



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2009 (The figures have not been audited)**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2009 RM'000	Preceding Year Corresponding Quarter 31/12/2008 RM'000	Current Year To Date 31/12/2009 RM'000	Preceding Year Corresponding Period 31/12/2008 RM'000
<b>Revenue</b>	17,463	12,391	17,463	12,391
Cost of sales	(14,060)	(10,420)	(14,060)	(10,420)
Gross profit	3,403	1,971	3,403	1,971
Other income	79	95	79	95
Administrative expenses	(2,493)	(1,527)	(2,493)	(1,527)
Other expenses	(189)	(172)	(189)	(172)
Finance costs	(88)	(147)	(88)	(147)
<b>Profit before taxation</b>	712	220	712	220
Income tax expense	(214)	(64)	(214)	(64)
<b>Profit for the period</b>	498	156	498	156
Attributable to:				
Equity holders of the parent	498	156	498	156
Minority interest	-	-	-	-
	498	156	498	156
Earnings per share attributable to equity holders of the parent:				
- basic (sen)	0.28	0.09	0.28	0.09
- 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 2009.



## QUARTERLY REPORT ON CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009 (The figures have not been audited)

### CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31/12/2009 RM'000	As At Preceding Financial Year Ended 30/09/2009 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	7,075	7,262
Prepaid lease payments	585	587
Investment Properties	45	45
Deferred Tax Assets	151	151
	7,856	8,045
<b>CURRENT ASSETS</b>		
Inventories held for resale	2,397	2,331
Trade receivables	30,202	25,117
Other receivables, deposit and prepayment	700	489
Fixed deposits with licensed banks	12,328	10,602
Cash and bank balances	105	118
	45,732	38,657
Non-current asset classified as held for sale	321	321
<b>TOTAL ASSETS</b>	53,909	47,023
<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	(2,014)	(2,014)
Retained profits	7,964	7,466
<b>SHAREHOLDERS' EQUITY</b>	27,241	26,743
Minority Interest	-	-
<b>TOTAL EQUITY</b>	27,241	26,743
<b>NON-CURRENT LIABILITIES</b>		
Hire purchase payables	497	526
<b>TOTAL NON-CURRENT LIABILITIES</b>	497	526
<b>CURRENT LIABILITIES</b>		
Trade payables	1,516	3,432
Amount owing to contract customers	22,012	13,382
Other payables and accruals	619	743
Provision for taxation	597	422
Bank overdraft	1,273	1,143
Short term borrowings	154	632
<b>TOTAL CURRENT LIABILITIES</b>	26,171	19,754
<b>TOTAL LIABILITIES</b>	26,668	20,280
<b>TOTAL EQUITY AND LIABILITIES</b>	53,909	47,023
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)</b>		
	15.30	15.02

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2009.



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 DECEMBER 2009 (The figures have not been audited)

	← Non-Distributable Reserve →				→ Distributable Reserve Retained Profits		Total	Minority Interest	Total Equity
	Share Capital	Share Premium	Warrant Reserve	Treasury Shares	Translation Reserve	Reserve Retained Profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2009 (as restated)	19,158	1,630	503	(2,013)	-	7,465	26,743	-	26,743
Share Repurchased	-	-	-	-	-	-	-	-	-
Net Profit for the period	-	-	-	-	-	498	498	-	498
At 31 December 2009	19,158	1,630	503	(2,013)	-	7,963	27,241	-	27,241
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	19,158	1,630	503	(2,013)	3	6,987	26,268	53	26,321

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 2009.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE QUARTER ENDED 31 DECEMBER 2009 (The figures have not been audited)

	31/12/2009 RM'000	31/12/2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	712	220
Adjustments for:-		
Non cash items	189	172
Non operating items	(26)	1
Operating profit before working capital changes	875	393
Net changes in current assets	3,269	707
Net changes in current liabilities	(2,503)	535
Cash from operations	1,641	1,635
Interest paid	(29)	(140)
Income tax paid	(40)	9
Net cash from operating activities	1,572	1,504
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	55	95
Purchase of property, plant and equipment	-	(85)
Proceeds from disposal of equipment	-	44
Net cash from investing activities	55	54
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Acquire of treasury shares	-	(3)
Increase in bills payable	-	(699)
Repayment of hire purchase obligations	(44)	(55)
Net cash for financing activities	(44)	(757)
Net increase/(decrease) in cash and cash equivalents	1,583	801
Cash and cash equivalents at beginning of the period	9,577	4,078
Cash and cash equivalents at end of the period	11,160	4,879
<b>Note:</b>		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	6,607	2,323
- restricted	5,721	5,665
Cash and bank balances	105	357
Bank overdraft	(1,273)	(3,466)
	11,160	4,879

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 2009.



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## UNAUDITED QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2009

### 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 ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), and should be read in conjunction with the Group’s annual financial report for the financial year ended 30 September 2009.

#### 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 2009.

#### 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

There was no issuance, repurchase and repayment of debt and equity securities, for the current period and financial year-to-date.

There was no share buy-back by the Company in the current financial quarter. As at 31 December 2009, the number of treasury shares held were 13,574,700 ordinary shares.

#### A7. Dividend Paid

No dividend was paid during the quarter under review.



## A8. Segmental Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2009 RM'000	Preceding Year Corresponding Quarter 31/12/2008 RM'000	Current Year To Date 31/12/2009 RM'000	Preceding Year Corresponding Period 31/12/2008 RM'000
REVENUE BY ACTIVITIES				
System integration	15,790	5,663	15,790	5,663
Maintenance income	1,209	959	1,209	959
Sales of goods	176	5,583	176	5,583
Rental income	288	186	288	186
Total	17,463	12,391	17,463	12,391

## 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 except for the following:-

On 31 December 2009, Digistar Engineering Sdn Bhd (80%-owned subsidiary of the Company), Digistar Media Sdn Bhd (wholly-owned subsidiary of the Company) and Aman Geliga Sdn Bhd (wholly-owned subsidiary of the Company) have applied to Companies Commission of Malaysia ("CCM") to strike off their names from the register of CCM pursuant to Section 308 of the Companies Act, 1965.

## 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 RM 698,000. As at 31 December 2009, the said hire purchase balance stood at RM 622,253.
- The Company has provided corporate guarantees with a total of RM 61,130 to the customers of a wholly-owned subsidiary for the due performance of the system integration jobs.
- The Company has also provided corporate guarantees for bank facilities granted to a wholly-owned subsidiary for a total amount of RM10.8million. As at 31 December 2009, 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 24 February 2010, 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 RM17.4 million and RM712,000 respectively for the first quarter ended 31 December 2009 as compared to a revenue and profit before tax of RM12.4 million and RM220,000 in the preceding year corresponding quarter. The increased in revenue is mainly due to delivery of certain fast-track projects. The increased in profit before taxation in current quarter is mainly attributable to higher revenue and better margin derived from the system integration 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 31/12/2009 RM'000	Preceding Quarter Ended 30/09/2009 RM'000	Difference	
			RM'000	%
Revenue	17,463	9,155	8,308	90.7
Profit before taxation	<u>712</u>	<u>346</u>	<u>366</u>	<u>105.8</u>

The Group's revenue registered an increase of 90.7% while profit before taxation increased by 105.8% as compared to the preceding quarter. The increased in revenue of current quarter is mainly due to the timing differences in the delivery of certain projects. The increased in profit before taxation of the quarter under review is in tandem to the increased in revenue.

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## B3. Prospects for the Financial Year Ending 30 September 2010

The economy is expected to benefit from stabilising global economic conditions, augmented by fiscal measures and accommodative monetary policy. GDP growth is forecast to turn around to 2.0% - 3.0% in 2010 (2009: -3.0%) driven by domestic demand, particularly the private expenditure and supported by expected recovery in external demand.

Under the second stimulus package, Malaysia Government has and will continue to roll-out many projects, the Group will have a fair chance to secure more sales in the coming financial year.

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.

With the introduction of High Definition ("HD") contents to the general viewers, most of the broadcasters are working against time to have their broadcast stations HD ready. This gives ample opportunities 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 the Group will remain profitable for the financial year ending 30 September 2010.

## 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 31/12/2009 RM'000	Preceding Year Corresponding Quarter 31/12/2008 RM'000	Current Year To Date 31/12/2009 RM'000	Preceding Year Corresponding Period 31/12/2008 RM'000
Tax payable for the period	214	64	214	64

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**

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 2009.

## **B8. Status of Corporate Proposals**

There are no corporate proposals announced but not completed as at 24 February 2010.

## **B9. Group Borrowings and Debt Securities**

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 31 December 2009 consist of the following:-

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
Secured:-			
Bank overdraft	1,273	-	1,273
Trust receipts and bankers acceptance	-	-	-
Hire purchase liabilities	154	497	651
Unsecured:-			
Hire purchase liabilities	-	-	-
Total	<u>1,427</u>	<u>497</u>	<u>1,924</u>

## **B10. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risks as at 24 February 2010, 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. On 11 March 2009, the Court has dismissed the said application with cost. The Court has further adjourned the trial to 11 May 2010.

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.

### **Kuala Lumpur High Court of Malaya Civil Suit No. D-22-2024-2008**

On 6 February 2009, a wholly-owned subsidiary of the Company, DHSB had through its Solicitors filed an Application for Summary Judgement On 5 November 2008, against Ranhill Engineers And Constructors Sdn. Bhd. (“REAC”) at Kuala Lumpur High Court of Malaya (“the Court”) for the following claims:-

- a) Total outstanding amount of RM1,302,044.41 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.

DHSB had obtained a Summary Judgement on 25 May 2009. DHSB’s Solicitors had served the seal copy of the order and judgement to REAC on 13 July 2009. DHSB’s Solicitors had also served a notice pursuant to Section 218(2)(a) of the Companies Act, 1965 to REAC on 11 August 2009. During the quarter, REAC has made a total payment of RM200,000.00 to DHSB. DHSB is in the midst of enforcing the judgement to recover the remaining judgement debts.

There is no major financial impact of the legal proceedings on the Company as the debt owed by REAC was fully provided in the accounts.



## 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 31/12/2009	Preceding Year Corresponding Quarter 31/12/2008	Current Year To Date 31/12/2009	Preceding Year Corresponding Period 31/12/2008
<b>Basic Earnings Per Share</b>				
Net profit attributable to members of the Company (RM'000)	498	156	498	156
Weighted average number of ordinary shares in issue	178,005,950	178,023,539	178,005,950	178,023,539
Basic earnings per share (sen)	0.28	0.09	0.28	0.09

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

## B14. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2009 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 24 February 2010.

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