



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2008 (The figures have not been audited)**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2008 RM'000	Preceding Year Corresponding Quarter 31/12/2007 RM'000	Current Year To Date 31/12/2008 RM'000	Preceding Year Corresponding Period 31/12/2007 RM'000
<b>Revenue</b>	12,391	15,884	12,391	15,884
Cost of sales	(10,420)	(13,924)	(10,420)	(13,924)
Gross profit	1,971	1,960	1,971	1,960
Other income	95	75	95	75
Administrative expenses	(1,527)	(1,692)	(1,527)	(1,692)
Other expenses	(172)	(163)	(172)	(163)
Finance costs	(147)	(98)	(147)	(98)
<b>Profit before taxation</b>	220	82	220	82
Income tax expense	(64)	(21)	(64)	(21)
<b>Profit for the period</b>	156	61	156	61
Attributable to:				
Equity holders of the parent	156	61	156	61
Minority interest	-	#	-	#
	156	61	156	61
Earnings per share attributable to equity holders of the parent:				
- basic (sen)	0.09	0.03	0.09	0.03
- fully diluted (sen)	N/A	0.03	N/A	0.03

Note:

# Negligible

The Condensed Consolidated Income Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2008.



## QUARTERLY REPORT ON CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008 (The figures have not been audited)

### CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31/12/2008 RM'000	As At Preceding Financial Year Ended (As Restated) 30/09/2008 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6,411	6,496
Prepaid lease payments	592	594
Investment Properties	366	366
Deferred Tax Assets	151	151
	7,520	7,607
<b>CURRENT ASSETS</b>		
Inventories held for resale	1,784	2,854
Trade receivables	27,002	21,991
Other receivables, deposit and prepayment	1,104	960
Fixed deposits with licensed banks	7,988	7,921
Cash and bank balances	357	130
	38,235	33,856
<b>TOTAL ASSETS</b>	45,755	41,463
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	19,158	19,158
Share premium	1,630	1,630
Warrant reserve	503	503
Treasury Shares, at cost	(2,013)	(2,010)
Translation Reserve	3	3
Retained profits	6,987	6,831
	26,268	26,115
<b>SHAREHOLDERS' EQUITY</b>	26,268	26,115
Minority Interest	53	53
	26,321	26,168
<b>TOTAL EQUITY</b>	26,321	26,168
<b>NON-CURRENT LIABILITIES</b>		
Hire purchase payables	62	42
	62	42
<b>TOTAL NON-CURRENT LIABILITIES</b>	62	42
<b>CURRENT LIABILITIES</b>		
Trade payables	3,885	3,315
Amount owing to contract customers	8,024	3,232
Other payables and accruals	397	472
Provision for taxation	266	193
Bank overdraft	3,466	3,972
Short term borrowings	3,334	4,069
	19,372	15,253
<b>TOTAL CURRENT LIABILITIES</b>	19,372	15,253
<b>TOTAL LIABILITIES</b>	19,434	15,295
<b>TOTAL EQUITY AND LIABILITIES</b>	45,755	41,463
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)</b>		
	14.76	14.67

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2008.



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 DECEMBER 2008 (The figures have not been audited)

	Share Capital	Share Premium	Non-Distributable Reserve		Translation Reserve	Distributable Reserve Retained Profits	Total	Minority Interest	Total Equity
			Warrant Reserve	Treasury Shares					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2008 (as restated)	19,158	1,630	503	(2,010)	3	6,831	26,115	53	26,168
Share Repurchased	-	-	-	(3)	-	-	(3)	-	(3)
Net Profit for the period	-	-	-	-	-	156	156	-	156
At 31 December 2008	<u>19,158</u>	<u>1,630</u>	<u>503</u>	<u>(2,013)</u>	<u>3</u>	<u>6,987</u>	<u>26,268</u>	<u>53</u>	<u>26,321</u>
At 1 October 2007	19,158	1,630	503	(590)	-	6,234	26,935	-	26,935
Share Repurchased	-	-	-	(519)	-	-	(519)	-	(519)
Net Profit for the Period	-	-	-	-	-	61	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>	<u>-</u>	<u>26,477</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 2008.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE QUARTER ENDED 31 DECEMBER 2008 (The figures have not been audited)

	31/12/2008 RM'000	31/12/2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	220	82
Adjustments for:-		
Non cash items	172	163
Non operating items	1	11
Operating profit before working capital changes	393	256
Net changes in current assets	707	(3,682)
Net changes in current liabilities	535	4,950
Cash from operations	1,635	1,524
Interest paid	(140)	(84)
Income tax paid	9	(30)
Net cash from operating activities	1,504	1,410
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	95	73
Purchase of property, plant and equipment	(85)	(9)
Net cash flow on acquisition of a subsidiary	-	-
Proceeds from disposal of equipment	44	-
Proceeds from disposal of long term investment	-	-
Net cash from investing activities	54	64
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares and warrants	-	-
Acquire of treasury shares	(3)	(519)
Increase in bills payable	(699)	(1,983)
Repayment of hire purchase obligations	(55)	(61)
Net cash for financing activities	(757)	(2,563)
Net increase/(decrease) in cash and cash equivalents	801	(1,089)
Cash and cash equivalents at beginning of the period	4,078	7,420
Cash and cash equivalents at end of the period	4,879	6,331
<b>Note:</b>		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	2,323	2,811
- restricted	5,665	5,486
Cash and bank balances	357	1,717
Bank overdraft	(3,466)	(3,683)
	4,879	6,331

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 2008.



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## UNAUDITED QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 DECEMBER 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 2008.

#### A2. Changes in Accounting Policies

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 2008.

#### 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 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 40,100 ordinary shares of the Company were repurchased from the open market for a total consideration of RM 3,052.41 in the current financial quarter. For the financial year to date, there is a total of 40,100 ordinary shares of the Company were repurchased with a total consideration of RM 3,052.41. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. As at 31 December 2008, the number of treasury shares held were 13,566,700 ordinary shares.



## A7. Dividend Paid

No dividend was paid during the quarter under review.

## A8. Segmental Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2008 RM'000	Preceding Year Corresponding Quarter 31/12/2007 RM'000	Current Year To Date 31/12/2008 RM'000	Preceding Year Corresponding Period 31/12/2007 RM'000
REVENUE BY ACTIVITIES				
System integration	5,663	3,060	5,663	3,060
Maintenance income	959	1,141	959	1,141
Sales of goods	5,583	11,531	5,583	11,531
Rental income	186	152	186	152
Total	12,391	15,884	12,391	15,884

## 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.

## 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.

## A11. Contingent Liabilities

- The Company has provided corporate guarantee for a hire purchase facility granted to a wholly-owned subsidiary for a total amount of RM40,000. As at 31 December 2008, the said hire purchase balance stood at RM39,706.
- The Company has also provided corporate guarantees for bank facilities granted to a wholly-owned subsidiary for a total amount of RM22 million. As at 31 December 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 26 February 2009, 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.

## B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

### B1. Review of the Performance

The Group registered a revenue and profit before taxation of RM12.4 million and RM220,000 respectively for the first quarter ended 31 December 2008 as compared to a revenue and loss before tax of RM15.9 million and RM82,000 in the preceding year corresponding quarter. The increased in profit before tax in current quarter is mainly due to better margin derived from the 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

	<b>Current Quarter Ended 31/12/2008 RM'000</b>	<b>Preceding Quarter Ended 30/09/2008 RM'000</b>	<b>Difference</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	12,391	18,417	(6,026)	(32.7)
Profit before taxation	<u>220</u>	<u>213</u>	<u>7</u>	<u>3.3</u>

The revenue for the current quarter reduced by 32.7% while the Group registered a profit before taxation of RM220,000 as compared to the preceding quarter profit of RM213,000. The increased in the profit before tax in current quarter is mainly due to better margin derived from the system integration and sales of goods activities.

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### B3. Prospects for the Financial Year Ending 30 September 2009

The Government has announced stimulus packages to boost the country's economy in the face of the global financial crisis. However, these pump-priming measures will need some time to implement and their impact to the economy will only be shown in a much latter date.

For broadcasting, most of the television networks and production facilities in the Asia-Pacific region are still on analogue systems. All countries currently strive towards meeting the International Telecommunication Union's deadline of June 17, 2015 for broadcasting to transit from analogue to digital or they stand the risk of being isolated from the world's broadcasting community. This give ample opportunity for the Company to offer its 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 2009 in view of the current economic condition.

### 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	Preceding Year	Current Year	Preceding Year
	Quarter	Year	To Date	Year
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
Tax payable for the period	64	21	64	21

The effective tax rate of the Group for the financial year-to-date and the current quarter is higher than the statutory tax rate due to certain expenses were not allow for tax 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

Save as disclosed in Note A6, there were no purchases or disposals of quoted securities for the current quarter. The Company/Group does not hold any quoted securities (other than the Company's own shares) as at 31 December 2008.





**B8. Status of Corporate Proposals**

There are no corporate proposals announced but not completed as at 26 February 2009.

**B9. Group Borrowings and Debt Securities**

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 31 December 2008 consist of the following:-

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
Secured:-			
Bank overdraft	3,466	-	3,466
Trust receipts and bankers acceptance	3,279	-	3,279
Hire purchase liabilities	55	62	117
Unsecured:-			
Hire purchase liabilities	-	-	-
Total	<u>6,800</u>	<u>62</u>	<u>6,862</u>

**B10. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risks as at 26 February 2009, being the date not earlier than 7 days from the date of this announcement.

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## **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 during his employment with DHSB. DHSB has instructed its counsel to file an application to strike out the defendant’s defence and counterclaim. The court has adjourned the decision for this matter to 11 March 2009.

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.

Writ of Summons No. D-22-2024-2008 and Statement of Claim against Ranhill Engineers And Constructors Sdn. Bhd. (“REAC”).

On 5 November 2008, a wholly-owned subsidiary of the Company, DHSB had through its Solicitors filed a Writ of Summons and Statement of Claim against REAC at Kuala Lumpur High Court of Malaya (“the Court”) for the following claims:-

- a) Total outstanding amount of RM1,576,361.85 as at 6 October 2006 for works done under “the design, supply, installation, testing and commissioning of extra low voltage system for nurses and hospital block for the proposed 620 bedded Serdang Hospital in Serdang, Mukim Dengkil, Selangor Darul Ehsan”;
- b) Interest on the above sum at a rate of 8% per annum from 7 October 2006 until the date of judgment and interest at the rate of 8% per annum from the date of judgment until the date of full settlement;
- c) Cost; and
- d) Other reliefs as the Court deems fit.

On 6 February 2009, DHSB had through its Solicitors filed an application for Summary Judgement at the Court and had served the said application on the solicitors of REAC on 10 February 2009.

There is no major financial impact of the legal proceedings on the Company.

## **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 Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2008	Preceding Year Corresponding Quarter 31/12/2007	Current Year To Date 31/12/2008	Preceding Year Corresponding Period 31/12/2007
<b>Basic Earnings Per Share</b>				
Net profit attributable to members of the Company (RM'000)	156	61	156	61
Weighted average number of ordinary shares in issue	178,023,539	185,669,618	178,023,539	185,669,618
Basic earnings per share (sen)	<u>0.09</u>	<u>0.03</u>	<u>0.09</u>	<u>0.03</u>

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 2008 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 26 February 2009.

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