31 December 2007, the number of treasury shares held were 6,698,800 ordinary shares.

A8. Dividend Paid

No dividend was paid during the quarter under review.

A9. Segmental Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2007 RM'000	Preceding Year Corresponding Quarter 31/12/2006 RM'000	Current Year To Date 31/12/2007 RM'000	Preceding Year Corresponding Period 31/12/2006 RM'000
REVENUE BY ACTIVITIES				
System integration	3,060	8,076	3,060	8,076
Maintenance income	1,141	376	1,141	376
Sales of goods	11,531	1,472	11,531	1,472
Rental income	152	124	152	124
Total	15,884	10,048	15,884	10,048

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 except for the acquisition of a new subsidiary in Singapore through subscription of 27,500 new ordinary shares of S\$1.00 each representing 55% of the issued and fully paid-up share capital of Digilink International Pte. Ltd. for a total cash consideration of S\$27,500.00 on 2 October 2007.

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 31 December 2007, the said hire purchase balance stood at RM87,938.
- 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 31 December 2007, 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 2008, being the date not earlier than 7 days from the date of this announcement.

A13. 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 RM 15.9 million and RM82,000 respectively for the first quarter ended 31 December 2007 as compared to a revenue and loss before tax of RM10 million and RM592,000 in the preceding year corresponding quarter. The increase in profit before tax is mainly due to increase of revenue and contribution from the sales of goods activities during the current quarter.

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 31/12/2007 RM'000	Preceding Quarter Ended 30/09/2007 RM'000	Difference	
			RM'000	%
Revenue	15,884	17,419	(1,535)	(8.8)
Profit before taxation	<u>82</u>	<u>(1,729)</u>	<u>1,811</u>	<u>(104.7)</u>

The revenue for the current quarter reduced by 9% while the Group registered a profit before taxation of RM82,000 as compared to the preceding quarter loss of RM1.7 million. This is mainly due to more number of projects certified and/or completed in the preceding quarter as compare to current quarter.

B3. Prospects for the Financial Year Ending 31 December 2007

From the 9MP, it can be seen that that the 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 determined to gain 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 Company is focusing on boosting its recurring service and maintenance income.

Barring any unforeseen circumstances, the Directors anticipate that maintaining the profitability of the Group will be a challenging task for the financial year ending 30 September 2008.



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 31/12/2007 RM'000	Current Year To Date 31/12/2007 RM'000
Current provision	<u>21</u>	<u>21</u>

The effective tax rate of the Group for the financial year-to-date and the current quarter is lower than the statutory tax rate of 27% due to the utilisation of tax losses 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 31 December 2007.

B8. Status of Corporate Proposals

Private Placement

On 28 August 2007, the Private Placement of up to ten percent (10%) of the issued and paid-up share capital of the Company was completed with the listing of 11,500,000 ordinary shares of RM 0.10 each held in Digistar. All 11,500,000 Digistar Shares were issued in a single and also final tranche at an issue price of RM 0.14 per share. The Company has fully utilised the proceeds raised from the Private Placement as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Deviation		Explanations
	RM'000	RM'000	RM'000	%	
Working Capital	1,530	1,545	(15)	0.1	} Excess estimated expenses utilized for working capital purposes
Defraying of expenses incidental to the exercise	80	65	15	18.8	
Total	<u>1,610</u>	<u>1,610</u>	-		



B9. Group Borrowings and Debt Securities

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

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	3,683	-	3,683
Trust receipts and bankers acceptance	1,301	-	1,301
Hire purchase liabilities	47	79	126
Unsecured:-			
Hire purchase liabilities	195	-	195
Total	5,226	79	5,305

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 21 February 2008, 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.

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. Upon DHSB request, the Court adjourned the hearing to 19 February 2008 pending the disposal of DHSB's application to strike the defendant's defence and counterclaim. On 19 February 2008, the Court has fixed a next mentioned date on 14th March 2008.

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 to date.

B13. Earnings/(Loss) Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2007	Preceding Year Corresponding Quarter 31/12/2006	Current Year To Date 31/12/2007	Preceding Year Corresponding Period 31/12/2006
Basic Earnings/(Loss) Per Share				
Net profit/(loss) attributable to members of the Company (RM'000)	61	(609)	61	(609)
Weighted average number of ordinary shares in issue	185,669,618	180,009,998	185,669,618	180,009,998
Basic earnings/(loss) per share (sen)	0.03	(0.34)	0.03	(0.34)
(b) Diluted Earnings Per Share				
Net (loss)/profit attributable to members of the Company (RM'000)	61	(609)	61	(609)
Weighted average number of ordinary shares in issue	185,669,618	180,009,998	185,669,618	180,009,998
Adjustment for assumed exercise of ESOS	-	-	-	-
Adjustment for assumed exercise of Warrants	3,601,613	-	3,601,613	-
Adjusted weighted average number of ordinary shares in issue and issuable	189,271,231	180,009,998	189,271,231	180,009,998
Diluted earnings per share (sen)	0.03	N/A	0.03	N/A

The fully diluted earnings per share for the preceding year is not presented as the assumed conversion from the share options under the ESOS would be anti-dilutive and the Warrants was only issued on 8 February 2007.

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 2008.