



## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 JUNE 2012 (The figures have not been audited)

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000	Current Year To Date 30/06/2012 RM'000	Preceding Year Corresponding Period 30/06/2011 RM'000
<b>Revenue</b>	13,361	24,855	53,084	75,991
Cost of sales	(6,884)	(14,069)	(30,673)	(47,158)
<b>Gross profit</b>	<b>6,477</b>	<b>10,786</b>	<b>22,411</b>	<b>28,833</b>
Other income	207	592	615	1,247
Administrative expenses	(3,992)	(3,366)	(10,914)	(8,784)
Other expenses	(467)	(297)	(1,390)	(1,112)
Finance costs	(108)	(67)	(249)	(240)
<b>Profit before taxation</b>	<b>2,117</b>	<b>7,648</b>	<b>10,473</b>	<b>19,944</b>
Income tax expense	(728)	(1,646)	(3,074)	(4,926)
<b>Profit for the period</b>	<b>1,389</b>	<b>6,002</b>	<b>7,399</b>	<b>15,018</b>
Attributable to:				
Equity holders of the parent	1,389	6,002	7,399	15,018
Minority interest	(307)	-	(207)	-
	<b>1,082</b>	<b>6,002</b>	<b>7,192</b>	<b>15,018</b>
Other Comprehensive income:				
Changes in fair value of available-for-sale investments	-	-	-	-
Effects of foreign exchange differences	-	-	-	-
<b>Total for the quarter / cumulative quarter</b>	<b>1,082</b>	<b>6,002</b>	<b>7,192</b>	<b>15,018</b>
Total comprehensive income attributable to:				
Equity holders of the parent	1,389	6,002	7,399	15,018
Minority interest	(307)	-	(207)	-
	<b>1,082</b>	<b>6,002</b>	<b>7,192</b>	<b>15,018</b>
Earnings per share attributable to equity holders of the parent:				
- basic (sen)	0.62	2.88	3.29	7.59
- fully diluted (sen)	0.49	2.30	2.61	6.54

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 30 JUNE 2012 (The figures have not been audited)

### CONDENSED CONSOLIDATED FINANCIAL POSITION

	As At End of Current Quarter 30/06/2012 (Unaudited) RM'000	As At Preceding Financial Year Ended 30/09/2011 (Audited) RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	13,865	14,465
Investment Property	45	45
	13,910	14,510
<b>CURRENT ASSETS</b>		
Inventories held for resale	3,354	2,984
Trade receivables	8,021	13,065
Property Development Costs	6,317	3,966
Other receivables, deposit and prepayment	9,677	2,243
Amount owing by contract customers	10,810	7,234
Fixed deposits with licensed banks	21,431	28,752
Cash and bank balances	219	914
	59,829	59,158
Non-current asset classified as held for sale	192	177
<b>TOTAL ASSETS</b>	73,931	73,845
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
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	35,294	28,102
<b>SHAREHOLDERS' EQUITY</b>	64,119	57,875
Non-Controlling Interest	235	28
<b>TOTAL EQUITY</b>	64,354	57,903
<b>NON-CURRENT LIABILITIES</b>		
Hire purchase payables	1,164	1,399
<b>TOTAL NON-CURRENT LIABILITIES</b>	1,164	1,399
<b>CURRENT LIABILITIES</b>		
Trade payables	2,239	4,497
Amount owing to contract customers	2,909	4,775
Other payables and accruals	428	1,694
Provision for taxation	1,410	2,988
Bank overdraft	874	90
Short term borrowings	553	499
<b>TOTAL CURRENT LIABILITIES</b>	8,413	14,543
<b>TOTAL LIABILITIES</b>	9,577	15,942
<b>TOTAL EQUITY AND LIABILITIES</b>	73,931	73,845
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)</b>		
	28.58	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 THIRD QUARTER ENDED 30 JUNE 2012 (The figures have not been audited)

	← Non-Distributable Reserve →				Distributable Reserve Retained Profits	Total	Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	Warrant Reserve	Treasury Shares				
	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	-	-	-	-	7,192	7,192	207	7,399
Share Repurchased	-	-	-	(948)	-	(948)	-	(948)
At 30 June 2012	<u>23,172</u>	<u>8,399</u>	<u>503</u>	<u>(3,249)</u>	<u>35,294</u>	<u>64,119</u>	<u>235</u>	<u>64,354</u>
At 1 October 2010 (as restated)	19,158	1,630	503	(693)	9,104	29,702	-	29,702
Total comprehensive income for the financial year	-	-	-	-	15,018	15,018	-	15,018
Resold-Treasury Share	-	(52)	-	667	-	615	-	615
Share Repurchased	-	-	-	(2,129)	-	(2,129)	-	(2,129)
Ordinary Share Allotted	1,914	1,057	-	-	-	2,971	-	2,971
Minority Subscription (net)	-	-	-	-	-	-	107	107
At 30 June 2011	<u>21,072</u>	<u>2,635</u>	<u>503</u>	<u>(2,155)</u>	<u>24,122</u>	<u>46,177</u>	<u>107</u>	<u>46,284</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 30 JUNE 2012 (The figures have not been audited)

	30/06/2012 RM'000	31/06/2011 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,473	19,944
Adjustments for:-		
Non cash items	1,349	1,420
Non operating items	(473)	(694)
Operating profit before working capital changes	11,349	20,670
Net changes in current assets	(8,882)	(12,902)
Net changes in current liabilities	(5,191)	1,158
Cash from operations	(2,724)	8,926
Interest paid	(111)	(103)
Income tax paid	(4,652)	(2,623)
Net cash (for)/ from operating activities	(7,487)	6,200
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	577	423
Purchase of property, plant and equipment	(778)	(3,110)
Proceeds from disposal of non-current assets held for resale	185	-
Proceeds from disposal of subsidiary	30	-
Net cash for investing activities	14	(2,687)
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Net proceed from issuance of ordinary shares	-	2,970
Net repurchased / resold of treasury shares	(948)	(1,461)
Minority Interest Subscription	-	120
Increased / (decreased) of bills payable	-	(354)
Repayment of hire purchase obligations	(380)	(306)
Net cash for financing activities	(1,328)	969
Net (decrease)/ increase in cash and cash equivalents	(8,801)	4,482
Cash and cash equivalents at beginning of the period	29,577	17,686
Cash and cash equivalents at end of the period	20,776	22,168
<b>Note:</b>		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	19,629	21,475
- restricted	1,802	1,699
Cash and bank balances	219	163
Bank overdraft	(874)	(1,169)
	20,776	22,168

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 THIRD QUARTER ENDED 30 JUNE 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 Main 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 share buy-back or treasury shares cancelled by the Company in the current financial quarter. As at 30 June 2012, the number of treasury shares repurchased and held are as follow:

	Price per share (RM)	Number of shares	30/06/2012 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 30 June 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:

30.06.2012 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	
<b>REVENUE</b>								
External revenue	42,628	3,215	2,457	-	1,167	3,617	-	53,084
Intersegment revenue	-	-	-	-	281	-	(281)	-
<b>Total revenue</b>	<b>42,628</b>	<b>3,215</b>	<b>2,457</b>	<b>-</b>	<b>1,448</b>	<b>3,617</b>	<b>(281)</b>	<b>53,084</b>
<b>RESULTS</b>								
Segment results (external)	8,894	671	513	(355)	273	727	-	10,722
Finance costs	(194)	-	-	-	-	(55)	-	(249)
Profit from ordinary activities before taxation								10,473
Income tax expense								(3,074)
Profit after taxation								7,399
Non-controlling interest								(207)
Net profit attributable to the owners of the Company								7,192

30.06.2011 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	
<b>REVENUE</b>								
External revenue	65,269	1,669	7,971	-	1,082	-	-	75,991
Intersegment revenue	-	-	-	3,463	234	-	(3,697)	-
<b>Total revenue</b>	<b>65,269</b>	<b>1,669</b>	<b>7,971</b>	<b>3,463</b>	<b>1,316</b>	<b>-</b>	<b>(3,697)</b>	<b>75,991</b>
<b>RESULTS</b>								
Segment results (external)	17,863	457	2,182	3,133	31	(19)	(3,463)	20,184
Finance costs	(240)	-	-	-	-	-	-	(240)
Profit from ordinary activities before taxation								19,944
Income tax expense								(4,926)
Profit after taxation								15,018
Non-controlling interest								-
Net profit attributable to the owners of the Company								15,018



## 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 :

- a) 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 ; and
- b) Acquisition of 100,000 ordinary shares of RM1.00 each in Seni Pujaan Sdn Bhd. (“SPSB”) comprising 40% equity interest for a total cash consideration of RM13 million. The acquisition was completed on 20 July 2012 and SPSB has become a wholly-owned subsidiary of Digistar.

## 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).

	<b>As at 30/06/2012</b>
	<b>RM'000</b>
Corporate guarantee granted to a subsidiary:	
Guarantee given to financial institutions for facilities (secured)	9,338
Guarantee given to customer for due performance	12,462
Guarantee given to suppliers for credit limit	6,000
Total	<u>27,800</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 RM13.36 million for the third quarter ended 30 June 2012 as compared to RM24.86 million in the preceding year corresponding quarter. The cumulative revenue to-date for the Group is RM53.08 million as compare to RM75.99 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 Group registered a profit before taxation of RM2.12 million for the third quarter ended 30 June 2012 as compared to RM7.65 million in the preceding year corresponding quarter. The cumulative profit before taxation to-date of RM10.47 million has been decreased as compared to RM 19.94 million in the preceding year corresponding quarter. The decreased in the profit before taxation were mainly contributed by a higher operating cost which was RM12.55 million as compared to RM10.14 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 in the System Integration, Broadcasting and Pay TV business segment. The cumulative profit after taxation achieved by the Group to-date is RM7.40 million as compared to RM15.02 million in the preceding year corresponding quarter.

The business segment in the system integration generated RM42.63 million which is approximately 80.30% of the total Group revenue but shown a decreased of RM22.64 million from RM65.27 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 20.41% as compared to 27.00% 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 RM6.84 million and RM1.46 million (21.35%) respectively as compared to RM10.72 million and RM2.67 million (24.91%) in previous year quarter. There was no dividend income generated from the investment holding segment for current quarter as compared to RM3.46 million received in preceding year corresponding quarter.

The property development sector has make an improvement for the Group result during the current quarter. A total of RM14.46 million property values for The Heritage Development Project undertaken has been signed and sold off to the purchasers. The development completion stage for the current quarter is at 25% and this division has contributed RM3.62 million in revenue with a pre-tax profit of RM0.67 million.

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 30/06/2012 RM'000	Preceding Quarter Ended 31/03/2012 RM'000	Difference	
			RM'000	%
Revenue	13,361	17,777	(4,416)	(24.84)
Profit before taxation	<u>2,117</u>	<u>2,884</u>	<u>(767)</u>	<u>(26.60)</u>

The Group's revenue in the current quarter of RM13.36 million is slightly lower as compared to RM17.78 million recorded in the immediate preceding quarter. The decreased of 24.84% 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 the System Integration, Broadcasting and Pay TV business segment. 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 26.60% 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.



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

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.

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)

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

### 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 third quarter of 2012, the Company still registered a strong revenue of approximately RM53.08 million, out of which approximately 80.30% 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

Not applicable as 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 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000	Current Year To Date 30/06/2012 RM'000	Preceding Year Corresponding Period 30/06/2011 RM'000
Tax payable for the period	728	1,646	3,074	4,926

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 30 June 2012.

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

Save as disclosed below, there were no other corporate proposals announced but not completed as at 15 August 2012 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report) :-

- a) 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 and approved on 19 March 2012 and 25 May 2012 respectively. The application to Bursa Malaysia Securities Berhad pursuant to the Proposed Transfer has been submitted and approved on 6 June 2012 and 8 June 2012 respectively.

The listing of and quotation for the entire issued and paid up-up share capital and the outstanding ten (10) year Warrants 2007/2017 of Digistar have been transferred from ACE Market to the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on Thursday, 28 June 2012, marking the completion of the Transfer Listing.

- b) On 16 July 2012, the Company announced that its proposal to enter into a Share Sale Agreement ("SSA") to acquire the remaining 100,000 ordinary shares of RM1.00 each ("Sale Shares") representing 40% of the total issue and paid-up share capital of Seni Pujaan Sdn Bhd from Lee Poh Chau ("the Vendor") for a cash consideration of RM13 million ("Proposed Acquisition").

The acquisition was completed on 20 July 2012 and SPSB has become a wholly-owned subsidiary of Digistar.



## B8. Status of Corporate Proposals (Cont'd)

- c) On 23 July 2012, the Company announced that its proposal to undertake a Proposed Private Placement of up to 32,176,097 new ordinary shares of RM0.10 each in Digistar ("Placement Shares") representing not more than 10% of the existing issued and paid-up share capital of Digistar (excluding treasury shares) to third party investors to be identified later. OSK Investment Bank Berhad ("OSK") has been appointed as the Adviser for the Proposed Private Placement.

The application pursuant to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad on 27 July 2012. On 1 August 2012, Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 1 August 2012 approved the listing of and quotation of the Placement Shares to be issued pursuant to the Proposed Private Placement subject to the following conditions:-

- i. Digistar and OSK must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Private Placement;
- ii. Digistar and OSK to inform Bursa Securities upon the completion of the Proposed Private Placement; and
- iii. Digistar to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.

The Proposed Private Placement is yet to be completed.

## B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 30 June 2012 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	874	-	874
Trust receipts and bankers acceptance	-	-	-
Hire purchase liabilities	553	1,164	1,717
Total	<u>1,427</u>	<u>1,164</u>	<u>2,591</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 summon 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 RM429,814 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. On 27 July 2012, a Notice pursuant to Section 218 (2) (a) of the Companies Act 1965 has been served against MHP for any amount of RM608,747.

### **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 summon 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 High Court is indisposed for the case during the hearing on 11 July 2012 and 12 July 2012. The High Court will fix for a new hearing date and will be informed to all parties in due course.

### **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.

A full trial for the civil suit had been taken off on 28 May 2012, 29 May 2012 and 30 May 2012. The High Court has fixed a submission date on 19 September 2012 to all parties for filing their written submissions, after which the High Court will fix a date for decision.

Our Directors believe that there are valid grounds to succeed the aforesaid claims. However, in the event that the claims shall fail, there will be no material impact on Digistar Group as the debts were fully provided in the accounts, save and except for legal costs.





## 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 30/06/2012	Corresponding Quarter 30/06/2011	Current Year To Date 30/06/2012	Corresponding Period 30/06/2011
<b>(a) Basic Earnings Per Share</b>				
Net profit attributable to members of the Company (RM'000)	1,389	6,002	7,399	15,018
Weighted average number of ordinary shares in issue	224,347,842	208,563,329	224,962,708	197,757,683
Basic earnings per share (sen)	0.62	2.88	3.29	7.59
<b>(b) Diluted Earnings Per Share</b>				
Net profit attributable to members of the Company (RM'000)	1,389	6,002	7,399	15,018
Additional Income on Interest	-	86	-	258
Adjusted net profit attributable to members of the Company (RM'000)	1,389	6,088	7,399	15,276
Weighted average number of ordinary shares in issue	224,347,842	208,563,329	224,962,708	197,757,683
Adjustment for assumed exercise of Warrants	57,544,569	56,666,305	58,608,066	35,903,345
Adjusted weighted average number of ordinary shares in issue and issuable	281,892,411	265,229,634	283,570,774	233,661,028
Diluted earnings per share (sen)	0.49	2.30	2.61	6.54



## 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.

	<b>As at 30/06/2012 RM'000</b>
Total retained profits of the Company and its subsidiaries	
- Realised	38,309
- Unrealised	-
	<u>38,309</u>
Total share of retained profit from associate	-
Total share of retained profit from jointly controlled entity	-
	<u>38,309</u>
Less: Consolidation adjustments	<u>(3,015)</u>
Total group retained profits as per consolidated financial statements	<u>35,294</u>



## B16. Notes to the Condensed Consolidated Statements of Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000	Current Year To Date 30/06/2012 RM'000	Preceding Year Corresponding Period 30/06/2011 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Other operation income:				
- Interest Income	(186)	(173)	(577)	(423)
- Gain on disposal of property, plant and equipment	-	-	(7)	-
Interest Expense	66	31	111	103
Depreciation and Amortization	467	440	1,377	1,255
Write-back of allowance for Doubtful Debts	-	(374)	-	(374)
Net Foreign Exchange Loss/(Gain)	24	(36)	17	(17)

## B17. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 16 August 2012.

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