DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 SEPTEMBER 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2013 RM'000	Preceding Year Corresponding Quarter 30/09/2012 RM'000	Current Year To Date 30/09/2013 RM'000	Preceding Year Corresponding Period 30/09/2012 RM'000
Revenue	233	12,809	48,289	69,515
Cost of sales	(7,502)	(8,224)	(39,915)	(42,088)
Gross (loss) / profit	(7,269)	4,585	8,374	27,427
Other income	1,187	484	2,930	1,110
Administrative expenses	(5,814)	(5,209)	(14,146)	(14,493)
Other expenses	(6,075)	(466)	(8,779)	(3,896)
Finance costs	(304)	88	(247)	(160)
(Loss) / Profit before taxation	(18,275)	(518)	(11,868)	9,988
Income tax expense	1,567	(752)	429	(3,826)
(Loss) / Profit for the period	(16,708)	(1,270)	(11,439)	6,162
Attributable to:				
Equity holders of the parent	(16,124)	(1,281)	(10,826)	5,951
Minority interest	(584)	11	(613)	211
	(16,708)	(1,270)	(11,439)	6,162
Other Comprehensive income:				
Changes in fair value of available-for-sale investments	-	-	-	-
Effects of foreign exchange differences	-	-	-	-
Total for the quarter / cumulative quarter	(16,708)	(1,270)	(11,439)	6,162
Total comprehensive income attributable to:				
Equity holders of the parent	(16,124)	(1,281)	(10,826)	5,951
Minority interest	(584)	11	(613)	211
	(16,708)	(1,270)	(11,439)	6,162
Earnings per share attributable to equity holders of the parent:				
- basic (sen)	(3.67)	(0.56)	(3.67)	2.64
- fully diluted (sen)	(3.26)	(0.45)	(3.01)	2.10

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.

DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

QUARTERLY REPORT ON CONSOLIDATED FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL POSITION

	As At End of Current Quarter 30/09/2013 (Unaudited) RM'000	As At Preceding Financial Year Ended 30/09/2012 (Audited) RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	14,695	15,543
Investment Property	45	45
Goodwill	1,514	-
	16,254	15,588
CURRENT ASSETS		
Inventories held for resale	1,819	2,605
Trade receivables	13,501	11,881
Property development costs	2,718	5,476
Accrued billings	2,543	559
Other receivables, deposits and prepayments	4,891	4,258
Tax refundable	3,715	-
Amounts owing by contract customers	17,849	11,170
Fixed deposits with licensed banks	268,911	15,960
Cash and bank balances	8,177	665
	324,124	52,574
TOTAL ASSETS	340,378	68,162
EQUITY AND LIABILITIES		
EQUITY		
Share capital	35,282	25,412
Share premium	16,633	13,355
Warrant reserve	6,507	503
Treasury shares, at cost	(3,249)	(3,249)
Retained profits	10,515	21,341
SHAREHOLDERS' EQUITY	65,688	57,362
Non-controlling interest	2,414	29
TOTAL EQUITY	68,102	57,391
NON-CURRENT LIABILITIES		
Hire purchase payables	795	1,021
Bonds	255,745	-
TOTAL NON-CURRENT LIABILITIES	256,540	1,021
CURRENT LIABILITIES		
Trade payables	2,879	2,431
Amounts owing to contract customers	5,802	674
Other payables, deposit received and accruals	4,860	1,648
Amount owing to a related party	13	13
Provision for taxation	11	2,146
Bank overdraft	1,146	1,366
Short term borrowings	1,025	1,472
TOTAL CURRENT LIABILITIES	15,736	9,750
TOTAL LIABILITIES	272,276	10,771
TOTAL EQUITY AND LIABILITIES	340,378	68,162
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)	19.02	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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 30 SEPTEMBER 2013

	← 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
Issuance of Shares	9,870	3,681	6,188	-	-	19,739	-	19,739
Share Issuance Expenses	-	(403)	(184)	-	-	(587)	-	(587)
Acquisition of non-controlling interest	-	-	-	-	-	-	(2)	(2)
Issuance of share capital of subsidiaries to non-controlling interest	-	-	-	-	-	-	3,000	3,000
Total comprehensive income for the financial year	-	-	-	-	(10,826)	(10,826)	(613)	(11,439)
At 30 September 2013	35,282	16,633	6,507	(3,249)	10,515	65,688	2,414	68,102
At 1 October 2011 (as restated)	23,172	8,399	503	(2,301)	28,102	57,875	28	57,903
Issuance of share	2,240	5,040	-	-	-	7,280	-	7,280
Purchase of shares	-	-	-	(948)	-	(948)	-	(948)
Share issuance expenses	-	(84)	-	-	-	(84)	-	(84)
Acquisition of non-controlling interest	-	-	-	-	-	-	98	98
Acquisition of subsiadiary	-	-	-	-	(12,712)	(12,712)	(288)	(13,000)
Disposal of subsidiary	-	-	-	-	-	-	(20)	(20)
Total comprehensive income for the financial year	-	-	-	-	5,951	5,951	211	6,162
At 30 September 2012	25,412	13,355	503	(3,249)	21,341	57,362	29	57,391

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.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE QUARTER ENDED 30 SEPTEMBER 2013

	30/9/2013 RM'000	30/9/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	(11,868)	9,956
Adjustments for:-		
Non cash items	6,322	3,074
Non operating items	(1,926)	(732)
Operating profit before working capital changes	(7,472)	12,298
Net changes in current assets	(1,268)	(2,354)
Net changes in current liabilities	870	(10,064)
Cash from operations	(7,870)	(120)
Interest paid	(164)	(144)
Income tax paid	(5,420)	(4,668)
Net cash for operating activities	(13,454)	(4,932)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	560	669
Purchase of property, plant and equipment	(2,994)	(2,741)
Net proceed of disposal of fixed asset	100	185
Net cash outflow from acquisiton of a subsidiary company	(1,500)	(13,000)
Proceeds from issuance of shares to non-controlling interest	3,000	98
Proceed from disposal of other investment	1,283	-
Net cash (outflow)/inflow from disposal of a subsidiary	-	(1,239)
Net cash from / (for) investing activities	449	(16,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceed from issuance of ordinary shares	19,153	7,195
Net repurchased and resold of treasury shares	-	(948)
Proceeds from issuance of serial bonds	255,745	-
Repayment of hire purchase obligations	(742)	(516)
Net (repayment)/drawdown of bills payable	(468)	911
Net cash from financing activities	273,688	6,642
Net increase / (decrease) in cash and cash equivalents	260,683	(14,318)
Cash and cash equivalents at beginning of the period	15,259	29,577
Cash and cash equivalents at end of the period	275,942	15,259

Note:

	30/9/2013 RM'000	30/9/2012 RM'000
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	267,073	14,141
- restricted	1,838	1,819
Cash and bank balances	8,177	665
Bank overdraft	(1,146)	(1,366)
	275,942	15,259

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
FOURTH QUARTER ENDED 30 SEPTEMBER 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 :-

- ✓ FRS 124 (Revised) Related Part Disclosures
- ✓ Amendments to FRS 7 Disclosures Transfer of Financial Instruments / Assets
- ✓ Amendments to FRS 101 (Revised) Presentation of Items of Other Comprehensive Income
- ✓ Amendments to FRS 112 Recovery of Underlying Assets

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 30 September 2013, the number of treasury shares repurchased and held are as follow:

	Number of shares	**30/9/2013 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:

30.09.2013 **RM'000** **The Group**	Concession Assets Management	System Integration **RM**	Trading **RM**	Maintenance Income **RM**	Investment Holding **RM**	Rental **RM**	Property Development **RM**	Elimination **RM**	Group **RM**
REVENUE									
External revenue	-	28,576	1,323	1,776	2	1,781	14,831	0	48,289
Intersegment revenue	-	-	-	-	611	228	-	(839)	-
Total revenue	-	28,576	1,323	1,776	613	2,009	14,831	(839)	48,289
RESULTS									
Segment results (external)	(62)	(6,951)	268	979	(429)	(2,789)	(2,701)	-	(11,623)
Finance costs	-	(241)	(3)	-	-	-	(1)	-	(245)
Profit from ordinary activities before taxation									(11,868)
Income tax expense									429
Profit after taxation									(11,439)
Non-controlling interest									613
Net profit attributable to the owners of the Company									(10,826)

30.09.2012 **RM'000** **The Group**	Concession Assets Management	System Integration **RM**	Trading **RM**	Maintenance Income **RM**	Investment Holding **RM**	Rental **RM**	Property Development **RM**	Elimination **RM**	Group **RM**
REVENUE									
External revenue	-	56,601	3,899	2,621	-	1,604	4,790	-	69,515
Intersegment revenue	-	-	-	-	4,074	312	-	(4,386)	-
Total revenue	-	56,601	3,899	2,621	4,074	1,916	4,790	(4,386)	69,515
RESULTS									
Segment results (external)		9,217	871	596	2,769	38	741	(4,084)	10,148
Finance costs		(99)	(5)	-	-	(1)	(55)	-	(160)
Profit from ordinary activities before taxation									9,988
Income tax expense									(3,826)
Profit after taxation									6,162
Non-controlling interest									(211)
Net profit attributable to the owners of the Company									5,951

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) On 29 November 2012, Digistar acquired 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 and MMHSB has become a wholly owned subsidiary of Digistar; and

b) On 26 July 2013, Indera Persada Sdn Bhd ("IPSB") a company in which MMHSB has 40% equity interest will be treated as a subsidiary of MMHSB and Digistar by virtue of able to control the composition of the Board IPSB pursuant to Section 5(1) of the Companies Act, 1965 and govern the financial operating policies of IPSB.

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 30/09/2013
Corporate guarantee granted to a subsidiary:	**RM'000**
Corporate Guarantee given to a financial institutions in respect of facilities extended to a subsidiary	280,000
Guarantee given to financial institutions for facilities	8,053
Guarantee given to customer for due performance	12,412
Guarantee given to suppliers for credit limit	6,000
Total	306,465

A12. Significant Related Party Transactions

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

On 17 June 2013, 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 Pujaan:

Related party	**Nature of transaction**	**RM'**
Lee Hwa Yang, is the brother of Datuk Wira Lee Wah Chong and Madam Lee Mely and brother in law of Datin Wa Siew Yam. our Managing Director and our Non-Independent Executive Directors, respectively	Purchase of a studio suite located at Parcel No. 11-16, 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	265,780

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.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of the Performance

The Group registered revenue of RM0.23 million for the fourth quarter ended 30 September 2013 as compared to RM12.81 million in the preceding year corresponding quarter. The cumulative revenue to-date for the Group at RM48.29 million as compare to RM69.52 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. And also compensated with a higher contribution from the properties units sold and fast track development stage in the property development sector in the previous quarter.

The Group registered a loss before taxation of RM18.28 million for the current fourth quarter ended 30 September 2013 as compared to loss before taxation of RM0.52 million in the preceding year corresponding quarter. The cumulative loss before taxation to-date was at RM11.87 million and RM9.99 million cumulative profit before taxation in the preceding year. There have been substantial increased of RM21.86 million in the loss before taxation which were mainly contributed by a higher operating cost, 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 and Broadcasting business segment, and the business expansion undertaken by the Group in CMS Division, Telco Division and the concessionaire to construct the JKR Institute which awarded by the Government of Malaysia during the quarter have resulted a substantial high in operating cost and administrative expenses. The cumulative loss after taxation incurred by the Group to-date is RM11.44 million as compared to RM6.16 million of profit after taxation in the preceding year.

The business segment in the system integration and broadcast engineering generated RM28.58 million which is approximately 59.18% of the total Group revenue but shown a decreased of RM28.02 million from RM56.60 million as compared to previous year. The decreased in the revenue generation for current quarter year 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 margin rate of 25.17% or (RM7.19 million) as compared to a pre-tax margin 16.11% or RM9.12 million in the preceding year corresponding quarter year ended.

The business segment from trading, maintenance and rental shown a decreased of revenue but still managed to achieve a profit situation as compared to previous year quarter. In overall, these three (3) segments generated revenue of RM4.88 million and loss before taxation and margin rate of (RM1.54 million) / 31.65% respectively for current year end quarter as compared to revenue of RM8.12 million with RM1.49 million profit before taxation / 18.35% pre tax margin in previous year end quarter. There was no external 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 up to this year fourth quarter. This business segment has contributed RM14.83 million in revenue which is approximately 30.71% of the total Group revenue and but generated a pre-tax loss of RM2.70 million for the Group mainly due to the higher operating cost, marketing cost and administrative expenses. However, this temporary deficit situation will be compensated when the project achieved 50% sales. Overall, the budgeted profit margin for this project is estimated at a range of 15% to 20%. 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.

B2. Variation of Results against Preceding Quarter

	Current Quarter Ended 30/9/2013 RM'000	Preceding Quarter Ended 30/6/2013 RM'000	Difference RM'000	%
Revenue	233	11,222	(10,989)	(97.92)
Profit before taxation	(18,275)	498	(18,773)	(3,769.68)

The Group's achieved a revenue of RM0.23 million in the current quarter as compared to RM11.227 million recorded in the immediate preceding quarter which represent a dropped of RM10.99 million. The decreased of 97.92% in the current quarter revenue was mainly due to the result in the construction stage and and the sales value for the property under the Property Development Division was remained the same as per previous quarter. In addition, the commencement of the new projects still at its preliminary stage in system intergration and broadcast engineering project which also resulted the unfavourable result.

The business expansion undertaken by the Group in CMS Division, Telco Division and the concessionaire to construct the JKR Institute which awarded by the Government of Malaysia during the quarter have also resulted a substantial high in operating cost and administrative expenses.

B3. INDUSTRY OUTLOOK, FUTURE PROSPECTS AND OUTLOOK OF DIGISTAR GROUP

Digistar is primarily a provider of systems engineering and integration. Through its subsidiary companies, the Group is principally engaged in the provision of design, supply, installation and integration of IT infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and TV news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems. In addition, the 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 the Group's businesses, the Group's performance is closely dependant on the future prospects of the related industries, namely construction, communication particularly in broadcasting, and ICT industries.

3.1 Outlook of the construction and property development industry

The construction sector consists of three (3) subsectors, namely civil engineering, residential and non-residential.

To expand the supply of affordable houses, the government has introduced the 1Malaysia Housing Programme ("PR1MA"), which is expected to provide 80,000 houses as announced in the 2013 Budget. As at end-June 2013, a total of 20,000 houses under 15 affordable housing projects are being constructed in the Klang Valley, Johor, Pulau Pinang, Sabah and Sarawak. In line with the government's objective to provide affordable houses to the low income group, Syarikat Perumahan Negara Berhad ("SPNB") has constructed 5,063 units of Rumah Mesra Rakyat 1Malaysia as at end-June 2013. In addition, SPNB has targeted to build 7,092 units of low and medium-cost apartments and terraced houses within the next three (3) years. Meanwhile, a total of 45 projects involving 20,454 units of houses under the Program Perumahan Rakyat ("PPR") will be implemented by Jabatan Perumahan Negara.

In the non-residential subsector, the moderating construction activity in 2013 was due to the near completion of large industrial development projects such as the Samalaju Industrial Park in Sarawak. However, demand for commercial buildings remained stable with the average occupancy rate of office and retail space at 84.2% and 79.7%, respectively, reflecting sustained demand, particularly for commercial space located in prime areas.

For 2014, growth in the construction sector is projected to increase at a moderate pace of 9.6% in 2014 due to slower construction activity in the civil engineering subsector following the completion of several major infrastructure projects. Meanwhile, the residential subsector is expected to remain strong in view of the increased demand for housing, particularly from the middle-income group. The implementation of PR1MA housing project, is expected to accelerate to meet the target of providing 80,000 units of houses for the middle-income group by 2015. Activity in the non-residential subsector is expected to remain stable, albeit at a moderate pace, supported by buoyant business and industrial activities as well as improved consumer sentiment.

(Source: Chapter 3: Economic Performance and Prospects, Economic Report 2013/ 2014, Ministry of Finance Malaysia)

3.2 Outlook of the communication industry

Communication industry is part of the overall umbrella of the services sector. The communication industry is estimated to grow 9.3% in 2012. For 2013, the communication subsector is expected to grow 8.2%.

In the broadcasting industry, the subscription-based satellite television, 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: Chapter 3: Economic Performance and Prospects, Economic Report 2012/ 2013, Ministry of Finance Malaysia)

3.3 Outlook of the ICT industry

In information technology 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 information technology 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: Chapter 3: Economic Performance and Prospects, Economic Report 2012/ 2013, Ministry of Finance Malaysia)

3.4 Outlook of the electrical and electronics industry

Output of electrical and electronics ("E&E") rebounded 1.6% during the first seven (7) months of 2012 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: Chapter 3: Economic Performance and Prospects, Economic Report 2012/ 2013, Ministry of Finance Malaysia)

3.5 Future prospects and outlook of Digistar Group

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

i. The Group's competitive advantages and key strengths that will enable the Group to compete successfully as well as to provide the Group with growth prospects. The competitive advantages and key strengths of the Group are set out below:-

a) The Group's track record and established reputation as a comprehensive system integration solutions provider since the commencement of its business in 1982;

b) The Group's expertise in providing customised solutions in systems engineering and integration to meet its customers' requirements; and

c) The services provided to large user-industries, which is a key strength as it enables the Group to sustain its business and future growth.

ii. The Group has in place the following future plans that are expected to create growth opportunities to the Group in long term:-

a) The Group plans to expand its broadcasting systems engineering and integration business by servicing more local media broadcast operators as well as to address new markets in the Asia Pacific region;

b) The Group plans to expand its interactive pay television segment locally by targeting a niche market of residential users in condominiums, apartments and flats where the Group is able to install centralised content systems in these types of buildings;

c) The Group plans to expand its business in the provision of security systems, particularly in the operation of 24-hour central monitoring system that are targeting at residential, commercial, industrial, warehouse, small and medium enterprises, and bank properties within Malaysia.

The central monitoring system will utilise internet protocol based detection platform and high technology surveillance system to detect intruders before they enter the protected premises. In the event of a motion detected, the system will automatically relay a distress or emergency signal. CMS, which is a centre that links all the premises with the central monitoring system, will coordinate and respond to the signal received.

Presently, the CMS is located in Kuala Lumpur and the Group plans to set up additional (3) CMS in Penang, Malacca and Johor, at where the branch office is located.

The Group targets to roll out the central monitoring system operation in second quarter of 2014.

d) The Group plans to expand its existing communication business by venturing into the provision of mobile virtual network services and machine-to-machine solutions.

On 21 January 2013, Digistar Rauland MSC Sdn Bhd, an 80%-owned subsidiary company of Digistar, has been awarded three (3) licences, namely network facilities provider, network services provider and content applications service provider by Malaysian Communications and Multimedia Commission. The Group is currently in the midst of identifying the host mobile network operator in Malaysia whom it may lease the network capacity from, to provide voice and data communication, and other value-added services to individual users and small and medium enterprises.

The management believes that the Group's expansion into the provision of mobile virtual network services and machine-to machine solutions will contribute positively to the earnings of the Group in long term.

As part of the business expansion, the Group plans to set up three (3) branch offices in Penang, Malacca and Johor. As at the date of this Circular, the Group has identified two (2) properties in Johor and Penang for the establishment of the branch offices and CMSs which is expected to commence in second quarter of 2014.

Furthermore, the electronic systems engineering and integration industry is closely related to the 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, the Board anticipates greater business opportunities for the 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 the Group to offer its broadcast system integration services to broadcasters in this region.

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

(Source: Management of Digistar)

B4. Profit Forecast, Profit Guarantee and Internal Targets

Not applicable as the Group did not provide any profit forecast, profit guarantee and internal targets in any public document or any announcements made.

B5. Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/9/2013 RM'000	Preceding Year Corresponding Quarter 30/9/2012 RM'000	Current Year To Date 30/9/2013 RM'000	Preceding Year Corresponding Period 30/9/2012 RM'000
Income tax expense for the period	(1,567)	752	(429)	3,826

The tax position of the Group for the financial year end quarter and current quarter were in a tax credit position due to the overprovision of current tax in the previous financial year.

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

Save as disclosed below, there were no other purchase and disposal of quoted securities :

(a) Purchase and disposal of the Quoted Share

	RM'000
At beginning of period	-
Additional Purchase to-date	1,290
Total Purchase at cost	1,290
Proceed from the disposal of quoted share	(1,283)
Loss on disposal	7

(b) Total investment in quoted share as at 30 June 2013 are as follows:-

	RM'000
At cost	-

B8. Status of Corporate Proposals

Save as disclosed below, there were no other corporate proposals announced but not completed as at 30 September 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 30 September 2013, the Company has already utilised all the proceeds raised of RM7.28 million since the second quarter result which had announced previously as follow:

Purpose	**Proposed Utilisation RM'000**	**Actual Utilisation RM'000**	**Amount Unutilise RM'000**	**% Utilised**
Working capital	7,196	7,196	Nil	100
Defraying of expenses incidental to the placement	84	84	Nil	100
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 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.

c) On 18 March 2013, Indera Persada Sdn Bhd ("IPSB"), a 40% equity interest owned subsidiary, has entered into Concessionaire Agreement with the Government of Malaysia as represented by the Ministry of Works. The duration of the Concession Agreement is 18 years, comprising a construction period of 3 years, followed by an asset management services period of 15 years.

d) 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 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. 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.

As of 30 September 2013, the Company has utilised the proceeds raised of RM19.74 million as follow:

Details of Utilisation	Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Amount Unutilise RM'000	% Utilised
Business expansion	within 24 months	3,500	545	2,955	15.57
General working capital	within 24 months	13,452	10,065	3,387	74.82
Repayment of bank borrowings	within 6 months	2,200	2,200	-	100.00
Estimated expenses in relation to the corporate exercises	upon completion	587	587	-	100.00
		19,739	13,397	6,342	

e) On 26 July 2013, the Company announced that its Indera Persada Sdn Bhd (“IPSB”) a company in which MMHSB has 40% equity interest will be treated as a subsidiary of MMHSB and Digistar Group by virtue of able to control the composition of the Board IPSB pursuant to Section 5(1) of the Companies Act, 1965 and govern the financial operating policies of IPSB.

f) On 29 August 2013, Indera Persada Sdn Bhd (‘IPSB”), a 40% equity interest owned subsidiary, has entered into Supplemental Agreement with the Government of Malaysia as represented by the Ministry of Work. The parties has agreed to vary the terms and conditions appearing in a concession agreement dated 18 March 2013.

g) On 5 September 2013, Indera Persada Sdn bhd (“IPSB”), a 40% equity interest owned subsidiary, issued fixed rate serial bonds of up to RM291 million in nominal value.

B9. Group Borrowings and Debt Securities

The Group’s borrowings (which are all denominated in Ringgit Malaysia) as at 30 September 2013 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	1,146	-	1,146
Bankers acceptance	443	-	443
Hire purchase payables	582	795	1,377
Bonds	-	255,745	255,745
Total	2,171	256,540	258,711

B10. Off Balance Sheet Financial Instruments

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

B11. Material Litigation, Claims or Arbitration

Save as disclosed below (being the latest practicable date not earlier than seven (7) days from the date of issue of this report), the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Group:-

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

i. On 29 July 2011, Digistar Holdings Sdn Bhd ("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 the aforementioned outstanding sum together with interest charged thereon and cost of RM10,000 against the defendant.

As at the date of this quarterly result released, the outstanding sums, interest and cost have not been paid to DHSB. DHSB is in the process of recovering the aforementioned sums in accordance with the judgment, and is of the view that the aforementioned amounts can be recovered. Nevertheless, in the event that the claim shall fail, there will be no material impact on the financial position or business of 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.

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B13. Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/9/2013	Preceding Year Corresponding Quarter 30/9/2012	Current Year To Date 30/9/2013	Preceding Year Corresponding Period 30/9/2012
(a) Basic Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	(16,124)	(1,281)	(10,826)	5,951
Weighted average number of ordinary shares in issue	438,782,031	228,730,451	295,150,980	225,909,791
Basic earnings per share (sen)	(3.67)	(0.56)	(3.67)	2.63
(b) Diluted Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	(16,124)	(1,281)	(10,826)	5,951
Weighted average number of ordinary shares in issue	438,782,031	228,730,451	295,150,980	225,909,791
Adjustment for assumed exercise of Warrants	55,244,442	57,544,569	64,485,854	57,329,390
Adjusted weighted average number of ordinary shares in issue and issuable	494,026,472	286,275,020	359,636,834	283,239,181
Diluted earnings per share (sen)	(3.26)	(0.45)	(3.01)	2.10

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 30/9/2013 RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	26,027
- Unrealised	-
	26,027
Less: Consolidation adjustments	(15,512)
Total group retained profits as per consolidated financial statements	10,515

B16. Notes to the Condensed Consolidated Statements of Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/9/2013 RM'000	Preceding Year Corresponding Quarter 30/9/2012 RM'000	Current Year To Date 30/9/2013 RM'000	Preceding Year Corresponding Period 30/9/2012 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Other operation income:				
- Bad debts recovery	(266)	(328)	(1,576)	(328)
- Interest Income	(141)	(92)	(560)	(669)
- Loss / (Gain) on disposal of property, plant and equipment	-	(2)	39	(9)
- Loss on disposal of quoted share	-	-	7	-
Interest Expense	103	33	164	144
Depreciation and Amortization	664	485	2,147	1,862
Impairment losses and bad debt written off on receivables	2,701	256	2,701	256
Net Foreign Exchange (Gain) / Loss	(56)	(8)	(95)	9

B17. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 25 November 2013.