



## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 SEPTEMBER 2015

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year 30/9/2015 RM'000	Preceding Year Corresponding Quarter 30/9/2014 RM'000	Current Year To Date 30/9/2015 RM'000	Preceding Year Corresponding Period 30/9/2014 RM'000
<b>Revenue</b>	42,855	60,480	170,699	109,710
Cost of sales	(61,821)	(52,224)	(151,123)	(81,355)
Gross profit	(18,966)	8,256	19,576	28,355
Other income	13,797	9,460	19,771	10,610
Administrative expenses	(14,632)	(9,734)	(33,770)	(22,251)
Other expenses	(4,861)	(4,730)	(10,250)	(8,896)
Finance costs	(6,729)	(18,837)	(19,348)	(19,166)
	(31,391)	(15,585)	(24,021)	(11,348)
Share of results in an associate	30	-	-	-
<b>Profit/ (Loss) before taxation</b>	(31,361)	(15,585)	(24,021)	(11,348)
Income tax expense	1,967	(403)	(1,254)	(2,428)
<b>Profit/ (Loss) after taxation</b>	(29,394)	(15,988)	(25,275)	(13,776)
Attributable to:				
Equity holders of the parent	(19,765)	(7,885)	(16,250)	(5,648)
Minority interest	(9,629)	(8,103)	(9,025)	(8,128)
	(29,394)	(15,988)	(25,275)	(13,776)
Other Comprehensive income:				
Changes in fair value of available-for-sale investments	-	-	-	-
Effects of foreign exchange differences	-	-	-	-
Total for the quarter / cumulative quarter	(29,394)	(15,988)	(25,275)	(13,776)
Total comprehensive profit/ (loss) attributable to:				
Equity holders of the parent	(19,765)	(7,885)	(16,250)	(5,648)
Minority interest	(9,629)	(8,103)	(9,025)	(8,128)
	(29,394)	(15,988)	(25,275)	(13,776)
Earnings/ (Loss) per share attributable to equity holders of the parent:				
- basic (sen)	(4.27)	(1.87)	(3.54)	(1.46)
- fully diluted (sen)	(4.12)	(1.62)	(3.33)	(1.40)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2014.



## QUARTERLY REPORT ON CONSOLIDATED FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At End of Current Quarter 30/9/2015 (Unaudited) RM'000	As At Preceding Financial Year Ended 30/9/2014 (Audited) RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	8,849	8,096
Investment Property	10,715	10,340
Investment in Associate	261	-
Goodwill & Intangible Assets	5,535	6,517
	25,360	24,953
<b>CURRENT ASSETS</b>		
Inventories held for resale	62,655	3,389
Trade receivables	34,832	23,530
Property development costs	-	37,568
Accrued billings	-	2,889
Other receivables, deposits and prepayments	15,805	7,740
Amounts owing by contract customers	98,965	36,153
Fixed deposits with licensed banks	123,927	199,295
Cash and bank balances	22,438	32,245
	358,622	342,809
<b>TOTAL ASSETS</b>	<b>383,982</b>	<b>367,762</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	46,341	42,191
Share premium	29,225	24,347
Warrant reserve	6,508	6,508
Treasury shares, at cost	(3,249)	(3,249)
Retained profits	(11,383)	4,867
<b>SHAREHOLDERS' EQUITY</b>	67,442	74,664
Non-controlling interest	(15,023)	(6,055)
<b>TOTAL EQUITY</b>	52,419	68,609
<b>NON-CURRENT LIABILITIES</b>		
Long term borrowings	16,128	1,379
Bonds	262,679	259,095
<b>TOTAL NON-CURRENT LIABILITIES</b>	278,807	260,474
<b>CURRENT LIABILITIES</b>		
Trade payables	25,218	14,362
Amounts owing to contract customers	214	7,538
Other payables, deposit received and accruals	25,096	7,782
Amount owing to a related party	-	14
Deffered Tax	423	(591)
Provision for taxation	607	1,826
Bank overdraft	1,198	882
Short term borrowings	-	6,866
<b>TOTAL CURRENT LIABILITIES</b>	52,756	38,679
<b>TOTAL LIABILITIES</b>	331,563	299,153
<b>TOTAL EQUITY AND LIABILITIES</b>	383,982	367,762
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)</b>	14.55	18.01

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2014.



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 30 SEPTEMBER 2015

	Non-Distributable Reserve				Translation Reserve	Distributable Reserve		Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	Warrants Reserve	Treasury Shares		Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2014	42,191	24,347	6,508	(3,249)	-	4,867	74,664	(6,055)	68,609
Issuance of Shares	4,150	4,878	-	-	-	-	9,028	-	9,028
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	(16,250)	(16,250)	(8,968)	(25,218)
At 30 September 2015	<u>46,341</u>	<u>29,225</u>	<u>6,508</u>	<u>(3,249)</u>	<u>-</u>	<u>(11,383)</u>	<u>67,442</u>	<u>(15,023)</u>	<u>52,419</u>
At 1 October 2013 (as restated)	35,282	16,633	6,508	(3,249)	-	10,515	65,689	2,414	68,103
Share Repurchased	6,909	7,714	-	-	-	-	14,623	-	14,623
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(341)	(341)
Total comprehensive income for the financial year	-	-	-	-	-	(5,648)	(5,648)	(8,128)	(13,776)
At 30 September 2014	<u>42,191</u>	<u>24,347</u>	<u>6,508</u>	<u>(3,249)</u>	<u>-</u>	<u>4,867</u>	<u>74,664</u>	<u>(6,055)</u>	<u>68,609</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2014.



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE CUMULATIVE QUARTER ENDED 30 SEPTEMBER 2015

	30/9/2015 RM'000	30/9/2014 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	(24,021)	(11,348)
Adjustments for:-		
Non cash items	2,604	685
Non operating items	11,720	16,818
Operating profit before working capital changes	(9,697)	6,155
Net changes in current assets	(100,988)	(71,206)
Net changes in current liabilities	20,846	15,410
Cash from operations	(89,839)	(49,641)
Interest received	8,268	8,844
Interest paid	(19,988)	(19,058)
Income tax paid	(2,070)	2,540
Net cash used in operating activities	(103,629)	(57,315)
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,362)	(4,196)
Net proceed of disposal of fixed asset	1,320	209
Net cash outflow from acquisiton of a subsidiary company	(1,329)	(3,589)
Net cash used in investing activities	(2,371)	(7,576)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceed from issuance of ordinary shares	9,028	14,622
Long term Loan	19,126	104
Repayment of hire purchase obligations	(793)	(761)
Repayment of related parties	14	(1)
Net (repayment) / drawdown of bills payable	(6,866)	5,643
Net cash from financing activities	20,509	19,607
Net decrease in cash and cash equivalents	(85,491)	(45,284)
Cash and cash equivalents at beginning of period	230,658	275,942
Cash and cash equivalents at end of period	145,167	230,658
<b>Note:</b>		
Cash and cash equivalents comprise of the following:		
Fixed deposits with licensed bank		
- available	122,089	196,315
- restricted	1,838	2,980
Cash and bank balances	22,438	32,245
Bank overdraft	(1,198)	(882)
	145,167	230,658

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 2014.



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## UNAUDITED QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 30 SEPTEMBER 2015

### A. EXPLANATORY NOTES IN ACCORDANCE WITH 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 2014.

#### 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 2014. The following are the new accounting standards and interpretations (including the consequential amendments) has been adopted by the Group :-

##### **FRSs and/or IC Interpretations (Including The Consequential Amendments)**

FRS 10 Consolidated Financial Statements

FRS 11 Joint Arrangements

FRS 12 Disclosure of Interests in Other Entities

FRS 13 Fair Value Measurement

FRS 119 (2011) Employee Benefits

FRS 127 (2011) Separate Financial Statements

FRS 128 (2011) Investments in Associates and Joint Ventures

Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Annual Improvements to FRSs (2012)

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 2014, are not expected to have any significant impact on the financial statements of the Group.

MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRSs”), that are to be applied by all entities other than private entities; 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)

As announced by MASB on 2 September 2014, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2017.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 30 September 2018. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

In accordance with IC interpretation 12 para 22 and MFRS 123, borrowing costs attributable to the arrangement shall be recognised as expense in the period in which they are incurred unless the operator has a contractual right to receive an intangible asset (a right of charge users of the public service). In this case borrowing costs attributable to the arrangement shall be capitalised during the construction phase of the arrangement in accordance with that standard.

## 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 2015, the number of treasury shares repurchased and held are as follow:

	<b>Number of shares</b>	<b>30-09-15 RM'000</b>
Balance as at 1 October 2014	7,372,808	3,249
Repurchased	-	-
Total treasury shares held	<u>7,372,808</u>	<u>3,249</u>



## 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-Sep-2015 RM'000 The Group	System		Maintenance	Investment	Rental	Property		Hospitality	Elimination	Group
	<u>Integration</u>	<u>Trading</u>	<u>Income</u>	<u>Holding</u>		<u>Development</u>	<u>Construction</u>			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>REVENUE</b>										
External revenue	8,699	6,583	1,471	-	1,651	20,647	129,282	2,366	-	170,699
Intersegment revenue	-	-	-	-	228	(76)	141,959	-	(142,111)	-
<b>Total revenue</b>	<b>8,699</b>	<b>6,583</b>	<b>1,471</b>	<b>-</b>	<b>1,879</b>	<b>20,571</b>	<b>271,241</b>	<b>2,366</b>	<b>(142,111)</b>	<b>170,699</b>
<b>RESULTS</b>										
Segment results (external)	(16,766)	1,042	284	(632)	(918)	(6,002)	18,606	(287)	-	(4,673)
Finance costs	(314)	-	-	-	-	(1,175)	(18,499)	-	640	(19,348)
Profit/ (Loss) from ordinary activities before taxation										(24,021)
Income tax expense										(1,254)
Share loss in associate										0
Profit/ (Loss) after taxation										(25,275)
Non-controlling interest										9,025
Net profit/ (Loss) attributable to the owners of the Company										(16,250)
<b>30-Sep-2014</b>										
RM'000 The Group	System		Maintenance	Investment	Rental	Property		Hospitality	Elimination	Group
	<u>Integration</u>	<u>Trading</u>	<u>Income</u>	<u>Holding</u>		<u>Development</u>	<u>Construction</u>			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>REVENUE</b>										
External revenue	42,489	3,729	2,928	18	1,770	35,501	23,275	-	-	109,710
Intersegment revenue	384	-	-	400	228	2,292	75,433	-	(78,737)	-
<b>Total revenue</b>	<b>42,873</b>	<b>3,729</b>	<b>2,928</b>	<b>418</b>	<b>1,998</b>	<b>37,793</b>	<b>98,708</b>	<b>-</b>	<b>(78,737)</b>	<b>109,710</b>
<b>RESULTS</b>										
Segment results (external)	(4,762)	(1,875)	143	(905)	211	6,143	11,425	-	(2,562)	7,818
Finance costs	(352)	(1)	-	-	-	(7)	(19,446)	-	640.00	(19,166)
Profit/ (Loss) from ordinary activities before taxation										(11,348)
Income tax expense										(2,428)
Profit/ (Loss) after taxation										(13,776)
Non-controlling interest										8,128
Net profit/ (Loss) attributable to the owners of the Company										(5,648)



## A9. Material Events Subsequent to the End of the Quarter

There were no material event 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:

On 27 October 2014, Digistar proposed acquisition of 30,000 ordinary shares of RM1.00 each in Tiara Vision Sdn Bhd (“TVSB”) comprising 30% equity interest for a total cash consideration of RM290,000. The proposed acquisition has been completed on 6 November 2014.

On 10 April 2015, Digistar proposed acquisition of 200,000 ordinary shares of RM1.00 or 100% equity interest in Sakura Management Sdn Bhd (“SMSB”) for a total cash consideration of RM200,000. The proposed acquisition has been completed on 8 May 2015.

On 13 July 2015, Digistar proposed acquisition of 2 ordinary share of RM1.00 each in Mulia Optima Sdn Bhd (“MOSB”) comprising 100% equity interest for a total cash consideration of RM2. The proposed acquisition has been completed on 13 July 2015.

On 5 Aug 2015, Digistar proposed acquisition of 7,650 ordinary shares of RM1.00 each or 51% equity interest in Wemal Maxi- Protect Sdn Bhd (“WMPSB”) for a total cash consideration of RM239,700. The proposed acquisition has been completed on 26 August 2015.

## 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 26/11/2015 RM'000
Contingent Liabilities :	
Unsecured :	
Guarantees given to financial institutions in respect of facilities extended to a subsidiary	18,604
Guarantee given to a subsidiary's supplier for credit facility	1,000
Guarantee given to a subsidiary's customer for due performance of works by a subsidiary	12,412
Corporate Guarantee given to a financial institution for performance guarantee facility to a subsidiary	280,000
Total	<u>312,016</u>

## 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 revenue of RM42.86 million for the 4<sup>th</sup> quarter ended 30 September 2015 as compared to RM60.48 million in the preceding year corresponding quarter. But the cumulative revenue to-date for the Group increased to RM170.70 million as compare to RM109.71 million in the preceding year. The decrease of the revenue for the current quarter was due to the completion of the Imperial Heritage project and fully revenue recognition for the sold unit. And the increase of the total revenue for the year was due to well manage and monitoring of the construction work done for the JKR project.

The Group registered loss before taxation of RM31.36 million for the current quarter ended 30 September 2015 as compared to loss before taxation of RM15.59 million in the preceding year corresponding quarter. And the cumulative loss before taxation to-date was at RM24.02 million as compare to RM11.35 million in the preceding year quarter. The loss was due to increase of construction cost for JRK and The Imperial Heritage Project.

The business segment in the system integration and broadcast engineering generated RM8.70 million which is approximately 5.10% of the total Group revenue. This segment shown decrease revenue of RM34.17 million from RM42.49 million as compared to preceding year quarter. The decrease in the revenue generation for current quarter year ended was due to commencement of the new projects still in its preliminary stage. This segment has registered a loss before taxation margin rate of 192.73% or loss of RM16.77 million as compared to a pre-tax loss margin rate of 11.21% or loss of RM4.76 million in the preceding year corresponding quarter year ended.

The business segment from trading, maintenance and rental shown improvement on revenue as compared to previous year quarter. In overall, these three (3) segments generated revenue of RM9.71 million and generated a profit before taxation of RM0.41 million or profit margin of 4.20% for as at end quarter as compared to revenue of RM8.43 million with RM1.52 million loss before taxation or loss margin of 18.05% 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 shown has contributed RM20.65 million in revenue which is approximately 12.10% of the total Group revenue and generated a loss of RM6.00 million for the Group. Overall, the budgeted profit margin for this project was at a range of 12%. This sector has achieved approximate 75% of the total sales value with 100% development stage for "The Imperial Heritage" project which was implemented under Seni Pujaa Sdn Bhd, a wholly owned subsidiary for the Group.

The Hospitality sector commenced operation during March 2015, this sector has contributed 2.37 million and a loss of 0.29 million as at September 2015.



## B2. Variation of Results against Preceding Quarter

	Current Quarter Ended 30-09-15 RM'000	Preceding Quarter Ended 30-06-15 RM'000	Difference	
			RM'000	%
Revenue	42,855	43,975	(1,120)	(2.55)
Profit before taxation	<u>(31,361)</u>	<u>4,219</u>	<u>(35,580)</u>	<u>(843.33)</u>

The Group's achieved a revenue of RM42.86 million in the current quarter as compared to RM43.98 million recorded in the immediate preceding quarter. The decrease in revenue was not only due to commencement of the new projects still in its preliminary stage but also the facts that in previous year, the development sector i.e. the Heritage Project was in full swing of construction and higher recognition revenue in the previous corresponding quarter.

## 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 there (3) subsectors, namely civil engineering, residential and non-residential.

Construction sector continued to register a double digit growth of 14.3% during the first half of 2014 (January – June 2013: 12%) and full year expected growth of 12.7%. The civil engineering subsector contributed 33% to the total construction works, followed by the non-residential (32.3%), residential (29.6%) and special trade (5%). The private sector contributed 71.4% to the total value of construction works. Meanwhile, the higher construction activity was led by the residential and non-residential subsectors, while growth in the civil engineering subsector moderated following the completion of some major project.



### 3.1 Outlook of the construction and property development industry (Cont'd)

Growth in the non-residential subsector turned around sharply by 14% in line with health business activity during the first half of 2014. This was reflected by increased construction activities especially for commercial buildings with the incoming supply of shops increasing.

The residential subsector expanded strongly by 22.1% during the first half of 2014 (January – June 2013: 15.7%) supported by higher growth in incoming supply at 9.5% (January – June 2013: 15.3%). Meanwhile, new housing approval increased significantly by 32.6% to 96,115 units (January – June 2013: 6.8%; 72461 units). Despite the decline in housing starts at 5.3% to 70,346 units (January – June 2013: 21.1%; 74270 units), residential activity is expected to remain stable.

The construction sector is projected to increase 10.7% in 2015 supported by commencement of some O&G related projects. Meanwhile, the residential subsector is expected to remain strong in view of the increased demand for housing, particularly from the middle income group. Demand for affordable housing will remain favourable amid several Government initiatives such as PR1MA. The non-residential subsector is also expected to remain stable supported by encouraging demand for industrial and commercial buildings.

### 3.2 Outlook of the communication industry

Communication industry is part of the overall umbrella of the services sector.

The services sector is expected to grow 5.6% in 2015, accounting for 55.4% share of GDP, supported by expansion across all subsectors. The wholesale and retail trade as well as accommodation and restaurant subsectors are anticipated to increase 7.1% and 5.9%, respectively in 2015 (2014: 7.7%; 6.1%) driven by strong domestic consumption and higher tourist arrival following the Malaysia Year of Festivals 2015. The communication subsector is expected to grow 9.6% (2014: 10%) supported by strong demand for cellular and broadband services, amid attractive promotions by the telecommunication industry players as well as the launch of new smartphones media tablets.

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### 3.3 Outlook of the ICT industry

ICT segment in Malaysia is projected to register significant growth in 2014. The ICT segment grew at a Compound Annual Growth Rate (CAGR) of 12.4% lifting its value added services from RM 11.77 billion in 2000 to RM59.83 billion in 2013. The ICT segment is poised to reach the mark of RM67.099 billion in 2014 by registering a repeat annual growth rate of 12.4%. In tandem the share of ICT segment in the national Gross Domestic Product (GDP) increased from 3.3% to 6.4%, almost doubling over the period of 2000-2014.

Business Monitor International (BMI) made a minor downgrade to the growth forecast for 2015, with ringgit depreciation expected to exacerbate the slowdown from the tablet market plateau and the fact some hardware and software upgrade demand was brought forward to 2014 by Microsoft XP support withdrawal. Even after the downgrade, it is still a positive outlook for the growth of the Malaysian IT market, and BMI forecasts a CAGR of 6.6% 2015-2019 in local currency terms. In the hardware market, rising incomes and increased access to affordable data connectivity, along with cuts to Windows licensing fees, will boost consumer and enterprise spending. In the enterprise software and services market growth will be also be robust as firms look to harness increasing volumes of data - as well as respond to heightened competition across South East Asia with efficiency generating investments. Areas we identify for especially strong growth include security software and services, as well as outsourcing and cloud computing. Although the Malaysian IT market is one of the most developed markets in the region, according to Business Monitor International (BMI), there is further scope for growth with the sector expanding an average of 7.1% until 2019. This is driven by a supportive economic environment and a government policy framework encouraging the development of the market. In the hardware market, rising incomes and increased access to affordable data connectivity along with cuts to Windows licensing fees, will boost consumer and enterprise spending.

### 3.4 Outlook of the electrical and electronics industry

The economic growth momentum in 2014 is expected to continue in 2015 driven by improving external demand and resilient domestic economic activity. The E&E subsector will benefit from the improvement in external conditions in line with improving global growth. The E&E subsector is expected to grow further driven by higher demand of semiconductor, electronics components, communication and computer peripherals in line with the continue upswing of global electronics demand.

E&E products grew at an impressive 10.6%, rebounding from a contraction of 2.9% in the corresponding period 2013. The steady improvement in the global economy, coupled with a pickup in the ICT industry led to a surge of 20.1% in exports of semiconductor devices. In 2014, Malaysia's exports of E&E products was valued at RM231.23 billion, with 49.2 per cent share of manufactured goods exports and 32.9 per cent share of Malaysia's total exports. E&E industry is contributing 24.5 per cent to the manufacturing sector in the Malaysia's Gross Domestic Product (GDP).



## 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, Penang, Melaka, Sarawak and Johor. The Group is in the progress of setting additional CMS in Sabah.

The Group had rolled out the central monitoring system operation since second quarter of 2014.



## 3.5 Future prospects and outlook of Digistar Group (Cont'd)

- 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 has identified the host mobile network operator in Malaysia whom it will 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.

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 current and coming financial 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	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	Corresponding Period
	30-09-15	30-09-14	30-09-15	30-09-14
	RM'000	RM'000	RM'000	RM'000
Income tax expense for the period	(1,967)	403	1,254	2,428

The effective tax rate for the current and previous period was higher than the statutory tax rate.

## 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

There was no disposal of quoted securities for the current quarter and financial period-to-date.

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## B8. Status of Corporate Proposals

Save as disclosed below, there were no other corporate proposals announced but not completed as at 30 September 2015 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report) :-

- a) 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.

The Board of the Company has on 23 June 2015 resolved to reallocate the excess of RM2.07 million from business expansion ("Excess Proceeds") to be utilised for general working capital of the Company and its subsidiaries. The Excess Proceeds represents approximately 59.00% of the initial amount allocated for business expansion. The Excess Proceeds shall be utilised within three months from the date of this announcement.

As of 30 September 2015, 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	1,435	1,435	-	100.00
General working capital	within 24 months	15,517	15,517	-	100.00
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
		<u>19,739</u>	<u>19,739</u>	<u>-</u>	





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

- b) On 18 November 2013, Digistar proposes to undertake a private placement of up to 105,738,661 new ordinary shares of RM0.10 each in Digistar representing up to 20% of the issued and paid-up share capital of Digistar, at an issue price to be determined later. The listing application in relation to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad on 25 November 2013. On 10 December 2013, Bursa has approved the listing of and quotation for up to 105,738,661 new ordinary shares of RM0.10 each in Digistar to be issued pursuant to the Proposed Private Placement. The Proposed Private Placement was duly passed by Digistar's shareholders at the EGM on 9 January 2014.

On 20 January 2014, Digistar has fixed the issue price for the first tranche of Private Placement comprising 34,544,695 Placement Shares representing approximately 10% of the existing issued and paid-up share capital of the Company (excluding treasury shares), at RM0.23 per Placement Share. The aforementioned issue price represents a discount of 20.69% to the five (5)-day weighted average market price of Digistar Shares up to and including 20 January 2014 of RM0.29. A total of 34,544,695 Placement Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on Thursday, 30 January 2014, marking the completion of the first tranche of Private Placement.

On 17 March 2014, Digistar has fixed the issue price for the second tranche of Private Placement comprising 34,544,700 Placement Shares representing approximately 10% of the existing issued and paid-up share capital of the Company (excluding treasury shares), at RM0.20 per Placement Share. The aforementioned issue price represents a discount of 20.00% to the five (5)-day weighted average market price of Digistar Shares up to and including 14 March 2014 of RM0.25. A total of 34,544,700 Placement Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on Wednesday, 26 March 2014.

The Private Placement has been completed following the listing of and quotation for 34,544,695 first tranche Placement Shares on 30 January 2014, and 34,544,700 second tranche Placement Shares on 26 March 2014, on the Main Market of Bursa Securities.

As of 30 September 2015, the Company has utilised the proceeds raised of RM14.85 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	6,000	6,000	-	100.00
General working capital	within 24 months	8,574	8,574	-	100.00
Estimated expenses in relation to the corporate exercises	upon completion	280	280	-	100.00
		<u>14,854</u>	<u>14,854</u>	<u>-</u>	



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

- c) On 23 June 2014, Digistar proposes to undertake a private placement of up to 10% of the issued and paid-up share capital of Digistar, at an issue price to be determined later. On 27 June 2014, Bursa has approved the listing of and quotation for up to 59,778,270 new ordinary shares of RM0.10 each in Digistar to be issued pursuant to the Propose Placement

On 23 October 2014, Digistar has fixed the issue price for the Private Placement comprising 41,453,637 new ordinary shares of RM0.10 each in Digistar at RM0.22 per Placement Share. The issue price of RM0.22 per Placement Share represents a discount of 8.52% to the five (5)-day weighted average market price of Digistar Shares up to and including 21 October 2014 of RM0.2405 per Digistar Share.

On 4 November 2014, the 41,453,637 Placement Shares were granted listing quotation on the Main Market of Bursa Malaysia Securities Berhad and marking the completion of the Private Placement.

As of 30 September 2015, the Company has utilised the proceeds raised of RM9.12 million as follow:

Details of Utilisation	Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Amount Unutilise RM'000	% Utilised
General working capital	within 24 months	8,890	8,890	0	100.00
Estimated expenses in relation to the corporate exercises	upon completion	230	45	185	19.57
		<u>9,120</u>	<u>8,935</u>	<u>185</u>	

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## B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 30 September 2015 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	1,198	-	1,198
Hire purchase payables	-	2,062	2,062
Bridging Loan	-	14,066	14,066
Bonds	-	262,679	262,679
Total	<u>1,198</u>	<u>278,807</u>	<u>280,005</u>

## B10. Off Balance Sheet Financial Instruments

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

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## **B11. Material Litigation, 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. Dividend**

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 30/9/2015	Preceding Year Corresponding Quarter 30/9/2014	Current Year To Date 30/9/2015	Preceding Year Corresponding Period 30/9/2014
<b>(a) Basic Earnings Per Share</b>				
Net profit/ (loss) attributable to members of the Company (RM'000)	(19,765)	(7,885)	(16,250)	(5,648)
Weighted average number of ordinary shares in issue	463,412,818	421,909,181	459,515,767	390,758,714
Basic earnings/ (loss) per share (sen)	(4.27)	(1.87)	(3.54)	(1.45)
<b>(b) Diluted Earnings Per Share</b>				
Net profit/ (loss) attributable to members of the Company (RM'000)	(19,765)	(7,885)	(16,250)	(5,648)
Weighted average number of ordinary shares in issue	463,412,818	421,909,181	459,515,767	390,758,714
Adjustment for assumed exercise of Warrants	16,084,728	65,280,427	28,465,239	56,382,132
Adjusted weighted average number of ordinary shares in issue and issuable	479,497,546	487,189,608	487,981,006	447,140,846
Diluted earnings/ (loss) per share (sen)	(4.12)	(1.62)	(3.33)	(1.26)

## B14. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2014 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 30/9/2015 RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	(13,620)
- Unrealised	-
	<u>(13,620)</u>
Less: Consolidation adjustments	<u>2,237</u>
Total group retained profits as per consolidated financial statements	<u>(11,383)</u>

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	Corresponding Period
	30-09-15	30-09-14	30-09-15	30-09-14
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Other operation income:				
- Interest Income	(2,294)	(2,972)	(8,268)	(8,844)
- Loss/ (Gain) on disposal of property, plant and equipment	(24)	(113)	(24)	(141)
Interest Expense	7,369	13,336	19,988	19,058
Depreciation and Amortization	729	567	2,073	2,134
Net Foreign Exchange (Gain) / Loss	27	(87)	(12)	(60)

## B17. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 30 November 2015.