



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 MARCH 2012 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2012 RM'000	Preceding Year Corresponding Quarter 31/03/2011 RM'000	Current Year To Date 31/03/2012 RM'000	Preceding Year Corresponding Period 31/03/2011 RM'000
Revenue	17,777	23,569	39,723	51,136
Cost of sales	(10,724)	(14,248)	(23,789)	(33,089)
Gross profit	7,053	9,321	15,934	18,047
Other income	194	163	409	655
Administrative expenses	(3,853)	(2,972)	(6,923)	(5,417)
Other expenses	(460)	(301)	(923)	(815)
Finance costs	(50)	(93)	(141)	(173)
Profit before taxation	2,884	6,118	8,356	12,297
Income tax expense	(813)	(1,549)	(2,345)	(3,280)
Profit for the period	2,071	4,569	6,011	9,017
Attributable to:				
Equity holders of the parent	2,071	4,569	6,011	9,017
Minority interest	29	-	100	-
	2,100	4,569	6,111	9,017
Other Comprehensive income:				
Changes in fair value of available-for-sale investments	-	-	-	-
Effects of foreign exchange differences	-	-	-	-
Total for the quarter / cumulative quarter	2,100	4,569	6,111	9,017
Total comprehensive income attributable to:				
Equity holders of the parent	2,071	4,569	6,011	9,017
Minority interest	29	-	100	-
	2,100	4,569	6,111	9,017
Earnings per share attributable to equity holders of the parent:				
- basic (sen)	0.92	2.31	2.67	4.69
- fully diluted (sen)	0.73	2.06	2.11	4.50

The Condensed Consolidated Income Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2011.



QUARTERLY REPORT ON CONSOLIDATED FINANCIAL POSITION AS AT 31 MARCH 2012 (The figures have not been audited)

CONDENSED CONSOLIDATED FINANCIAL POSITION

	As At End of Current Quarter 31/03/2012 (Unaudited) RM'000	As At Preceding Financial Year Ended 30/09/2011 (Audited) RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	14,118	14,465
Investment Property	45	45
	14,163	14,510
CURRENT ASSETS		
Inventories held for resale	2,156	2,984
Trade receivables	12,770	13,065
Property Development Costs	5,159	3,966
Other receivables, deposit and prepayment	8,482	2,243
Amount owing by contract customers	8,744	7,234
Fixed deposits with licensed banks	28,851	28,752
Cash and bank balances	438	914
	66,600	59,158
Non-current asset classified as held for sale	-	177
TOTAL ASSETS	80,763	73,845
EQUITY AND LIABILITIES		
EQUITY		
Share capital	23,172	23,172
Share premium	8,399	8,399
Warrant reserve	503	503
Treasury Shares, at cost	(3,249)	(2,301)
Retained profits	34,213	28,102
SHAREHOLDERS' EQUITY	63,038	57,875
Non-Controlling Interest	(72)	28
TOTAL EQUITY	62,966	57,903
NON-CURRENT LIABILITIES		
Hire purchase payables	1,330	1,399
TOTAL NON-CURRENT LIABILITIES	1,330	1,399
CURRENT LIABILITIES		
Trade payables	6,054	4,497
Amount owing to contract customers	4,366	4,775
Other payables and accruals	1,293	1,694
Provision for taxation	2,266	2,988
Bank overdraft	1,968	90
Short term borrowings	520	499
TOTAL CURRENT LIABILITIES	16,467	14,543
TOTAL LIABILITIES	17,797	15,942
TOTAL EQUITY AND LIABILITIES	80,763	73,845
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)	28.10	26.00

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2011.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 MARCH 2012 (The figures have not been audited)

	Non-Distributable Reserve			Treasury Shares	Distributable Reserve Retained Profits	Total	Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	Warrant Reserve					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2011	23,172	8,399	503	(2,301)	28,102	57,875	28	57,903
Total comprehensive income for the financial year	-	-	-	-	6,111	6,111	(100)	6,011
Share Repurchased	-	-	-	(948)	-	(948)	-	(948)
At 31 March 2012	<u>23,172</u>	<u>8,399</u>	<u>503</u>	<u>(3,249)</u>	<u>34,213</u>	<u>63,038</u>	<u>(72)</u>	<u>62,966</u>
At 1 October 2010 (as restated)	19,158	1,630	503	(693)	9,104	29,702	-	29,702
Resold-Treasury Share	-	(52)	-	667	-	615	-	615
Ordinary Share Allotted	1,914	1,058	-	-	-	2,972	-	2,972
Total comprehensive income for the financial year	-	-	-	-	9,017	9,017	-	9,017
At 31 March 2011	<u>21,072</u>	<u>2,636</u>	<u>503</u>	<u>(26)</u>	<u>18,121</u>	<u>42,306</u>	<u>-</u>	<u>42,306</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 2011.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2012 (The figures have not been audited)

	31/03/2012 RM'000	31/03/2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,356	12,297
Adjustments for:-		
Non cash items	875	928
Non operating items	(353)	(178)
Operating profit before working capital changes	8,878	13,047
Net changes in current assets	(7,818)	(3,070)
Net changes in current liabilities	945	(1,899)
Cash from operations	2,005	8,078
Interest paid	(45)	(72)
Income tax paid	(3,069)	(360)
Net cash (for)/ from operating activities	(1,109)	7,646
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	391	250
Purchase of property, plant and equipment	(564)	(3,052)
Proceeds from disposal of non-current assets held for resale	191	-
Proceeds from disposal of subsidiary	30	-
Net cash for investing activities	48	(2,802)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net proceed from issuance of ordinary shares	-	2,972
Net repurchased / resold of treasury shares	(948)	615
Increased / (decreased) of bills payable	-	(354)
Repayment of hire purchase obligations	(247)	(190)
Net cash for financing activities	(1,195)	3,043
Net (decrease)/ increase in cash and cash equivalents	(2,256)	7,887
Cash and cash equivalents at beginning of the period	29,577	17,686
Cash and cash equivalents at end of the period	27,321	25,573
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	27,124	19,909
- restricted	1,727	4,703
Cash and bank balances	438	967
Bank overdraft	(1,968)	(6)
	27,321	25,573

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 2011.



UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 MARCH 2012

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 2011.

A2. Changes in Accounting Policies

The significant accounting policies, methods of computations, new accounting standards and interpretation (including the consequential amendments) 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 2011, are as follows:-

- ✓ FRS 1 (Revised) First-time Adoption of Financial Reporting Standards
- ✓ FRS 3 (Revised) Business Combinations
- ✓ FRS 4 Insurance Contracts
- ✓ FRS 7 Financial Instruments : Disclosures
- ✓ FRS 101 (Revised) Presentation of Financial Statements
- ✓ FRS 123 (Revised) Borrowing Costs
- ✓ FRS 127 (Revised) Consolidated and Separate Financial Statements
- ✓ FRS 139 Financial Instruments: Recognition and Measurement
- ✓ Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- ✓ Amendments to FRS 2: Vesting Conditions and Cancellations
- ✓ Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)
- ✓ Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary
- ✓ Amendments to FRS 7, FRS 139 and IC Interpretation 9
- ✓ Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation
- ✓ Amendments to FRS 117: Leases
- ✓ Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments
- ✓ Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)
- ✓ IC Interpretation 9 Reassessment of Embedded Derivatives
- ✓ IC Interpretation 10 Interim Financial Reporting and Impairment
- ✓ IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- ✓ IC Interpretation 12 Service Concession Arrangements
- ✓ IC Interpretation 13 Customer Loyalty Programmes
- ✓ IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- ✓ IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
- ✓ IC Interpretation 17 Distributions of Non-cash Assets to Owners
- ✓ Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)
- ✓ Annual Improvements to FRSs (2009)



A2. Changes in Accounting Policies (Cont'd)

The adoption of the above FRSs, Amendments to FRS, Interpretations and Technical Releases upon their effective dates which have been adopted since the last audited financial statement as at 30 September 2011, are not expected to have any significant impact on the financial statements of 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 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 in Note B8 and below, there was no repurchase and repayment of debt and equity securities, for the current period and financial period-to-date.

There were no treasury shares cancelled by the Company in the current financial quarter. As at 31 March 2012, the number of treasury shares repurchased and held are as follow:

	Price per share (RM)	Number of shares	31/03/2012 RM'000
Balance as at 1 October 2011		5,242,108	2,301
Repurchased	0.44	<u>2,130,700</u>	<u>948</u>
Total treasury shares held		<u>7,372,808</u>	<u>3,249</u>

For the financial period to date, a total of 2,130,700 ordinary shares of the Company were repurchased from the open market for a total consideration of RM 948,022 in the previous financial quarter. The share buy-back transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares. As at 31 March 2012, the number of treasury shares held was 7,372,808 ordinary shares.

A7. Dividend Paid

No dividend was paid during the quarter under review.

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A8. Segmental Information

Segment information for the cumulative period is presented in respect of the Group's business segments as follows:

31.03.2012 RM'000 The Group	System		Maintenance	Investment		Property		Group RM
	<u>Integration</u>	<u>Trading</u>	<u>Income</u>	<u>Holding</u>	<u>Rental</u>	<u>Development</u>	<u>Elimination</u>	
	RM	RM	RM	RM	RM	RM	RM	
REVENUE								
External revenue	34,727	1,767	2,444	-	785	-	-	39,723
Intersegment revenue	-	-	-	-	156	-	(156)	-
Total revenue	<u>34,727</u>	<u>1,767</u>	<u>2,444</u>	<u>-</u>	<u>941</u>	<u>-</u>	<u>(156)</u>	<u>39,723</u>
RESULTS								
Segment results (external)	7,847	399	552	(231)	213	(282)	-	8,497
Finance costs	(141)	-	-	-	-	-	-	(141)
Profit from ordinary activities before taxation								8,356
Income tax expense								(2,345)
Profit after taxation								6,011
Non-controlling interest								100
Net profit attributable to the owners of the Company								<u>6,111</u>

31.03.2011 RM'000 The Group	System		Maintenance	Investment		Property		Group RM
	<u>Integration</u>	<u>Trading</u>	<u>Income</u>	<u>Holding</u>	<u>Rental</u>	<u>Development</u>	<u>Elimination</u>	
	RM	RM	RM	RM	RM	RM	RM	
REVENUE								
External revenue	44,730	1,331	4,363	-	712	-	-	51,136
Intersegment revenue	-	-	-	-	156	-	(156)	-
Total revenue	<u>44,730</u>	<u>1,331</u>	<u>4,363</u>	<u>-</u>	<u>868</u>	<u>-</u>	<u>(156)</u>	<u>51,136</u>
RESULTS								
Segment results (external)	11,186	333	1,091	(138)	(2)	-	-	12,470
Finance costs	(173)	-	-	-	-	-	-	(173)
Profit from ordinary activities before taxation								12,297
Income tax expense								(3,280)
Profit after taxation								9,017
Non-controlling interest								-
Net profit attributable to the owners of the Company								<u>9,017</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 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report).

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 period to-date except for the disposal of 30,000 ordinary shares of RM1.00 each in Digistar Vision Sdn. Bhd. comprising 60% equity interest for a total cash consideration of RM30,000 on 24 October 2011.

A11. Contingent Liabilities

Save as disclosed in below, there were no material contingent liabilities up to the date of this report (being the latest practicable date not earlier than seven (7) days from the date of issue of this report).

	As at 31/03/12 RM'000
Corporate guarantee granted to a subsidiary:	
Guarantee given to financial institutions for facilities (secured)	11,550
Guarantee given to customer for due performance	12,462
Guarantee given to suppliers for credit limit	6,000
Total	<u>30,012</u>

A12. Significant Related Party Transactions

There were no significant related party transactions during the quarter under review except for as

- a) On 24 October 2011, the Company disposed of 24,500 ordinary shares of RM1.00 each representing 49% in Digistar Vision Sdn Bhd to Datuk Lee Wah Chong, our Managing Director, at the total original cost of investment of RM24,500. Digistar Vision was previously involved in the provision of interactive Pay TV services to hospitals. Our Management decided to dispose of Digistar Vision to consolidate its interactive Pay TV services under Digistar Rauland, which is also involved in the same business. As such, Digistar Vision is currently a dormant company. The disposal consideration has been fully settled by cash.



A12. Significant Related Party Transactions (Cont'd)

- b) On 8 March 2012, the following related party transactions were transacted pursuant to the sale of serviced suites located at Malacca, dubbed 'The Heritage', which was launched in October 2011, presently being developed by one of our subsidiaries, Seni Pujaa:

Related party	Nature of transaction	RM'
Chua Mooi Hua, the sister-in-law of Datuk Lee Wah Chong, Madam Lee Mely and Datin Wa Siew Yam, our Managing Director and our Non-Independent Executive Directors, respectively	Purchase of a studio suite located at Parcel No. 05-18, Level 05, Unit No. 18, Studio Suite, H.S.(D) 64114 PT 15 and H.S.(D) 69473 PT 20, Kawasan Bandar XXVII, District of Melaka Tengah, Melaka	244,480
Lee Wah Tong, the brother of Datuk Lee Wah Chong and Madam Lee Mely, our Managing Director and our Non-Independent Executive Director, respectively. Lee Wah Tong is also the brother-in-law of Datin Wa Siew Yam, our Non-Independent Executive Director	Purchase of a studio suite located at Parcel No. 07-19, Level 07, Unit No. 19, Studio Suite, H.S.(D) 64114 PT 15 and H.S.(D) 69473 PT 20, Kawasan Bandar XXVII, District of Melaka Tengah, Melaka	215,040
Wong Peng Khuen, the spouse of Madam Lee Mely, our Non-Independent Executive Director, and the brother-in-law of Datuk Lee Wah Chong and Datin Wa Siew Yam, our Managing Director and our Non-Independent Executive Director, respectively	Purchase of a business suite located at Parcel No. 08-12, Level 8, Unit No. 12, Business Suite, H.S.(D) 64114 PT 15 and H.S.(D) 69473 PT 20, Kawasan Bandar XXVII, District of Melaka Tengah, Melaka	252,480
Lee Mey Ling, the sister of Datuk Lee Wah Chong and Madam Lee Mely, our Managing Director and our Non-Independent Executive Director, respectively. Lee Mey Ling is also the sister-in-law of Datin Wa Siew Yam, our Non-Independent Executive Director	Purchase of a studio suite located at Parcel No. 09-19, Level 09, Unit No. 19, Studio Suite, H.S.(D) 64114 PT 15 and H.S.(D) 69473 PT 20, Kawasan Bandar XXVII, District of Melaka Tengah, Melaka	216,160
Yoong Kok Sang, the brother-in-law of Datuk Lee Wah Chong, Madam Lee Mely and Datin Wa Siew Yam, our Managing Director and our Non-Independent Executive Directors, respectively	Purchase of a studio suite located at Parcel No. 10-19, Level 10, Unit No. 19, Studio Suite, H.S.(D) 64114 PT 15 and H.S.(D) 69473 PT 20, Kawasan Bandar XXVII, District of Melaka Tengah, Melaka	216,160

All past, present and future transactions which involve the interests of the Directors, substantial shareholders, key management, key technical personnel and/or persons connected with them were and will be transacted at arm's length, on our normal commercial terms which are not more favourable to the related parties than those generally available to the public, and which are not detrimental to the minority shareholders. The Directors, save and except for the interested Directors, are of the opinion that the Sale of Properties are in the best interest of the Group.



B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of the Performance

The Group registered a revenue of RM17.78 million for the second quarter ended 31 March 2012 as compared to RM23.57 million in the preceding year corresponding quarter. The cumulative revenue to-date for the Group is RM39.72 million as compare to RM51.14 million in the preceding year corresponding quarter. Decreased in the revenue generation for current year quarter was mainly due to deliver of fast-track in system integration and broadcast engineering projects in the preceding year corresponding quarter.

The profit before taxation to-date of RM8.36 million has been decreased as compared to RM 12.29 million in the preceding year corresponding quarter. The decreased in the profit before taxation were mainly contributed by a higher operating cost which was RM7.99 million as compared to RM6.41 million in the preceding year corresponding quarter and also cause by the commencement of the new projects still at its preliminary stage whereby the revenue yet to be recognised as at to-date. The cumulative profit after taxation achieved by the Group to-date is RM6.01 million as compared to RM9.01 million in the preceding year corresponding quarter.

The business segment in the system integration generated RM34.73 million which is approximately 87.42% of the total Group revenue but shown a decreased of RM10.0 million from RM44.73 million as compared to previous year quarter. The decreased in the revenue generation for current quarter ended was mainly due to deliver of fast-track in system integration and broadcast engineering projects in the preceding year corresponding quarter. However, this segment has been recorded a steady pre tax margin of 22.60% as compared to 25.00% due to the current locked-in project and consistent development progress.

The business segment from trading, maintenance and rental shown a slight decreased of revenue and profit margin as compared to previous year quarter. In overall, these three (3) segments generated revenue and pre tax margin of RM4.99 million and RM1.20 million (24.05%) respectively as compared to RM6.41 million and RM1.42 million (22.15%) in previous year quarter. There was no dividend income generated from the investment holding segment and the result is almost similar as per previous year 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 period to date.

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B2. Variation of Results Against Preceding Quarter

	Current Quarter Ended 31/03/2012 RM'000	Preceding Quarter Ended 31/12/2011 RM'000	Difference	
			RM'000	%
Revenue	17,777	21,946	(4,169)	(19.00)
Profit before taxation	<u>2,884</u>	<u>5,473</u>	<u>(2,589)</u>	<u>(47.30)</u>

The Group's turnover in the current quarter of RM17.78 million is slightly lower as compared to RM21.95 million recorded in the immediate preceding quarter. The decreased of 19.00% in the current quarter revenue was mainly due to timing differences of delivery in the system integration and broadcast engineering projects with better profit margin in the preceding and also the commencement of the new projects still at its preliminary stage whereby the revenue yet to be recognised as at to-date. In addition to the increased in the operating cost especially in administrative expenses, these three factors had cause's significant impact and reducing the profit before taxation by 47.30% as compared to the preceding quarter.

B3. Prospects for the Financial Year Ending 30 September 2012

For 2012, the GDP growth in Malaysia will be largely domestic driven. Due to heightened uncertainties in the global economy, the International Monetary Fund revised downwards the world economic growth to 4% and world trade to 5.8%. This is due to the economic slowdown in the United States, Europe and Japan, inflationary pressures due to rising commodity prices, European debt crisis as well as slower world trade. These global developments would certainly have a direct impact on the Malaysian economy. Hence Malaysia's real GDP growth is expected to be sustained at 5%-6%. With these developments, the Government will put in place measures to stimulate domestic economic activities, in particular public and private as well as private consumption.

The private and public investments are expected to increase 15.9% and 7% respectively, supported by higher foreign direct investment, implementation of the ETP and Second Rolling Plan (RP2) projects under the 10 Malaysia Plan (10MP). Private consumption is projected to increase 7.1% following higher disposable income and a more positive employment prospect.

(Source: Ministry of Finance, Economic Report 2011/2012 and 2012 Budget Speech on 7 October 2011 by Prime Minister of Malaysia and Minister of Finance)

Digistar performance is closely linked to the construction industry, broadcasting industry, information technology industry and communication industry.

The construction sector is projected to grow strongly by 7% (2011: 3.4%) driven by the commencement of large infrastructure projects and vibrant housing construction activities. The construction sector is expected to be supported by the acceleration of 10 MP projects in the second half of 2011.

As for broadcasting industry, the subscription-based satellite television, Astro All Asia Networks (ASTRO), has 3.0 million subscribers with a household penetration rate of 48% as at end-June 2011 (end-June 2009: 2.9 million; 49%). Growth was largely driven by continuous service upgrading and offerings of wide-ranging content and packaging such as additional 18 HD channels, Personal Video Recording and Video on demand as well as delivery of Internet Protocol Television service via broadband. The growth momentum is expected to remain upbeat in the second half of the year 2011.



B3. Prospects for the Financial Year Ending 30 September 2012 (Cont'd)

Information and communication technology (“ICT”) is a key driver to promote higher value-added sources of growth. Greater use of ICT will not only support growth but also improve productivity and competitiveness. Recognising this, the Government continues to facilitate the development of the ICT industry through various initiatives such as upgrading information technology (“IT”) infrastructures and networks, increasing IT utilisation across economic sectors and providing incentives. This industry is expected to gain greater growth momentum through projects under the NKEAs.

The communication sub-sector is expected to remain robust. The telecommunication industry would be driven by the non-voice segment, as demand for mobile data is expected to benefit from the rising popularity and affordability of smart phones amid a proliferation of new device and intensified competition among service providers. Growth will be further supported by wider roll-out of high-speed broadband, wireless broadband services and continuous initiatives by the Government to promote the adoption of broadband services in rural areas. As for broadband service provider, the Government has extended the tax incentive application period for last-mile infrastructure deployment as well as import duty and sales tax exemption on broadband equipment until 2012.

(Source: Ministry of Finance, Economic Report 2011/2012)

Prospects of the Group

Digistar Group is principally involved in the design, supply, installation and integration of information technology infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems. Currently, Digistar Group only has operations in Malaysia.

For current year second quarter of 2012, the Company still registered a strong revenue of approximately RM39.72 million, out of which approximately 87.42% generated from the segment of system integration. As a substantial portion of Digistar’s revenue is closely linked to the construction industry and given the positive outlook of the construction industry as mentioned above, the management of Digistar anticipates wider business opportunities for its system integration segment through projects involving the installation and integration of information technology infrastructure.

Television networks and production facilities in the Asia-Pacific region are increasingly making the transition from analogue to digital television broadcasting. With the introduction of digitalisation, most of the broadcasters are working towards having their broadcast stations equipped with the necessary technology. This gives ample continuous opportunities for the Company to offer its broadcast system integration services to broadcasters in this region.

In light of the projected growth of the economy as highlighted in the previous sections, the Directors of Digistar believes that the prospects of Digistar Group would be favourable for the current financial year end.

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 31/03/2012 RM'000	Preceding Year Corresponding Quarter 31/03/2011 RM'000	Current Year To Date 31/03/2012 RM'000	Preceding Year Corresponding Period 31/03/2011 RM'000
Tax payable for the period	813	1,549	2,345	3,280

The effective tax rate of the Group for the financial period-to-date and the current quarter is higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

B6. Profit/ (Loss) on Sale of Unquoted Investments and/or Properties

Save as disclosed below, there was no disposal of unquoted investments and/or properties for the current quarter and financial period-to-date.

On 31 January 2011, a subsidiary company to the Group, Digistar Properties Sdn. Bhd. has entered into a Conditional Sale and Purchase Agreement with Yan Weng Wah for the disposal of a leasehold land which has been classified as non-current asset held for sale in the preceeding financial year for cash in full consideration of RM191,000 and has resulted a disposal gain of RM8,000. This transaction has been completed on 18 December 2011.

B7. Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities (other than the Company's own shares) for the current quarter. The Company/ Group have not held any quoted securities (other than the Company's own shares) as at 31 March 2012.

B8. Status of Corporate Proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at 28 May 2012 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report).

On 1 March 2012, the Company announced its proposal to undertake a transfer of the listing of and quotation for the entire issued and paid-up share capital and the outstanding ten (10) year warrants 2007/2017 of Digistar from ACE Market to the Main Market of Bursa Malaysia Securities Berhad ("Proposed Transfer"). The application to the Securities Commission Malaysia pursuant to the Proposed Transfer has been submitted on 19 March 2012.



B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 31 March 2012 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	1,968	-	1,968
Trust receipts and bankers acceptance	-	-	-
Hire purchase liabilities	520	1,330	1,850
Total	<u>2,488</u>	<u>1,330</u>	<u>3,818</u>

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as of to date of this report.

B11. Material Litigation

Save as disclosed in below (being the latest practicable date not earlier than seven (7) days from the date of issue of this report), 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:

a. Kuala Lumpur High Court of Malaya Civil Suit No. 22NCVC-656-2011

On 29 July 2011, a wholly-owned subsidiary of the Company, Digistar Holdings Sdn Bhd ("DHSB") had through its Solicitors filed a writ of summons and statement of claim, against M H Projects Sdn. Bhd. ("MHP") at Kuala Lumpur High Court of Malaya ("the Court") for the claims of total outstanding amount RM 429,814.

DHSB had obtained a Default Judgement from the Court on 22 August 2011 for the claim of RM429,824 inclusive interest of 8% p.a from 29 November 2006 to the date of judgement and also interest of 8% p.a from the date of judgement to the date of payment.

DHSB had instructed its solicitor to serve a notice of payment and commence appropriate execution proceedings against MHP due to non-adherence to the judgement granted by the Court.

b. Kuala Lumpur High Court of Malaya Civil Suit No. 22NCVC-881-2011

On 3 August 2011, DHSB had through its Solicitors filed a writ of summons and statement of claim, against Metronic Engineering Sdn. Bhd. ("MESB") at Shah Alam High Court ("the Court") for the claims of total outstanding amount RM 1,648,317.

The Court has fixed the civil suit on 26 June 2012 for case management and, 11 and 12 July 2012 for the Hearing of this case.



B11. Material Litigation (Cont'd)

c. Kuala Lumpur High Court of Malaya Civil Suit No. 22NCVC-655-2011

On 29 July 2011, a wholly-owned subsidiary of the Company, DHSB had through its Solicitors filed a writ of summon and statement of claim, against Waterside IT Solutions Sdn. Bhd. ("WITs") at Kuala Lumpur High Court of Malaya ("the Court") for the claims of total outstanding amount RM 2,456,886.

The Court has fixed the civil suit for a full trial on 28 May 2012, 29 May 2012 and 30 May 2012.

There is no major financial impact of the legal proceedings on the Company as the debts were fully provided in the accounts.

B12. Dividends

There was no interim dividend proposed by the Board of Directors for the current financial period under review.

B13. Earnings Per Share

	Current Year Quarter 31/03/2012	Corresponding Quarter 31/03/2011	Current Year To Date 31/03/2012	Corresponding Period 31/03/2011
(a) Basic Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	2,071	4,569	6,011	9,017
Weighted average number of ordinary shares in issue	224,347,842	197,924,559	225,268,461	192,354,860
Basic earnings per share (sen)	0.92	2.31	2.67	4.69
(b) Diluted Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	2,071	4,569	6,011	9,017
Additional Income on Interest	-	76	-	152
Adjusted net profit attributable to members of the Company (RM'000)	2,071	4,645	6,011	9,169
Weighted average number of ordinary shares in issue	224,347,842	197,924,559	225,268,461	192,354,860
Adjustment for assumed exercise of Warrants	61,034,046	27,854,201	59,114,131	11,459,678
Adjusted weighted average number of ordinary shares in issue and issuable	285,381,888	225,778,760	284,382,592	203,814,538
Diluted earnings per share (sen)	0.73	2.06	2.11	4.50



B14. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2011 was not subject to any audit qualification.

B15. Supplementary Information Disclosed Pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits/ (accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	As at 31-Mar-12 RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	36,920
- Unrealised	-
	<u>36,920</u>
Total share of retained profit from associate	-
Total share of retained profit from jointly controlled entity	-
	<u>36,920</u>
Less: Consolidation adjustments	(2,707)
Total group retained profits as per consolidated financial statements	<u>34,213</u>

B16. 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 28 May 2012.

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