



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

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year 30/09/2012 RM'000	Preceding Year Corresponding Quarter 30/09/2011 RM'000	Current Year To Date 30/09/2012 RM'000	Preceding Year Corresponding Period 30/09/2011 RM'000
<b>Revenue</b>	12,809	21,838	65,893	97,829
Cost of sales	(8,224)	(11,684)	(38,897)	(58,842)
Gross profit	4,585	10,154	26,996	38,987
Other income	484	434	1,100	1,681
Administrative expenses	(5,209)	(2,725)	(16,124)	(11,509)
Other expenses	(466)	(1,446)	(1,856)	(2,558)
Finance costs	88	(369)	(160)	(609)
<b>Profit/(Loss) before taxation</b>	(518)	6,048	9,956	25,992
Income tax expense	(752)	(1,617)	(3,826)	(6,543)
<b>Profit/(Loss) for the period</b>	(1,270)	4,431	6,130	19,449
Attributable to:				
Equity holders of the parent	(1,281)	4,510	5,911	19,528
Minority interest	11	(79)	219	(79)
	(1,270)	4,431	6,130	19,449
Other Comprehensive income:				
Changes in fair value of available-for-sale investments	-	-	-	-
Effects of foreign exchange differences	-	-	-	-
Total for the quarter / cumulative quarter	(1,270)	4,431	6,130	19,449
Total comprehensive income attributable to:				
Equity holders of the parent	(1,281)	4,510	5,911	19,528
Minority interest	11	(79)	219	(79)
	(1,270)	4,431	6,130	19,449
Earnings per share attributable to equity holders of the parent:				
- basic (sen)	(0.56)	2.11	2.62	9.67
- fully diluted (sen)	(0.46)	1.67	2.09	7.98

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 SEPTEMBER 2012 (The figures have not been audited)

### CONDENSED CONSOLIDATED FINANCIAL POSITION

	As At End of Current Quarter 30/09/2012 (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	13,787	14,465
Investment Property	45	45
	13,832	14,510
<b>CURRENT ASSETS</b>		
Inventories held for resale	2,579	2,984
Trade receivables	14,139	13,065
Property Development Costs	8,777	3,966
Other receivables, deposit and prepayment	3,653	2,243
Amount owing by contract customers	11,045	7,234
Fixed deposits with licensed banks	15,960	28,752
Cash and bank balances	667	914
	56,820	59,158
Non-current asset classified as held for sale	196	177
<b>TOTAL ASSETS</b>	70,848	73,845
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	25,412	23,172
Share premium	13,355	8,399
Warrant reserve	503	503
Treasury Shares, at cost	(3,249)	(2,301)
Retained profits	21,113	28,102
<b>SHAREHOLDERS' EQUITY</b>	57,134	57,875
Non-Controlling Interest	225	28
<b>TOTAL EQUITY</b>	57,359	57,903
<b>NON-CURRENT LIABILITIES</b>		
Hire purchase payables	1,021	1,399
<b>TOTAL NON-CURRENT LIABILITIES</b>	1,021	1,399
<b>CURRENT LIABILITIES</b>		
Trade payables	1,255	4,497
Amount owing to contract customers	4,939	4,775
Other payables and accruals	1,288	1,694
Provision for taxation	2,146	2,988
Bank overdraft	1,368	90
Short term borrowings	1,472	499
<b>TOTAL CURRENT LIABILITIES</b>	12,468	14,543
<b>TOTAL LIABILITIES</b>	13,489	15,942
<b>TOTAL EQUITY AND LIABILITIES</b>	70,848	73,845
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)</b>		
	23.15	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 FOURTH QUARTER ENDED 30 SEPTEMBER 2012 (The figures have not been audited)

	Non-Distributable Reserve				Distributable Reserve	Total	Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	Warrant Reserve	Treasury Shares	Retained Profits			
	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
Issuance of Shares	2,240	5,040				7,280		7,280
Share Issuance Expenses		(84)				(84)		(84)
Acquisition of non-controlling interest					(12,900)	(12,900)	(100)	(13,000)
Disposal of Subsidiary						-	(20)	(20)
Issuance of share capital of subsidiaries to non-controlling interest						-	98	98
Total comprehensive income for the financial year	-	-	-	-	5,911	5,911	219	6,130
Share Repurchased	-	-	-	(948)	-	(948)	-	(948)
<b>At 30 September 2012</b>	<b>25,412</b>	<b>13,355</b>	<b>503</b>	<b>(3,249)</b>	<b>21,113</b>	<b>57,134</b>	<b>225</b>	<b>57,359</b>
At 1 October 2010 (as restated)	19,158	1,630	503	(693)	8,574	29,172	-	29,172
Issuance of shares	4,014	7,028				11,042	-	11,042
Share Issuance expenses		(259)				(259)		(259)
Purchase of Shares				(2,275)		(2,275)		(2,275)
Sale of shares				667		667		667
Issuance of share capital of subsidiaries to non-controlling interest						-	20	20
Acquisition of a subsidiary						-	87	87
Total comprehensive income for the financial year					19,528	19,528	(79)	19,449
<b>At 30 September 2011</b>	<b>23,172</b>	<b>8,399</b>	<b>503</b>	<b>(2,301)</b>	<b>28,102</b>	<b>57,875</b>	<b>28</b>	<b>57,903</b>

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 SEPTEMBER 2012 (The figures have not been audited)

	30/09/2012 RM'000	30/09/2011 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,956	25,992
Adjustments for:-		
Non cash items	1,671	3,008
Non operating items	(861)	(1,448)
Operating profit before working capital changes	10,766	27,552
Net changes in current assets	(10,426)	(12,275)
Net changes in current liabilities	(3,285)	(3,398)
Cash from operations	(2,945)	11,879
Interest paid	(143)	(152)
Income tax paid	(4,668)	(6,013)
Net cash (for)/ from operating activities	(7,756)	5,714
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash outflow for investment in a subsidiary	(13,000)	(149)
Interest received	669	984
Purchase of property, plant and equipment	(1,186)	(3,400)
Proceeds from disposal of non-current assets held for resale	185	325
Proceeds from issuance of shares to non-controlling interest	98	-
Proceed from disposal of a subsidiary	30	20
Net cash for investing activities	(13,204)	(2,220)
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Net proceed from issuance of ordinary shares	7,195	10,783
Net repurchased of treasury shares	(948)	(1,608)
Repayment of hire purchase obligations	(516)	(425)
Net increased/(decreased) of bills payable	911	(354)
Net cash for financing activities	6,642	8,396
Net (decrease)/ increase in cash and cash equivalents	(14,318)	11,890
Cash and cash equivalents at beginning of the period	29,577	17,686
Cash and cash equivalents at end of the period	15,259	29,576
<b>Note:</b>		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	14,141	26,951
- restricted	1,819	1,801
Cash and bank balances	667	914
Bank overdraft	(1,368)	(90)
	15,259	29,576

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 FOURTH QUARTER ENDED 30 SEPTEMBER 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 September 2012, the number of treasury shares repurchased and held are as follow:

	Price per share (RM)	Number of shares	30/09/2012 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 September 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.



## A8. Segmental Information

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

30.09.2012 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	52,980	3,898	2,621		1,604	4,790		65,893
Intersegment revenue	-	-	-	4,074	312	-	(4,386)	-
Total revenue	<u>52,980</u>	<u>3,898</u>	<u>2,621</u>	<u>4,074</u>	<u>1,916</u>	<u>4,790</u>	<u>(4,386)</u>	<u>65,893</u>
<b>RESULTS</b>								
Segment results (external)	9,138	805	701	2,778	38	740	(4,084)	10,116
Finance costs	(99)	(5)	-	-	(1)	(55)	-	(160)
Profit from ordinary activities before taxation								9,956
Income tax expense								(3,826)
Profit after taxation								6,130
Non-controlling interest								(219)
Net profit attributable to the owners of the Company								<u>5,911</u>

30.09.2011 RM'000 The Group	<u>Integration</u>	<u>Trading</u>	<u>Income</u>	<u>Holding</u>	<u>Rental</u>	<u>Development</u>	<u>Elimination</u>	Group RM
	RM	RM	RM	RM	RM	RM	RM	
<b>REVENUE</b>								
External revenue	85,702	8,530	2,113	-	1,484	-	-	97,829
Intersegment revenue	-	-	-	9,575	416	-	(9,991)	-
Total revenue	<u>85,702</u>	<u>8,530</u>	<u>2,113</u>	<u>9,575</u>	<u>1,900</u>	<u>-</u>	<u>(9,991)</u>	<u>97,829</u>
<b>RESULTS</b>								
Segment results (external)	20,615	4,989	1,351	9,250	119	(148)	(9,575)	26,601
Finance costs	(608)	-	-	-	(1)	-	-	(609)
Profit from ordinary activities before taxation								25,992
Income tax expense								(6,543)
Profit after taxation								19,449
Non-controlling interest								79
Net profit attributable to the owners of the Company								<u>19,528</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 :

- 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.
- c) Acquisition of 2 ordinary shares of RM1.00 each in Matang Makmur Holdings Sdn Bhd (“MMHSB”) comprising 100% equity interest for a total cash consideration of RM1.5 million. The Proposed Acquisition is yet to be completed and MMHSB shall become a wholly-owned subsidiary of Digistar when the transaction is complete.

## 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 30/09/2012 RM'000
Corporate guarantee granted to a subsidiary:	
Guarantee given to financial institutions for facilities (secured)	9,394
Guarantee given to customer for due performance	12,462
Guarantee given to suppliers for credit limit	6,000
Total	<u>27,856</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 RM12.81 million for the fourth quarter ended 30 September 2012 as compared to RM21.84 million in the preceding year corresponding quarter. The cumulative revenue to-date for the Group is RM65.89 million as compare to RM97.83 million in the preceding year. Decreased in the revenue generation for current year was mainly due to deliver of fast-track in system integration and broadcast engineering projects in the preceding year.

The Group registered a loss before taxation of RM0.52 million for the fourth quarter ended 30 September 2012 as compared to profit before taxation of RM6.05 million in the preceding year corresponding quarter. The cumulative profit before taxation to-date of RM9.96 million has been decreased as compared to RM25.99 million in the preceding year. The decreased in the profit before taxation were mainly contributed by a higher operating cost which was RM18.14 million as compared to RM14.68 million in the preceding year 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 RM6.13 million as compared to RM19.45 million in the preceding year.

The business segment in the system integration generated RM52.98 million which is approximately 80.40% of the total Group revenue but shown a decreased of RM32.72 million from RM85.70 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 17.24% as compared to 24.05% 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 RM8.12 million and RM1.54 million (18.97%) respectively as compared to RM12.13 million and RM6.46 million (53.26%) in previous year. The dividend income generated from the investment holding segment for current year is RM4.07 million as compared to RM9.25 million received in preceding year.

The property development sector has make an improvement for the Group result during the current quarter. A total of RM19.16 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 RM4.79 million in revenue with a pre-tax profit of RM0.68 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.



## B2. Variation of Results against Preceding Quarter

	Current Quarter Ended 30/09/2012 RM'000	Preceding Quarter Ended 30/06/2012 RM'000	Difference	
			RM'000	%
Revenue	12,809	13,361	(552)	(4.13)
Profit/(Loss) before taxation	<u>(518)</u>	<u>2,117</u>	<u>(2,635)</u>	<u>(124.47)</u>

The Group's revenue in the current quarter of RM12.81 million is slightly lower as compared to RM13.36 million recorded in the immediate preceding quarter. The decreased of 4.13% 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 quarter 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 124.47% as compared to the preceding quarter.

## B3. Prospects for the Financial Year Ending 30 September 2013

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 2012, the Company still registered a revenue of approximately RM65.89 million, out of which approximately 80.40% 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 performance and result for the Digistar Group will be able to be sustained for the coming year.

## 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	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	Corresponding Period
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
Tax payable for the period	752	1,617	3,826	6,543

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 preceding 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 September 2012.

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

Save as disclosed below, there were no other corporate proposals announced but not completed as at 29 November 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.

On 4 September 2012, the Board had fixed the issue price for the Private Placement at RM0.325 per Placement Share. The issue price of RM0.325 per Placement Share represents a discount of approximately 9.47% over the five (5)-day weighted average market price of Digistar Shares up to and including 3 September 2012 of RM0.359, being the date immediately prior to the price-fixing date.

On 13 September 2012, 22,400,000 new ordinary shares of RM0.10 each were allotted by the Company at a price of RM0.325 per share to certain identified investors, pursuant to the Company's private placement exercise. The Private Placement of 22,400,000 Placement Shares were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on 18 September 2012, marking the Completion of the Private Placement.

As of 30 September 2012, the Company has utilised the proceeds raised of RM7.28 million as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Amount Unutilise RM'000	%
Working Capital	7,196	2,836	4,360 #	61
Defraying of expenses incidental to the Placement	84	84	Nil	-
Total	<u>7,280</u>	<u>2,920</u>	<u>4,360</u>	<u>61</u>

# Timeframe for utilisation is within 12 months.





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

- d) On 21 November 2012, the Company announced that its proposal to enter into a Share Sale Agreement (“SSA”) to acquire a total of 2 ordinary shares of RM1.00 each (“Sale Shares”) representing 100% of the equity interest in Matang Makmur Holdings Sdn Bhd from Lee Poh Chau and Rozilawati Binti Mustafa (collectively referred to as “the Vendors”) for a cash consideration of RM750,000 each respectively or RM1,500,000 in total (“Proposed Acquisition”).

The Proposed Acquisition is yet to be completed and MMHSB shall become a wholly-owned subsidiary of Digistar when the transaction is complete.

## B9. Group Borrowings and Debt Securities

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

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	1,368	-	1,368
Bankers acceptance	911	-	911
Hire purchase liabilities	561	1,021	1,582
Total	<u>2,840</u>	<u>1,021</u>	<u>3,861</u>

## B10. Off Balance Sheet Financial Instruments

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

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## **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 MH 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 24 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 has fixed this matter for a Case Management on 30 November 2012.

### **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.

On 9 October 2012, DHSB has obtained a High Court judgement to claim against the defendant with cost RM10,000.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2012	Preceding Year Corresponding Quarter 30/09/2011	Current Year To Date 30/09/2012	Preceding Year Corresponding Period 30/09/2011
<b>(a) Basic Earnings Per Share</b>				
Net profit attributable to members of the Company (RM'000)	(1,281)	4,510	5,911	19,528
Weighted average number of ordinary shares in issue	228,730,451	214,214,985	225,909,791	201,905,825
Basic earnings per share (sen)	(0.56)	2.11	2.62	9.67
<b>(b) Diluted Earnings Per Share</b>				
Net profit attributable to members of the Company (RM'000)	(1,281)	4,510	5,911	19,528
Weighted average number of ordinary shares in issue	228,730,451	214,214,985	225,909,791	201,905,825
Adjustment for assumed exercise of Warrants	52,782,259	56,275,203	57,329,365	42,870,496
Adjusted weighted average number of ordinary shares in issue and issuable	281,512,710	270,490,189	283,239,156	244,776,321
Diluted earnings per share (sen)	(0.46)	1.67	2.09	7.98

## 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 30/09/2012 RM'000</b>
Total retained profits of the Company and its subsidiaries	
- Realised	37,020
- Unrealised	-
	<u>37,020</u>
Total share of retained profit from associate	-
Total share of retained profit from jointly controlled entity	-
	<u>37,020</u>
Less: Consolidation adjustments	<u>(15,907)</u>
Total group retained profits as per consolidated financial statements	<u>21,113</u>

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2012 RM'000	Preceding Year Corresponding Quarter 30/09/2011 RM'000	Current Year To Date 30/09/2012 RM'000	Preceding Year Corresponding Period 30/09/2011 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Other operation income:				
- Interest Income	(93)	(561)	(669)	(984)
- Gain on disposal of property, plant and equipment	-	(4)	(8)	(4)
Interest Expense	32	49	143	152
Depreciation and Amortization	486	448	1,863	1,703
Write-back of allowance for Doubtful Debts	(328)	(238)	(328)	(612)
Net Foreign Exchange Loss/(Gain)	(8)	4	9	(12)

## B17. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 29 September 2012.

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