QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 MARCH 2013 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000	Current Year To Date 31/03/2013 RM'000	Preceding Year Corresponding Period 31/03/2012 RM'000
Revenue	18,268	17,777	36,833	39,723
Cost of sales	(13,989)	(10,724)	(25,494)	(23,789)
Gross profit	4,279	7,053	11,339	15,934
Other income	1,628	194	2,025	409
Administrative expenses	(2,648)	(3,853)	(5,825)	(6,923)
Other expenses	(1,244)	(460)	(1,747)	(923)
Finance costs	194	(50)	118	(141)
Profit/(Loss) before taxation	2,209	2,884	5,910	8,356
Income tax expense	(229)	(813)	(764)	(2,345)
Profit/(Loss) for the period	1,980	2,071	5,146	6,011
Attributable to:				
Equity holders of the parent	1,951	2,100	5,175	6,111
Minority interest	29	(29)	(29)	(100)
	1,980	2,071	5,146	6,011
Other Comprehensive income:				
Changes in fair value of available-for-sale investments	-	-	-	-
Effects of foreign exchange differences	-	-	-	-
Total for the quarter / cumulative quarter	1,980	2,071	5,146	6,011
Total comprehensive income attributable to:				
Equity holders of the parent	1,951	2,100	5,175	6,111
Minority interest	29	(29)	(29)	(100)
	1,980	2,071	5,146	6,011
Earnings per share attributable to equity holders of the parent:				
- basic (sen)	0.79	0.94	2.10	2.71
- fully diluted (sen)	0.69	0.74	1.79	2.15

The Condensed Consolidated Income Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2012.

QUARTERLY REPORT ON CONSOLIDATED FINANCIAL POSITION AS AT 31 MARCH 2013 (The figures have not been audited)

CONDENSED CONSOLIDATED FINANCIAL POSITION

	As At End of Current Quarter 31/03/2013 (Unaudited) RM'000	As At Preceding Financial Year Ended 30/09/2012 (Audited) RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	17,155	15,543
Investment Property	45	45
Investment in Quoted Securities	291	-
Investment in Associates	110	-
Goodwill	1,506	-
	19,107	15,588
CURRENT ASSETS		
Inventories held for resale	2,436	2,605
Trade receivables	12,706	11,881
Property Development Costs	-	5,476
Accrued Billings	8,052	559
Other receivables, deposit and prepayment	6,279	4,258
Amount owing by contract customers	8,937	11,170
Fixed deposits with licensed banks	12,894	15,960
Cash and bank balances	9,210	665
	60,514	52,574
Non-current asset classified as held for sale	-	-
TOTAL ASSETS	79,621	68,162
EQUITY AND LIABILITIES		
EQUITY		
Share capital	25,412	25,412
Share premium	13,355	13,355
Warrant reserve	503	503
Treasury Shares, at cost	(3,249)	(3,249)
Retained profits	26,516	21,341
SHAREHOLDERS' EQUITY	62,537	57,362
Non-Controlling Interest	-	29
TOTAL EQUITY	62,537	57,391
NON-CURRENT LIABILITIES		
Hire purchase payables	1,065	1,021
TOTAL NON-CURRENT LIABILITIES	1,065	1,021
CURRENT LIABILITIES		
Trade payables	710	2,431
Amount owing to contract customers	-	674
Other payables and accruals	10,179	1,648
Amount owing to a related party	315	13
Provision for taxation	2,170	2,146
Bank overdraft	948	1,366
Short term borrowings	1,697	1,472
TOTAL CURRENT LIABILITIES	16,019	9,750
TOTAL LIABILITIES	17,084	10,771
TOTAL EQUITY AND LIABILITIES	79,621	68,162
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)	25.34	23.00

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2012.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2013 (The figures have not been audited)

	← Non-Distributable Reserve			→	Distributable Reserve			
	Share Capital	Share Premium	Warrant Reserve	Treasury Shares	Retained Profits	Total	Non-Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2012	25,412	13,355	503	(3,249)	21,341	57,362	29	57,391
Total comprehensive income						-		-
for the financial year	-	-	-	-	5,175	5,175	(29)	5,146
Share Repurchased	-	-	-	-	-	-	-	-
At 31 March 2013	25,412	13,355	503	(3,249)	26,516	62,537	-	62,537
At 1 October 2011	23,172	8,399	503	(2,301)	28,102	57,875	28	57,903
(as restated)								-
Total comprehensive income	-	-	-	-	6,111	6,111	(100)	6,011
for the financial year								-
Share Repurchased	-	-	-	(948)	-	(948)	-	(948)
At 31 March 2012	23,172	8,399	503	(3,249)	34,213	63,038	(72)	62,966

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 2012.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2013 (The figures have not been audited)

	31/03/2013 RM'000	31/03/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,910	8,356
Adjustments for:-		
Non cash items	738	875
Non operating items	1,209	(353)
Operating profit before working capital changes	7,857	8,878
Net changes in current assets	(950)	(7,818)
Net changes in current liabilities	(1,958)	945
Cash from operations	4,949	2,005
Interest paid	(76)	(45)
Income tax paid	(764)	(3,069)
Net cash from / (for) operating activities	4,109	(1,109)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	216	391
Purchase of property, plant and equipment	(2,605)	(564)
Net cash outflow of investment in a subsidiary company	(250)	-
Net cash outflow of investment in quoted securities	(291)	-
Net cash outflow of investment in an associate company	(110)	-
Proceed from disposal of non-current assets held for resale	-	191
Proceed from disposal of a subsidiary	-	30
Net cash (for) / from investing activities	(3,040)	48
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceed from share application money	8,569	-
Net repurchased and resold of treasury shares	-	(948)
Repayment of hire purchase obligations	(422)	(247)
Net increased of bills payable	1,076	-
Net cash from / (for) financing activities	9,223	(1,195)
Net increase / (decrease) in cash and cash equivalents	10,292	(2,256)
Cash and cash equivalents at beginning of the period	10,864	29,577
Cash and cash equivalents at end of the period	21,156	27,321

Note:
Cash and cash equivalents comprise of:

Fixed deposits with licensed bank		
- available	11,074	27,124
- restricted	1,820	1,727
Cash and bank balances	9,210	438
Bank overdraft	(948)	(1,968)
	21,156	27,321

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 2012.

UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 MARCH 2013

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 2012.

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 2012,. The following are the new accounting standards and interpretations (including the consequential amendments) has been adopted by the Group :-

- ✓ Amendments to FRS 1 (Revised) Limited Exemption from Comparative FRS 7 Disclosures for First- time Adopters
- ✓ Amendments FRS 1 (Revised) Addional Exemptions for First-time Adopters
- ✓ Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions
- ✓ Amendments to FRS 7 Improving Disclosures about Financial Instruments
- ✓ IC Interpretation 4 Determining Whether An Arrangement Contains a Lease
- ✓ IC Interpretation 18 Transfers of Assets from Customers
- ✓ IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- ✓ Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement
- ✓ Annual Improvement to FRSs (2010)

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 2012, are not expected to have any significant impact on the financial statements of the Group.

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs") that are equivalent to International Financial Reporting Standards.

The MFRSs are to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "Transitioning Entities").

A2. Changes in Accounting Policies (Cont'd)

On 30 June 2012, MASB announced that the Transitioning Entities are allowed to defer the adoption of the MFRSs to annual periods beginning on or after 1 January 2014 after which the MFRSs will become mandatory. The Group falls within the definition of Transitioning Entities and has opted to prepare its first MFRSs financial statements for the financial year ending 30 September 2015.

In representing its first MFRSs financial statements, the Group will quantify the financial effects of the differences between the current FRSs and MFRSs. The Group has commenced transitioning its accounting policies and financial reporting from the current FRSs to MFRSs. However, the Group has not completed its quantification of the financial effects of the differences between FRSs and MFRSs due to the ongoing assessment by the management. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group expects to be in a position to fully comply with the requirements of MFRSs for the financial year ending 30 September 2015.

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 31 March 2013, the number of treasury shares repurchased and held are as follow:

	Number of shares	31/03/2013 RM'000
Balance as at 1 October 2012	7,372,808	3,249
Repurchased	-	-
Total treasury shares held	7,372,808	3,249

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:

31.03.2013 RM'000 **The Group**	System Integration **RM**	Trading **RM**	Maintenance Income **RM**	Investment Holding **RM**	Rental **RM**	Property Development **RM**	Elimination **RM**	Group **RM**
REVENUE								
External revenue	14,973	734	319	-	822	19,985	-	36,833
Intersegment revenue	-	-	-	-	156	-	(156)	-
Total revenue	14,973	734	319	-	978	19,985	(156)	36,833
RESULTS								
Segment results (external)	(1,144)	(15)	(223)	(169)	255	3,311		2,015
Finance costs	194	-		-	-	-	-	194
Profit from ordinary activities before taxation								2,209
Income tax expense								(229)
Profit after taxation								1,980
Non-controlling interest								(29)
Net profit attributable to the owners of the Company								1,951

31.03.2012 RM'000 **The Group**	System Integration **RM**	Trading **RM**	Maintenance Income **RM**	Investment Holding **RM**	Rental **RM**	Property Development **RM**	Elimination **RM**	Group **RM**
REVENUE								
External revenue	34,727	1,767	2,444	-	785	-	-	39,723
Intersegment revenue	-	-	-	-	156	-	(156)	-
Total revenue	34,727	1,767	2,444	-	941	-	(156)	39,723
RESULTS								
Segment results (external)	7,847	399	552	(231)	213	(283)	-	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								6,111

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) 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 acquisition was completed on 29 November 2012 and MMHSB has become a wholly owned subsidiary of Digistar ; and

b) Acquisition of 110,000 ordinary shares of RM1.00 each in Indera Persada Sdn Bhd ("IDSB") comprising 40% equity interest for a total cash consideration of RM110,000. This investment of associate company held through Matang Makmur Holdings Sdn Bhd, a wholly owned subsidiary of Digistar Corporation Berhad.

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).

Corporate guarantee granted to a subsidiary:	**As at 31/03/2013** **RM'000**
Guarantee given to financial institutions for facilities (secured)	9,540
Guarantee given to customer for due performance	12,462
Guarantee given to suppliers for credit limit	6,000
Total	28,002

A12. Significant Related Party Transactions

There were no significant related party transactions during the quarter under review.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of the Performance

The Group registered a revenue of RM18.27 million for the second quarter ended 31 March 2013 as compared to RM17.78 million in the preceding year corresponding quarter. The cumulative revenue to-date for the Group also at RM36.83 million as compare to RM39.72 million in the preceding year. Increased in the revenue generation for current year was mainly due to the higher contribution from the properties units sold and fast track development stage in the property development sector.

The Group registered a profit before taxation of RM2.21 million for the second quarter ended 31 March 2013 as compared to profit before taxation of RM2.88 million in the preceding year corresponding quarter. The cumulative profit before taxation to-date was at RM5.91 million and RM8.36 million in the preceding year. There was slight decreased of RM2.45 million in the profit before taxation which were mainly contributed by a higher operating cost 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 RM5.15 million as compared to RM6.01 million in the preceding year.

The business segment in the system integration generated RM14.97 million which is approximately 40.65% of the total Group revenue but shown a decreased of RM19.76 million from RM34.73 million as compared to previous year quarter. The decreased in the revenue generation for current quarter ended was mainly due to the commencement of the new projects still at its preliminary stage in system integration and broadcast engineering projects. This segment has been recorded a pre-tax loss rate of 6.34% or (RM0.95 million) as compared to a pre-tax margin 26.19% or RM7.71 million in the preceding year corresponding quarter. The current quarter year resulted a loss position which was due to the higher operating cost.

The business segment from trading, maintenance and rental shown a decreased of revenue and a loss situation as compared to previous year quarter. In overall, these three (3) segments generated revenue of RM1.88 million and loss before taxation of (RM0.15 million) / (-7.98%) respectively for current year quarter as compared to revenue of RM4.99 million with RM0.93 million profit before taxation or 18.64% pre tax margin in previous year quarter. There was no dividend income generated from the investment holding segment for current and preceding year corresponding quarter.

The property development sector has made a significant improvement for the Group result during the current quarter. This business segment has contributed RM19.99 million in revenue which is approximately 54.28% of the total Group revenue and generated a pre-tax profit of RM3.31 million for the Group. This sector has achieved approximately 40% of the total sales value with an average of 40% development stage for "The Heritage Project" implemented under Seni Pujaan Sdn Bhd, a wholly owned subsidiary for the Group.

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 31/03/2013 RM'000	Preceding Quarter Ended 31/12/2012 RM'000	Difference RM'000	%
Revenue	18,268	18,565	(297)	(1.60)
Profit before taxation	2,209	3,701	(1,492)	(40.31)

The Group's managed to maintain a revenue of RM18.27 million in the current quarter as compared to RM18.57 million recorded in the immediate preceding quarter but not able to maintain the profit margin level as per previous quarter which was mainly contributed by a higher operating cost.

B3. Industry Overview and Future Prospects for the Financial Year Ending 30 September 2013

We are primarily a provider of systems engineering and integration. Through our subsidiary companies, our Group is principally engaged in the provision of design, supply, installation and integration of IT infrastructure, tele-conferencing, local area networks ("LANs"), interactive media management systems, radio and TV news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems. In addition, our Group is also involved in the provision of e-commerce, interactive Pay TV services, property development, property holding and management operations. Due to nature of our business, our Group's performance is closely dependant on the future prospects of the related industries, namely construction, communication particularly in broadcasting, and ICT industries.

B3.1 Overview and outlook of the Malaysian economy

For the year 2013, the Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5-5.5%. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners.

Domestic demand, which is expected to grow 5.6% (2012: 9.4%), will remain the main driver of growth in 2013 underpinned by strong private sector expenditure. Private consumption is projected to expand 5.7% (2012: 7%) on account of higher disposable income arising from better employment outlook, firm commodity prices and the wealth effect from the stable performance of the stock market following strong domestic economic activities.

B3.1 Overview and outlook of the Malaysian economy (Cont'd)

On the supply side, growth in 2013 is expected to be broad-based supported by expansion in all sectors of the economy. Of significance, external trade-related industries are envisaged to benefit from stronger global growth, particularly during the second half of 2013. The services and manufacturing sectors are expected to contribute 4.2% points to the gross domestic product ("GDP") growth. The services sector is expected to benefit from the recovery in external trade-related activities while strong domestic economic activities will provide further impetus for wholesale and retail trade and financial activities to grow.

(Source: Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

B3.2 Overview and outlook of the construction industry

The construction sector consists of four (4) subsectors, namely residential, non-residential, civil engineering and special trade works. During a period of rapid economic expansion, the sector generally outperforms the GDP growth. However, during an economic downturn, the sector tends to undergo a sharper correction. During the previous cycle of construction boom in Malaysia between 1989 and 1997, the construction sector recorded an average growth of 14.3% vis-a-vis economic growth of 9.2%. The implementation of several large-scale projects such as Kuala Lumpur International Airport, Petronas Twin Towers, Sepang International Circuit and the development of Putrajaya and Cyberjaya contributed to the construction boom during this period.

The construction sector posted a strong growth of 18.9% during the first half of 2012, the fastest pace since 1995. This impressive performance was underpinned by robust construction activity in the civil engineering and residential subsectors. Reflecting the buoyant construction activities, the total value of construction works rose 24.6% to RM38.1 billion. The private sector contributed 69.8% of the total value of construction works. The non-residential and civil engineering subsectors were the main contributors constituting 36.5% and 31.2% respectively, followed by the residential subsector. For 2012, the sector is expected to grow 15.5%, contributing 0.5% to the overall GDP growth.

The residential subsector expanded significantly by 22% during the first half of 2012 supported by strong demand for housing and investment purposes arising from higher household disposable income. Additionally, improved accessibility following the development of infrastructure projects further stimulated the demand for houses, especially in the suburban areas.

The non-residential subsector grew 12.8% during the first half of 2012 largely driven by construction of industrial buildings, particularly in the Samalaju Industrial Park, Sarawak and shophouses. Industrial building starts increased 47.8% to 501 units. Meanwhile, construction starts for purpose-built office decreased substantially to 22,758 square metres due to higher supply following the completion of several office buildings and shopping malls in 2011.

B3.2 Overview and outlook of the construction industry (Cont'd)

For 2013, the construction sector is envisaged to expand strongly by 11.2%, with all subsectors registering steady growth. The sector is expected to benefit from the acceleration of ongoing construction activities, particularly from the Economic Transformation Programme and second rolling plan for construction-related projects under the Tenth Malaysia Plan. Of significance, exploration activities in oil and gas industries and major projects such as the electrified double-tracking between Ipoh-Padang Besar, Jabur-Kuala Terengganu of East Coast Expressway Phase 2, MY Rapid Transit and the River of Life are expected to drive the growth of the civil engineering subsector. The non-residential subsector is expected to expand spurred by the industrial building segment and the commencement of construction of the Tun Razak Exchange. The residential subsector is also projected to expand, albeit at a moderate pace, after recording several years of strong growth. Key housing development projects, particularly in Sungai Buloh and Bandar Malaysia in Sungai Besi, which are expected to commence in 2013, will support residential construction activities.

(Source: Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

B3.3 Overview and outlook of the communication industry

Communication industry is part of the overall umbrella of the services sector. For 2013, the communication subsector is expected to grow 8.2%.

In the broadcasting industry, the subscription-based satellite TV, namely Astro Malaysia Holdings Berhad ("Astro"), has 3.2 million subscribers with a household penetration rate of 50.4% as at end July 2012. This was largely attributed to a wide range of content offerings with 156 channels, including 22 high-definition channels and increased subscriptions to sports packages. In addition, Astro can now be accessed through smartphones, tablets, laptops and personal computers with internet connection. The performance of the industry in 2012 is expected to remain favourable with the offerings of more high-definition channels and introduction of prepaid packages to targeted groups.

Prospects for the services sector are expected to remain upbeat in 2013, with the accelerated implementation of major initiatives under the National Key Result Areas and continued investment in the seven (7) services subsectors under the National Key Economic Areas. These initiatives are expected to drive the wholesale and retail trade, finance and insurance, and communication subsectors, which are expected to grow 6.8%, 5.2% and 8.2% respectively. Overall, the sector is estimated to remain strong at 5.6% supported by domestic consumption, investment and travel-related activities.

(Source:Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

B3.4 Overview and outlook of the ICT industry

The National ICT Association of Malaysia (Pikom) has forecast a growth of between 8% and 10% for the ICT industry in 2012. Its president, Shaifubahrim Saleh, said the projection was in line with the country's economic growth forecast of between 4% and 5%.

(Source:The Sun Daily, 28 May 2012. "Pikom Sees 8-10% ICT Sector Growth This Year")

In IT services, 83 companies were granted the Multimedia Super Corridor Malaysia ("MSC") status with total estimated investment of RM1,465.3 million and 7,891 employment opportunities during the first eight (8) months of 2012. As at end August 2012, the total number of MSC Malaysia companies stood at 3,037, of which 2,273 or 74.8% are Malaysian-owned, 677 or 22.3% are foreign-owned, and the remaining 87 or 2.9% are joint ventures. These companies are clustered into infotech (75.8%), creative multimedia (11.6%), global sourcing (8.8%), and institutions of higher learning and incubators (3.8%). In addition, there were 26 cyber cities and cyber centres as at end August 2012 including three (3) new cyber centres approved in 2012, namely Jaya 33 in Petaling Jaya, Puchong Financial and Corporate Centre, and Menara Worldwide in Bukit Bintang. Furthermore, three (3) new premises are in the pipeline for consideration as cyber city and cyber centre status by end 2012.

Under the nation's programme, namely, Digital Malaysia, the government aims to create an ecosystem which promotes the pervasive use of digital technology in all aspects of the economy to connect communities globally and interact in real time resulting in increased economic activity, productivity and standard of living. While Malaysia has built a strong ICT foundation, Digital Malaysia will focus on driving value-added services through digital technologies. One of the goals to be achieved under Digital Malaysia is to raising Malaysia's ICT contribution from 9.8% of GDP in 2010 to 17% by 2020.

Digital Malaysia also aims to create 160,000 high-income job opportunities, particularly in areas such as cloud enterprise applications, gamification, embedded systems, microsourcing, social media, e-commerce and green technology. The Tenth Malaysia Plan shows that the bulk of government investment in ICT is on supply-centric or infrastructure-based projects such as high-speed broadband, development of IT centres, and purchase of computer hardware and software. Digital Malaysia aims to create demand-side activities such as the development of digital entrepreneurs to tap into the total domestic ICT spending of RM175 billion by 2020.

(Source: Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

B3.5 Overview and outlook of the electrical and electronics ("E&E") industry

Output of E&E rebounded 1.6% during the first seven months of 2012 (January-July 2011: -4.8%) mainly driven by the higher production of semiconductor devices as well as audio, visual and communication apparatus. The improved performance of E&E was partly due to chip vendors and storage producers taking advantage of stable prices and supply of parts to replenish inventories as well as the launching of new products which was delayed by massive floods in Thailand during the fourth quarter of 2011.

On the back of a slowdown in global demand, E&E manufacturers continued to invest in new technology and product development to upscale the value chain. Approved capital spending in the E&E subsector amounted to RM1.72 billion in 46 projects, of which RM1.35 billion were from foreign investors. This further reaffirms Malaysia as an attractive and cost-efficient E&E manufacturing base in the region. The continued strong investments will further strengthen growth in the E&E subsector and create more skilled jobs.

For 2013, The E&E subsector is expected to grow further driven by higher demand for electronic equipment and parts as well as semiconductors in line with the economic recovery in advanced economies.

(Source: Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

B3.6 Future prospects of our Group

The prospects of our Group are favourable in light of the following factors:-

i. Our Group's business performance based on the audited consolidated financial statements of our Group for the past five (5) financial years up to the FYE 30 September 2012 and First Quarter Result as at 31 December 2012 :-

   a) Our revenue grew from RM52.00 million to RM69.52 million between the FYE 30 September 2008 and FYE 30 September 2012, which translated to a compounded annual growth rate of 7.53%;

   b) Our PBT grew from RM0.67 million to RM9.99 million between the FYE 30 September 2008 and FYE 30 September 2012, which translated to a compounded annual growth rate of 96.50%;

   c) Our PBT margin grew from 1.29% to 14.37% between the FYE 30 September 2008 and FYE 30 September 2012; and

   d) Our Group second quarter 31 March 2013 performance still register a fair revenue result of RM36.83 million with a PBT of RM5.15 million or a margin of 13.98%.

B3.6 Future prospects of our Group (Cont'd)

In view of the above, our Board believes that the financial performance of our Group is sustainable for the current and coming financial year in tandem with the outlook of the related industries which are closely linked to our Group's business and the development of the new projects which will provide a platform for continuing business growth of our Group.

ii. Our Group's competitive advantages and key strengths that will enable us to compete successfully as well as to provide us with growth prospects. Our competitive advantages and key strengths are set out below:-

a) Our track record and established reputation as a comprehensive system integrated solutions provider since the commencement of our business in 1982;

b) Our expertise in providing customised solutions in systems engineering and integration to meet our customers' requirements; and

c) The services provided to large user-industries, which is a key strength as it enables us to sustain our business and future growth; and

iii. We have in place a business and expansion plan, which focuses on the following areas:-

a) Our business expansion into the broadcasting and interactive pay TV segments to drive our business growth in Malaysia and to address new markets in the Asia Pacific region; and

b) Our new business ventures into central monitoring systems engineering and integration, and operation of central monitoring stations to address new areas of growth and opportunities.

The aforementioned future plan would provide us with the platform to sustain and grow our business.

Furthermore, the electronic systems engineering and integration industry is closely related to construction industry. This is because many of the buildings, structures and amenities constructed are commonly fitted with various types of electronic systems, particularly for non-residential buildings and amenities. In tandem with the positive outlook of the construction industry as set out in Section B3.2, our Board anticipates wider business opportunities for our system integration segment through projects involving the installation and integration of IT infrastructure. In addition, TV networks and production facilities in the Asia Pacific region are increasingly making the transition from analogue to digital TV 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 us to offer our broadcast system integration services to broadcasters in this region.

B3.6 Future prospects of our Group (Cont'd)

In view of the above, our Board believes that the prospect of our Group for the current and coming financial year is favourable after having considered all the relevant aspects including the outlook of the related industries which are closely linked to our business performance.

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 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000	Current Year To Date 31/03/2013 RM'000	Preceding Year Corresponding Period 31/03/2012 RM'000
Income tax expense for the period	229	813	764	2,345

The effective tax rate of the Group for the financial period to date and the current quarter is lower than the statutory tax rate due to overprovision of tax in the previous financial year. The comparative quarter in the preceding year, the effective tax rate was 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

There was no disposal of unquoted investments and/or properties for the current quarter and financial period-to-date.

B7. Purchase or Disposal of Quoted Securities

(a) Acquisition of Quoted Shares

	Current Year Quarter 31/03/2013 RM'000	Current Year To Date 31/03/2013 RM'000
Total purchase consideration	291	291

(b) Total investment in quoted shares as at 31 March 2013 are as follows:-

	RM'000
At cost	291

B8. Status of Corporate Proposals

Save as disclosed below, there were no other corporate proposals announced but not completed as at 30 May 2013 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report) :-

a) 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 31 March 2013, 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	7,196	Nil	-
Defraying of expenses incidental to the Placement	84	84	Nil	-
Total	7,280	7,280	-	-

b) 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 ("MMHSB") 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 acquisition was completed on 29 November 2012 and MMHSB has become a wholly-owned subsidiary of Digistar.

B8. Status of Corporate Proposals (Cont'd)

c) On 4 December 2012, the Company announced to undertake a renounceable rights issue of up to 137,664,390 Rights Shares on the basis of two (2) Rights Shares for every five (5) existing Digistar Shares held, together with up to 103,248,292 free Warrants on the basis of three (3) free Warrants for every four (4) Rights Shares subscribed for, based on an entitlement date to be determined later.

On 4 January 2013, the listing application had been submitted to Bursa Malaysia Securities Berhad. In addition, an application for the issuance and allotment of the Warrants to the non-resident shareholders of Digistar, and the issuance and allotment of the additional 2007/2017 Warrants of the Company arising from the adjustments as a consequence to the Proposed Rights Issue with Warrants to the non-resident holders of the 2007/2017 Warrants had also been submitted to the Controller of Foreign Exchange (via Bank Negara Malaysia).

On 16 January 2013, Bursa Malaysia Securities Berhad had approved for the admission to the Official List and the listing and quotation pursuant to the Proposed Rights Issue with Warrants.

On 23 January 2013, the Controller of Foreign Exchange (via Bank Negara Malaysia) had approved the issuance of the Warrants to the non-resident shareholders of the Company pursuant to the Proposed Rights Issue with Warrants.

On 19 February 2013, the members of the Company had approved the Proposed Rights Issues with Warrants at the Extraordinary General Meeting.

On 26 February 2013, the Company had resolved to fix the issue price of the Rights Shares at RM0.20 per Rights Share and the exercise price of the Warrants at RM0.26 per Warrant.

On 27 February 2013, the Company had announced the Book Closure Date ("BCD") for the Rights Shares and Warrants together with relevant dates.

On 1 March 2013, the Company had announced the Notice of Rights Entitlement for the Listing's Circular.

On 13 March 2013 and 22 March 2013, the Company had announced for the issuing of the Abridged Prospectus and the Notice to the Holders of 2007/2017 Warrants in relation to the adjustments to the exercise price from RM0.16 to RM0.13 and the number of outstanding 2007/2017 warrants pursuant to the rights issue with warrants from 90,040,325 up to 101,849,742 respectively.

On 1 April 2013, the Company had announced the results of the acceptance for the Rights Issue. As at the close of acceptance and payment for the Rights Issue with Warrants at 5.00 p.m. on 28 March 2013, the total acceptances and excess applications for the Rights Issue with Warrants were 135,961,938 Rights Shares, which represents an over-subscription of 37.75% over the total number of 98,699,136 Rights Shares available for subscription under the Rights Issue with Warrants.

B8. Status of Corporate Proposals (Cont'd)

c) On 11 April 2013, the Company had announced that 98,699,136 Rights Shares and 74,024,334 Warrants issued pursuant to the Rights Issue with Warrants and 11,808,860 additional 2007/2017 warrants of Digistar ("Warrant(s) A") issued pursuant to the adjustments to the outstanding Warrants A as a consequence of the Rights Issue with Warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on Thursday, 11 April 2013, marking the completion of the Rights Issue with Warrants.

B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 31 March 2013 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	948	-	948
Bankers acceptance	1,076	-	1,076
Hire purchase liabilities	621	1,065	1,686
Total	2,645	1,065	3,710

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 (Cont'd)

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. 22NCC-1318-08/2012**

On 27 August 2012, DHSB had filed a writ of summons against Kejuruteraan Bintai Kindenko Sdn Bhd ("KBKSB") for the outstanding sum of RM400,755.62 for the supply of goods and/ or related services to KBKSB in relation to the projects at Hospital Sarikei at Sarawak, and Hospital Kuala Penyu and Hospital Kunak at Sabah. KBKSB had filed a counterclaim of RM1,572,537.00, being back charges of RM427,537.00 by the main contractor and RM1,100,000.00 for loss of reputation, which they alleged DHSB has failed to perform satisfactorily under the supply contract.

On the day of full trial i.e. on 29 April 2013, a Court Judgment has been reached that a total settlement of RM280,000.00 required to be paid in 2 installment payment of RM140,000.00 each by the Defendant KBKSB to the Plaintiff DHSB. The first and the second cheques to be dated on 30 April 2013 and 31 May 2013 respectively. If KBKSB refuse to pay the settlement amount, therefore the full amount of claim by the Plaintiff DHSB of RM400,755.62 and the interest on the said sum at a rate of 4% per annum from 29 July 2012 require to be paid immediately by the Defendant KBKSB. No judgment for the cost was granted. In addition to to the Judgment, the Defendant KBKSB agreed to withdrawn the counter suit against the Plaintiff DHSB with no other cost.

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

On 3 August 2011, DHSB had filed a writ of summons and statement of claim against Metronic Engineering Sdn Bhd at Kuala Lumpur High Court of Malaya in respect of the following claims:-

a) total outstanding sum of RM1,440,711.27 as at 30 August 2007 for works done in relation to the design, construction, equipping, commissioning and maintenance of Extra Low Voltage System for the New Alor Setar Hospital (660 beds), Kedah Darul Aman, and the interest on the said sum at a rate of 8% per annum from 31 August 2007 until the date of judgment and interest at the rate of 8% per annum from the date of judgment until the date of full settlement;

b) total outstanding sum of RM207,606.00 as at 26 July 2006 for works done in relation to the Extra Low Voltage System for Nurses Training College, and the interest on the said sum at a rate of 8% per annum from 27 July 2006 until the date of judgment and interest at the rate of 8% per annum from the date of judgment until the date of full settlement;

c) the cost; and

d) other reliefs as the Kuala Lumpur High Court of Malaya deems fit.

B11. Material Litigation

On 29 April 2013, both parties have reached an arrangement that the settlement will be at RM1,000,000.00 to be paid by Metronic Engineering Sdn Bhd. As at to-date, the total settlement has been settled and cleared. The case has been withdrawn against Metronic Engineering Sdn Bhd on 6 May 2013 with no order as to cost and with no liberty to file fresh. The court order is pending for filing and extraction from court.

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

On 29 July 2011, DHSB, a wholly-owned subsidiary company of Digistar, had filed a writ of summons and statement of claim against Waterside IT Solutions Sdn Bhd at Kuala Lumpur High Court of Malaya for the outstanding sum of RM2,456,886.92 in relation to the debts due and payable under two (2) separate contracts. The matter was fixed for trial in May 2012, and the hearing has since concluded.

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

Our Board is of the view that there are valid grounds to succeed in all the aforesaid claims. Nevertheless, in the event that the claims shall fail, there will be no material impact on the financial position or business of our Group as the debts were fully provided in the accounts, save and except for the legal costs.

B12. Dividends

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

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B13. Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2013	Preceding Year Corresponding Quarter 31/03/2012	Current Year To Date 31/03/2013	Preceding Year Corresponding Period 31/03/2012
(a) Basic Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	1,951	2,100	5,175	6,111
Weighted average number of ordinary shares in issue	246,747,842	224,347,842	246,747,842	225,268,461
Basic earnings per share (sen)	0.79	0.94	2.10	2.71
(b) Diluted Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	1,951	2,100	5,175	6,111
Weighted average number of ordinary shares in issue	246,747,842	224,347,842	246,747,842	225,268,461
Adjustment for assumed exercise of Warrants	37,653,227	61,034,046	42,934,760	59,114,131
Adjusted weighted average number of ordinary shares in issue and issuable	284,401,069	285,381,888	289,682,602	284,382,592
Diluted earnings per share (sen)	0.69	0.74	1.79	2.15

B14. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2012 was not subject to any audit qualification.

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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 31/03/2013 RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	10,840
- Unrealised	-
	10,840
Total share of retained profit from associate	-
Total share of retained profit from jointly controlled entity	-
	10,840
Less: Consolidation adjustments	15,676
Total group retained profits as per consolidated financial statements	26,516

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B16. Notes to the Condensed Consolidated Statements of Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000	Current Year To Date 31/03/2013 RM'000	Preceding Year Corresponding Period 31/03/2012 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Other operation income:				
- Bad debts recovery	1,310	-	1,310	-
- Interest Income	(102)	(389)	(216)	(389)
- Gain on disposal of property, plant and equipment	(39)	8	(39)	8
Interest Expense	28	84	76	84
Depreciation and Amortization	490	910	993	910
Write-back of allowance for Doubtful Debts	-	1	-	1
Net Foreign Exchange Loss/(Gain)	(7)	(7)	(28)	(7)

B17. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 30 May 2013.

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