



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 JUNE 2008 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|--|
| | Current Year Quarter 30/06/2008 RM'000 | Preceding Year Corresponding Quarter 30/06/2007 RM'000 | Current Year To Date 30/06/2008 RM'000 | Preceding Year Corresponding Period 30/06/2007 RM'000 |
| Revenue | 11,506 | 5,610 | 33,586 | 20,841 |
| Cost of sales | (9,444) | (4,015) | (27,494) | (16,818) |
| Gross profit | 2,062 | 1,595 | 6,092 | 4,023 |
| Other income | 66 | 64 | 208 | 231 |
| Administrative expenses | (1,602) | (1,284) | (5,059) | (3,756) |
| Other expenses | (165) | (171) | (490) | (549) |
| Finance costs | (123) | (124) | (290) | (390) |
| Profit/(Loss) before taxation | 238 | 80 | 461 | (441) |
| Income tax expense | (33) | 12 | (69) | 120 |
| Profit/(Loss) for the period | 205 | 92 | 392 | (321) |
| Attributable to: | | | | |
| Equity holders of the parent | 205 | 92 | 392 | (321) |
| Minority interest | - | - | - | - |
| | 205 | 92 | 392 | (321) |
| Earnings/(Loss) per share attributable to equity holders of the parent: | | | | |
| - basic (sen) | 0.11 | 0.05 | 0.21 | (0.18) |
| - 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 2007.



QUARTERLY REPORT ON CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008 (The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEET

| | As At End of Current Quarter 30/06/2008 RM'000 | As At Preceding Financial Year Ended (As Restated) 30/09/2007 RM'000 |
|---|---|---|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 6,904 | 6,042 |
| Prepaid lease payments | 596 | 602 |
| Investment Properties | 366 | 366 |
| | 7,866 | 7,010 |
| CURRENT ASSETS | | |
| Inventories held for resale | 2,681 | 2,019 |
| Trade receivables | 15,627 | 15,524 |
| Other receivables, deposit and prepayment | 341 | 460 |
| Amount owing by contract customers | 3,939 | 2,667 |
| Fixed deposits with licensed banks | 7,890 | 8,836 |
| Tax refundable | - | 271 |
| Cash and bank balances | 66 | 1,818 |
| | 30,544 | 31,595 |
| TOTAL ASSETS | 38,410 | 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 | (1,972) | (590) |
| Retained profits | 6,626 | 6,234 |
| TOTAL EQUITY | 25,945 | 26,935 |
| NON-CURRENT LIABILITIES | | |
| Hire purchase payables | 54 | 133 |
| Deferred taxation | 42 | 42 |
| TOTAL NON-CURRENT LIABILITIES | 96 | 175 |
| CURRENT LIABILITIES | | |
| Trade payables | 5,876 | 3,904 |
| Other payables and accruals | 617 | 824 |
| Provision for taxation | 7 | - |
| Bank overdraft | 4,559 | 3,234 |
| Short term borrowings | 1,310 | 3,533 |
| TOTAL CURRENT LIABILITIES | 12,369 | 11,495 |
| TOTAL LIABILITIES | 12,465 | 11,670 |
| TOTAL EQUITY AND LIABILITIES | 38,410 | 38,605 |
| NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen) | | |
| | 14.54 | 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 THIRD QUARTER ENDED 30 JUNE 2008 (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 | | |
| At 1 October 2007 (as restated) | 19,158 | 1,630 | 503 | (590) | - | 6,234 | 26,935 |
| Share Repurchased | - | - | - | (1,382) | - | - | (1,382) |
| Net Profit for the period | - | - | - | - | - | 392 | 392 |
| At 30 JUNE 2008 | <u>19,158</u> | <u>1,630</u> | <u>503</u> | <u>(1,972)</u> | <u>-</u> | <u>6,626</u> | <u>25,945</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 |
| 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 | <u>18,008</u> | <u>1,246</u> | <u>503</u> | <u>-</u> | <u>-</u> | <u>7,888</u> | <u>27,645</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 30 JUNE 2008 (The figures have not been audited)

| | 30/06/2008 RM'000 | 30/06/2007 RM'000 |
|--|----------------------|----------------------|
| CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES | | |
| Profit/(Loss) before taxation | 461 | (441) |
| Adjustments for:- | | |
| Non cash items | 490 | 549 |
| Non operating items | 31 | (318) |
| Operating profit/(loss) before working capital changes | 982 | (210) |
| Net changes in current assets | (1,919) | (2,554) |
| Net changes in current liabilities | 1,765 | 560 |
| Cash from/(for) operations | 828 | (2,204) |
| Interest paid | (237) | (333) |
| Income tax paid | 209 | 126 |
| Net cash from/(for) operating activities | 800 | (2,411) |
| CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES | | |
| Interest received | 206 | 191 |
| Purchase of property, plant and equipment | (1,346) | (33) |
| Proceeds from disposal of equipment | - | 32 |
| Proceeds from disposal of long term investment | - | 1,000 |
| Net cash (for)/from investing activities | (1,140) | 1,190 |
| CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares and warrants | - | 1,680 |
| Acquire of treasury shares | (1,382) | - |
| (Decrease)/Increase in bills payable | (2,116) | 708 |
| Repayment of hire purchase obligations | (185) | (230) |
| Net cash (for)/from financing activities | (3,683) | 2,158 |
| Net (decrease)/increase in cash and cash equivalents | (4,023) | 937 |
| Cash and cash equivalents at beginning of the period | 7,420 | 2,659 |
| Cash and cash equivalents at end of the period | 3,397 | 3,596 |
| Note: | | |
| Cash and cash equivalents comprise of: | | |
| Fixed deposits with licensed bank | | |
| - available | 2,314 | 2,443 |
| - restricted | 5,576 | 5,396 |
| Cash and bank balances | 66 | 69 |
| Bank overdraft | (4,559) | (4,312) |
| | 3,397 | 3,596 |

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 THIRD QUARTER ENDED 30 JUNE 2008

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. 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 item affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

A5. 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.



A6. Debts and Equity Securities

Save as disclosed below, there was no issuance, repurchase and repayment of debt and equity securities, for the current period and financial year-to-date.

A total of 1,676,600 ordinary shares of the Company were repurchased from the open market for a total consideration of RM 174,322.41 in the current financial quarter. For the financial year to date, there is a total of 9,306,500 ordinary shares of the Company were repurchased with a total consideration of RM 1,381,427.85. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. As at 30 June 2008, the number of treasury shares held were 13,149,600 ordinary shares.

A7. Dividend Paid

No dividend was paid during the quarter under review.

A8. Segmental Information

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|-----------------------|--------------------|----------------|--------------------|----------------|
| | Current Year | Preceding Year | Current Year | Preceding Year |
| | Quarter | Year | To Date | Period |
| | 30/06/2008 | 30/06/2007 | 30/06/2008 | 30/06/2007 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE BY ACTIVITIES | | | | |
| System integration | 5,116 | 2,253 | 11,329 | 13,658 |
| Maintenance income | 918 | 537 | 3,013 | 1,113 |
| Sales of goods | 5,250 | 2,698 | 18,707 | 5,707 |
| Rental income | 222 | 122 | 537 | 363 |
| Total | <u>11,506</u> | <u>5,610</u> | <u>33,586</u> | <u>20,841</u> |

A9. 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.

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A10. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review and financial year to-date except for the following:

- a) the acquisition by the Company of a Singapore subsidiary, Digilink International Pte. Ltd. through subscription of 27,500 ordinary shares of S\$1.00 each representing 55% of its issued and fully paid-up share capital for a total cash consideration of S\$27,500.00 only on 2 October 2007;
- b) the further acquisition by the Company of 9 ordinary shares of RM1.00 each in a subsidiary, Nielsen Ward Sdn Bhd (“NWSB”) comprising 9% equity interest in NWSB from Mr. Teo Seow Wah for a cash consideration of RM9 only on 19 December 2007; and
- c) the further acquisition by the Company of 2,900 ordinary shares of RM1.00 each in a subsidiary, Digistar Rauland MSC Sdn Bhd (“DRMSB”) comprising 29% equity interest in DRMSB from Mr. Ng Leng Swee @ Charly Ng and Mr. Tang Wai Loon for a total cash consideration of RM2,900 only on 24 January 2008.

A11. Contingent Liabilities

- d) 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 June 2008, the said hire purchase balance stood at RM44, 570.
- e) The Company has also provided corporate guarantees for bank facilities granted to a wholly-owned subsidiary for a total amount of RM28 million. As at 30 June 2008, 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 27th August 2008, being the date not earlier than 7 days from the date of this announcement.

A12. 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 RM11.5 million and RM238,000 respectively for the third quarter ended 30 June 2008 as compared to a revenue and profit before tax of RM5.6 million and RM80,000 in the preceding year corresponding quarter. The increased in profit before tax is mainly due to increase of revenue from the system integration and sales of goods activities during the current quarter.

The Group registered cumulative revenue of RM33.6 million for the nine (9)-month period ended 30 June 2008, an increase of 61% compared to the preceding nine (9)-month period ended 30 June 2007. The Group registered cumulative profit before tax of RM461,000 for the nine (9)-month period ended 30 June 2008 compared to a loss before tax of RM441,000 for the preceding nine (9)-month period ended 30 June 2007. This improved performance was attributable to higher revenue generated from system integration and sales of goods activities.

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 30/06/2008 RM'000 | Preceding Quarter Ended 31/03/2008 RM'000 | Difference | |
|------------------------|--|--|-------------------|-------------|
| | | | RM'000 | % |
| Revenue | 11,506 | 6,195 | 5,311 | 85.7 |
| Profit before taxation | <u>238</u> | <u>139</u> | <u>99</u> | <u>71.2</u> |

The revenue for the current quarter increased by 86% while the Group registered a profit before taxation of RM238,000 as compared to the preceding quarter profit of RM139,000. The increased in the profit before taxation is in line with the increased of revenue from system integration and sales of goods during the quarter under review.

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B3. Prospects for the Financial Year Ending 30 June 2008

Barring any unforeseen circumstances, the Directors anticipate that the Group will remain profitable in the remaining quarter of 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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|---|---|---|--|
| | Current Year Quarter 30/06/2008 RM'000 | Preceding Year Corresponding Quarter 30/06/2007 RM'000 | Current Year To Date 30/06/2008 RM'000 | Preceding Year Corresponding Period 30/06/2007 RM'000 |
| Tax payable for the period | 45 | 17 | 81 | 104 |
| Over provision for taxation in prior year | (12) | (29) | (12) | (224) |
| | <u>33</u> | <u>(12)</u> | <u>69</u> | <u>(120)</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 25% due to the utilisation of unabsorbed capital allowances and 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 30 June 2008.

B8. Status of Corporate Proposals

There are no corporate proposals announced but not completed as at 27th August 2008.



B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 30 June 2008 consist of the following:-

| | Short Term RM'000 | Long Term RM'000 | Total RM'000 |
|---------------------------------------|----------------------|---------------------|-----------------|
| Secured:- | | | |
| Bank overdraft | 4,559 | - | 4,559 |
| Trust receipts and bankers acceptance | 1,168 | - | 1,168 |
| Hire purchase liabilities | 48 | 54 | 102 |
| Unsecured:- | | | |
| Hire purchase liabilities | 94 | - | 94 |
| Total | <u>5,869</u> | <u>54</u> | <u>5,923</u> |

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 27th August 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, a wholly owned subsidiary of the Company, Digistar Holdings Sdn Bhd ("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 Court has fixed the decision date on 18 September 2008.

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 30/06/2008 | Preceding Year Corresponding Quarter 30/06/2007 | Current Year To Date 30/06/2008 | Preceding Year Corresponding Period 30/06/2007 |
| Basic Earnings/(Loss) Per Share | | | | |
| Net profit/(loss) attributable to members of the Company (RM'000) | 205 | 92 | 392 | (321) |
| Weighted average number of ordinary shares in issue | 179,836,296 | 180,080,650 | 182,546,002 | 180,056,840 |
| Basic earnings/(loss) per share (sen) | 0.11 | 0.05 | 0.21 | (0.18) |

The fully diluted earnings per share is not presented as the assumed conversion from the warrants and share options under the ESOS would be anti-dilutive.

B14. 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.

B15. 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 27th August 2008.

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