



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 MARCH 2010 (The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2010 RM'000	Preceding Year Corresponding Quarter 31/03/2009 RM'000	Current Year To Date 31/03/2010 RM'000	Preceding Year Corresponding Period 31/03/2009 RM'000
Revenue	12,311	7,890	29,774	20,281
Cost of sales	(9,258)	(6,332)	(23,318)	(16,752)
Gross profit	3,053	1,558	6,456	3,529
Other income	86	68	166	163
Administrative expenses	(2,218)	(1,154)	(4,712)	(2,682)
Other expenses	(195)	(140)	(384)	(312)
Finance costs	(73)	(133)	(162)	(280)
Profit before taxation	653	199	1,364	418
Income tax expense	(196)	(88)	(410)	(152)
Profit for the period	457	111	954	266
Attributable to:				
Equity holders of the parent	457	111	954	266
Minority interest	-	-	-	-
	457	111	954	266
Earnings per share attributable to equity holders of the parent:				
- basic (sen)	0.26	0.09	0.54	0.15
- 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 MARCH 2010 (The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 31/03/2010 RM'000	As At Preceding Financial Year Ended 30/09/2009 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	7,182	7,262
Prepaid lease payments	583	587
Investment Properties	45	45
Deferred Tax Assets	151	151
	7,961	8,045
CURRENT ASSETS		
Inventories held for resale	2,097	2,331
Trade receivables	28,741	25,117
Other receivables, deposit and prepayment	517	489
Fixed deposits with licensed banks	12,862	10,602
Cash and bank balances	223	118
	44,440	38,657
Non-current asset classified as held for sale	321	321
TOTAL ASSETS	52,722	47,023
EQUITY AND LIABILITIES		
EQUITY		
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	8,420	7,466
SHAREHOLDERS' EQUITY	27,697	26,743
Minority Interest	-	-
TOTAL EQUITY	27,697	26,743
NON-CURRENT LIABILITIES		
Hire purchase payables	464	526
TOTAL NON-CURRENT LIABILITIES	464	526
CURRENT LIABILITIES		
Trade payables	4,093	3,432
Amount owing to contract customers	16,080	13,382
Other payables and accruals	1,343	743
Provision for taxation	746	422
Bank overdraft	2,155	1,143
Short term borrowings	144	632
TOTAL CURRENT LIABILITIES	24,561	19,754
TOTAL LIABILITIES	25,025	20,280
TOTAL EQUITY AND LIABILITIES	52,722	47,023
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)	15.56	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 SECOND QUARTER ENDED 31 MARCH 2010 (The figures have not been audited)

	Non-Distributable Reserve				Distributable Reserve		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	(2,014)	-	7,466	26,743	-	26,743
Share Repurchased	-	-	-	-	-	-	-	-	-
Net Profit for the period	-	-	-	-	-	954	954	-	954
At 31 March 2010	19,158	1,630	503	(2,014)	-	8,420	27,697	-	27,697
At 1 October 2008 (as restated)	19,158	1,630	503	(590)	-	6,234	26,935	-	26,935
Share Repurchased	-	-	-	(1,207)	-	-	(1,207)	-	(1,207)
Net Profit for the Period	-	-	-	-	-	186	186	-	186
At 31 March 2009	19,158	1,630	503	(1,797)	-	6,420	25,914	-	25,914

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 MARCH 2010 (The figures have not been audited)

	31/03/2010 RM'000	31/03/2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,364	418
Adjustments for:-		
Non cash items	384	312
Non operating items	51	77
Operating profit before working capital changes	1,799	807
Net changes in current assets	(720)	1,337
Net changes in current liabilities	1,261	(2,206)
Cash from operations	2,340	(62)
Interest paid	(162)	(240)
Income tax paid	(86)	45
Net cash from operating activities	2,092	(257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	105	119
Purchase of property, plant and equipment	(300)	(476)
Proceeds from disposal of equipment	6	44
Net cash from investing activities	(189)	(313)
CASH FLOWS FOR FINANCING ACTIVITIES		
Acquire of treasury shares	-	(3)
Increase in bills payable	(463)	1,686
Repayment of hire purchase obligations	(87)	(69)
Net cash for financing activities	(550)	1,614
Net increase/(decrease) in cash and cash equivalents	1,353	1,044
Cash and cash equivalents at beginning of the period	9,577	4,080
Cash and cash equivalents at end of the period	10,930	5,124
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	7,127	2,325
- restricted	5,735	5,722
Cash and bank balances	223	52
Bank overdraft	(2,155)	(2,975)
	10,930	5,124

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.



UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 MARCH 2010

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 March 2010, 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 31/03/2010 RM'000	Preceding Year Corresponding Quarter 31/03/2009 RM'000	Current Year To Date 31/03/2010 RM'000	Preceding Year Corresponding Period 31/03/2009 RM'000
REVENUE BY ACTIVITIES				
System integration	8,956	6,060	24,746	11,723
Maintenance income	301	886	1,510	1,845
Sales of goods	2,791	622	2,967	6,205
Rental income	263	322	551	508
Total	12,311	7,890	29,774	20,281

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 hire purchase facilities granted to a wholly-owned subsidiary for a total amount of RM 698,000. As at 31 March 2010, the said hire purchase facilities stood at RM 590,665.
- The Company has provided corporate guarantees with a total of RM 50,000 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 RM25.5 million. As at 31 March 2010, the total utilisation of the bank facilities is RM16.6 million.

Save as disclosed in the above, there were no material contingent liabilities as at 17 May 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 RM12.3 million and RM653,000 respectively for the second quarter ended 31 March 2010 as compared to a revenue and profit before tax of RM7.8 million and RM199,000 in the preceding year corresponding quarter. The increase in revenue is mainly due to delivery of certain fast-track projects. The increase in profit before taxation in current quarter is mainly due to higher revenue and better margin derived from certain system integration projects.

The Group registered a revenue and profit before taxation of RM29.8 million and RM1.4 million respectively for the cumulative quarters ended 31 March 2010 as compared to a revenue and profit before tax of RM20.3 million and RM418,000 in the preceding year corresponding cumulative quarters. The increase in revenue is mainly due to delivery of certain fast-track projects. The increase in profit before taxation in current cumulative quarters is mainly due to higher revenue and better margin derived from certain system integration projects.

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 31/03/2010 RM'000	Preceding Quarter Ended 31/12/2009 RM'000	Difference	
			RM'000	%
Revenue	12,311	17,463	(5,152)	(29.5)
Profit before taxation	<u>653</u>	<u>712</u>	<u>(59)</u>	<u>(8.3)</u>

The Group's revenue and profit before taxation for the current quarter declined by 29.5% and 8.3% as compared to the preceding quarter. This is mainly due to more equipment being delivered and more works done being certified for the system integration activities in the preceding quarter as compare to current quarter. The decrease in profit before taxation of the quarter under review is due to the decrease in revenue and was partially offset by the increase of profit margin derived from certain system integration projects.



B3. Prospects for the Financial Year Ending 30 September 2010

The world economy has recovered since the 4Q09 following numerous national policy measures, which enhanced private demand and global trade condition. However, the recovery path is uneven with developing Asia leading global growth, while advanced nations trailing behind. The strong economic expansion from developing Asia was led by China, India, and Indonesia with their relatively large domestic demand. Policymakers have begun to normalize policy rates, given rising inflation expectations and the emergence of asset bubbles.

The Malaysian economy too has rebounded in the 4Q09 by +4.5% yoy, leading to a smaller contraction of 1.7% yoy in 2009. The recovery was broad-based with all economic sectors registering strong turnaround. This along with improving consumer and business confidence allowed MIER to raise the GDP growth rate to +5.2% yoy in 2010. Economic growth is forecasted to reach +5.0% yoy in 2011.

Consumer and business confidence, as measured by MIER's Consumer Sentiment Index (CSI) and MIER's Business Conditions Index (BCI), were higher by +4.6 pts qoq and +5.2 pts qoq, respectively in 1Q10. Meanwhile, all sectoral indices also recorded modest gains in 1Q10, with the exception of Retail Trade Index (RTI) and CEO Confidence Index (CEO).

In tandem with economic recovery and higher global commodity prices, overall consumer price inflation is expected to grow by +2.2% in 2010. Since core inflation has been rising faster than overall inflation, MIER anticipates the OPR to settle at 2.75% by end-2010. Firmer economic expansion will further lift the OPR to 3.25% in 2011.

(Source: Malaysian Institute of Economic Research, Malaysian Economic Outlook)

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 31/03/2010 RM'000	Preceding Year Corresponding Quarter 31/03/2009 RM'000	Current Year To Date 31/03/2010 RM'000	Preceding Year Corresponding Period 31/03/2009 RM'000
Tax payable for the period	196	88	410	152

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 March 2010.

B8. Status of Corporate Proposals

There are no corporate proposals announced but not completed as at 17 May 2010.

B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 31 March 2010 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	2,155	-	2,155
Trust receipts and bankers acceptance	-	-	-
Hire purchase liabilities	144	464	608
Total	2,299	464	2,763



B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 17 May 2010, 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

The Court has further adjourned the trial of this case to 2 August 2010.

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

As at 14 May 2010, DHSB had collected a total of RM445,624 since the inception of the legal action. The debtor shall repay the remaining balance together with the cost and interest to DHSB in 6 instalments. DHSB has suspended its legal action against this debtor until their full settlement.

B12. Dividends

On 31 March 2010, the Board has declared an interim dividend of 1.0 sen per share, less 25% income tax in respect of the financial year ending 30 September 2010 (30 September 2009: Nil). The dividend was paid on 4 May 2010.

The Board has further declared a Share Dividend of One (1) Digistar Treasury Share for every Twenty (20) existing Digistar Ordinary Shares of RM0.10 each held on 21 April 2010, the fractions of Treasury Shares to be disregarded. The Treasury Shares to be distributed pursuant to the Share Dividend will not be entitled to the Interim Dividend or any dividends or other distributions declared in respect of the financial period prior to the financial period in which the treasury shares are distributed or any interim dividends or distributions that may be declared before the date of distribution of the Treasury Shares pursuant to the Share Dividend. A total of 8,900,292 Treasury Shares has been credited into the respective CDS Accounts of the entitled shareholders on 5 May 2010 pursuant to the Share Dividend.

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B13. Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2010	Preceding Year Corresponding Quarter 31/03/2009	Current Year To Date 31/03/2010	Preceding Year Corresponding Period 31/03/2009
Basic Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	457	111	954	266
Weighted average number of ordinary shares in issue	178,005,950	178,013,950	178,005,950	178,018,797
Basic earnings per share (sen)	<u>0.26</u>	<u>0.06</u>	<u>0.54</u>	<u>0.15</u>

The fully diluted earnings per share are 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 17 May 2010.

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