QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/3/2016 RM'000	Preceding Year Corresponding Quarter 31/3/2015 RM'000	Current Year To Date 31/3/2016 RM'000	Preceding Year Corresponding Period 31/3/2015 RM'000
Revenue	41,669	52,634	81,162	83,869
Cost of sales	(23,033)	(29,270)	(52,594)	(61,126)
Gross profit	18,636	23,364	28,568	22,743
Other income	(267)	812	1,256	3,648
Administrative expenses	(10,612)	(6,865)	(15,818)	(12,593)
Other expenses	(1,293)	(823)	(2,142)	(1,712)
Finance costs	(5,037)	(8,582)	(8,954)	(8,935)
	1,427	7,906	2,910	3,151
Share of results in an associate	-	18	-	(30)
Profit/ (Loss) before taxation	1,427	7,924	2,910	3,121
Income tax expense	(302)	(732)	(495)	(732)
Profit/ (Loss) after taxation	1,125	7,192	2,415	2,389
Attributable to:				
Owners of the company	4,520	6,481	6,775	2,619
Non-Controlling Interest	(3,395)	711	(4,360)	(230)
	1,125	7,192	2,415	2,389
Other Comprehensive income:				
Changes in fair value of available-for-sale investments	-	-	-	-
Effects of foreign exchange differences	-	-	-	-
Total for the quarter / cumulative quarter	1,125	7,192	2,415	2,389
Total comprehensive profit/ (loss) attributable to:				
Owners of the company	4,520	6,481	6,775	2,619
Non-Controlling Interest	(3,395)	711	(4,360)	(230)
	1,125	7,192	2,415	2,389
Earnings/ (Loss) per share attributable to owners of the company:				
- basic (sen)	0.98	1.40	1.48	0.57
- fully diluted (sen)	0.92	1.31	1.38	0.53

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 2015.

QUARTERLY REPORT ON CONSOLIDATED FINANCIAL POSITION AS AT 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At End of Current Quarter 31/3/2016 (Unaudited) RM'000	As At Preceding Financial Year Ended 30/9/2015 (Audited) RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	8,552	8,806
Investment Property	19,175	10,788
Investment in Associate	660	660
Goodwill & Intangible Assets	4,020	4,020
	32,407	24,274
CURRENT ASSETS		
Inventories held for resale	60,923	59,508
Trade receivables	65,753	20,945
Other receivables, deposits and prepayments	18,037	15,131
Amounts owing by contract customers	139,098	120,746
Fixed deposits with licensed banks	49,596	123,926
Cash and bank balances	13,977	22,226
	347,384	362,482
TOTAL ASSETS	379,791	386,756
EQUITY AND LIABILITIES		
EQUITY		
Share capital	51,152	46,341
Share premium	31,121	29,225
Warrant reserve	6,508	6,508
Treasury shares, at cost	(3,249)	(3,249)
Retained profits	(5,714)	(12,489)
SHAREHOLDERS' EQUITY	79,818	66,336
Non-controlling interest	(19,374)	(15,014)
TOTAL EQUITY	60,444	51,322
NON-CURRENT LIABILITIES		
Long term borrowings	15,222	15,509
Bonds	259,022	262,662
TOTAL NON-CURRENT LIABILITIES	274,244	278,171
CURRENT LIABILITIES		
Trade payables	21,920	25,162
Amounts owing to contract customers	-	6,821
Other payables, deposit received and accruals	21,671	22,608
Amount owing to a related party	-	14
Defered Tax	710	710
Provision for taxation	219	129
Bank overdraft	-	1,198
Short term borrowings	583	621
TOTAL CURRENT LIABILITIES	45,103	57,263
TOTAL LIABILITIES	319,347	335,434
TOTAL EQUITY AND LIABILITIES	379,791	386,756
NET ASSETS PER SHARE	15.91	14.55

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2015.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 MARCH 2016

	← Non-Distributable Reserve				→	Distributable Reserve			
	Share Capital	Share Premium	Warrants Reserve	Treasury Shares	Translation Reserve	Retained Profits	Total	Non-Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2015	46,341	29,225	6,508	(3,249)	-	(12,489)	66,336	(15,014)	51,322
Issuance of Shares	4,811	1,896	-	-	-	-	6,707	-	6,707
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	6,775	6,775	(4,360)	2,415
At 31 March 2016	51,152	31,121	6,508	(3,249)	-	(5,714)	79,818	(19,374)	60,444
At 1 October 2014	42,191	24,347	6,508	(3,249)	-	4,867	74,664	(6,285)	68,379
Share Repurchased	4,145	4,876	-	-	-	-	9,021	-	9,021
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	2,614	2,614		2,614
									-
At 31 March 2015	46,336	29,223	6,508	(3,249)	-	7,481	86,299	(6,285)	80,014

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 2015.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2016

	31/3/2016 RM'000	30/9/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	2,910	(24,464)
Adjustments for:-		
Non cash items	770	2,435
Non operating items	7,784	15,434
Operating profit before working capital changes	11,464	(6,595)
Net changes in current assets	(67,481)	(107,635)
Net changes in current liabilities	(11,000)	27,925
Cash from operations	(67,017)	(86,305)
Interest received	1,170	7,733
Interest paid	(8,954)	(14,479)
Income tax paid	(504)	(2,550)
Net cash used in operating activities	(75,305)	(95,601)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,387)	(2,519)
Net proceed of disposal of fixed asset	68	207
Advances to associate	-	(1,639)
Net cash outflow from acquisiton of a subsidiary company	-	(1,126)
Net cash used in investing activities	(8,319)	(5,077)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceed from issuance of ordinary shares	6,638	9,029
Long term Loan	(3,965)	13,926
Repayment of hire purchase obligations	(416)	(780)
Repayment of related parties	(14)	(1,115)
Net (repayment) / drawdown of bills payable	-	(6,086)
Net cash from financing activities	2,243	14,974
Net decrease in cash and cash equivalents	(81,381)	(85,704)
Cash and cash equivalents at beginning of period	144,954	230,658
Cash and cash equivalents at end of period	63,573	144,954

Note:
Cash and cash equivalents comprise of the following:

	31/3/2016 RM'000	30/9/2015 RM'000
Fixed deposits with licensed bank		
- available	47,758	120,946
- restricted	1,838	2,980
Cash and bank balances	13,977	22,226
Bank overdraft	-	(1,198)
	63,573	144,954

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 2015.

UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 MARCH 2016

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 2015.

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 2015.

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").

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:

	Number of shares	31/3/2016 RM'000
Balance as at 1 October 2015	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.

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A8. Segmental Information

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

31-Mar-2016	System Integration	Trading	Maintenance Income	Investment Holding	Rental	Property Development	Construction	Hospitality	Elimination	Group
RM'000	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
The Group				\						
REVENUE										
External revenue	11,967	1,373	903	-	813	-	61,835	4,271	-	81,162
Intersegment revenue	-	-	-	-	114	-	72,556	-	(72,670)	-
Total revenue	11,967	1,373	903	-	927	-	134,391	4,271	(72,670)	81,162
RESULTS										
Segment results (external)	(2,210)	985	389	(224)	(303)	(2,789)	14,873	1,143	-	11,864
Finance costs	-	(1)	-	-	-	(272)	(8,645)	(36)	-	(8,954)
Profit/ (Loss) from ordinary activities before taxation										2,910
Income tax expense										(495)
Share loss in associate										-
Profit/ (Loss) after taxation										2,415
Non-controlling interest										4,360
Net profit/ (Loss) attributable to the owners of the Company										6,775

31-Mar-2015	System Integration	Trading	Maintenance Income	Investment Holding	Rental	Property Development	Construction	Hospitality	Elimination	Group
RM'000	RM	RM	RM	RM	RM	RM	RM		RM	RM
The Group										
REVENUE										
External revenue	5,600	3,966	734	-	1,104	48,228	80,608	-	-	140,240
Intersegment revenue	-	-	-	-	114	-	56,257	-	(56,371)	-
Total revenue	5,600	3,966	734	-	1,218	48,228	136,865	-	(56,371)	140,240
RESULTS										
Segment results (external)	(3,131)	(809)	(184)	(129)	175	8,088	8,139	-	-	12,149
Finance costs	(185)	(1)	-	-	(63)	(498)	(8,251)	-	-	(8,998)
Profit/ (Loss) from ordinary activities before taxation										3,151
Income tax expense										(732)
Share loss in associate										(30)
Profit/ (Loss) after taxation										2,389
Non-controlling interest										230
Net profit/ (Loss) attributable to the owners of the Company										2,619

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.

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).

Contingent Liabilities :	**As at 19/5/2016** **RM'000**
Unsecured :	
Guarantees given to financial institutions in respect of facilities extended to a subsidiary	10,930
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	304,342

A12. Significant Related Party Transactions

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

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of the Performance

The Group registered revenue of RM41.67 million for the second quarter ended 31 March 2016 as compared to RM52.63 million in the preceding year corresponding quarter. The decrease in revenue for the current quarter was due to the construction of the JKR project is going to complete soon and no further revenue recognition from property development.

The Group registered profit before taxation of RM1.43 million for the current quarter ended 31 March 2016 as compared to profit before taxation of RM7.92 million in the preceding year corresponding quarter. The decrease in profit of RM6.49 million was mainly due to increase in the construction cost of JKR project.

The business segment in the system integration and broadcast engineering generated RM11.97 million which was approximately 14.74% of the total Group revenue. This segment shown increase in revenue of RM6.37 million from RM5.60 million as compared to preceding year quarter. The increase in the revenue generation for current quarter was due to fully recognition of the complete project. This segment has registered a loss before taxation margin rate of 18.47% or loss of RM2.21 million as compared to a pre-tax loss margin rate of 59.21% or loss of RM3.32 million in the preceding year corresponding quarter year ended.

The business segment from trading, maintenance and rental shown decreased on revenue as compared to previous year quarter. In overall, these three (3) segments generated revenue of RM3.09 million and generated a profit before taxation of RM1.07 million or profit margin of 34.64% for current quarter as compared to revenue of RM5.80 million and loss before tax of RM0.88 million or loss margin of 15.2% 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 for Imperial Heritage project had completed in FY2015, most of the unit have been sold in the previous year. There is zero unit being sold in the current quarter.

The Hospitality sector commenced operation in March 2015, this sector has contributed 4.27 million and making profit before taxation of 1.11 million as at end March 2016

The construction sector generated RM44.02 million which is approximately 76.19% contribution to the total Group revenue. This segment shown decreased revenue of RM18.77 million from RM80.61 million as compared to preceding year quarter. The segment has registered pre-tax profit of RM6.23 million or pre-tax profit margin of 10.07% as compare to the pre-tax loss of 0.11 million and loss margin of 0.14% in the preceding year corresponding quarter.

B2. Variation of Results against Preceding Quarter

	Current Quarter Ended 31/3/2016 RM'000	Preceding Quarter Ended 31/12/2015 RM'000	Difference RM'000	%
Revenue	41,669	39,493	2,176	5.51
Profit before taxation	1,427	1,483	(56)	(3.78)

The Group's achieved a revenue of RM41.67 million in the current quarter as compared to RM39.49 million recorded in the immediate preceding quarter. The increase in revenue was due to increase in recognition in system integration and hospitality segment.

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 by32.6% 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 0f 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, Sabah and Johor.

      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 Quarter 31/3/2016 RM'000	Preceding Year Corresponding Quarter 31/3/2015 RM'000	Current Year To Date 31/3/2016 RM'000	Preceding Year Corresponding Period 31/3/2015 RM'000
Income tax expense for the period	302	732	495	732

The effective tax rate for the current period was lower than the statutory tax rate due to set off of the unabsorbed loss.

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 20 May 2016 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report) :-

a) 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 31 March 2016, the Company has utilised the proceeds raised of RM9.12 million as follows:

Details of Utilisation	Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Amount Unutilise RM'000	% Utilised	Explanation
General working capital	within 24 months	8,890	8,890	-	100.00	Nil
Estimated expenses in relation to the corporate exercises	upon completion	230	98	132	42.61	*
		9,120	8,988	132.00		

* Actual expenses incurred were lower as management has successfully negotiated for lower fees. The unutilised balance will be used for general working

b) On 16 February 2016, 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 11 March 2016, Bursa has approved the listing of and quotation for up to 63,923,633 new ordinary shares of RM0.10 each in Digistar to be issued pursuant to the Propose Placement.

On 15 March 2016, Digistar has fixed the issue price for the Private Placement comprising 45,604,000 new ordinary shares of RM0.10 each in Digistar at RM0.143 per Placement Share. The issue price of RM0.143 per Placement Share represents a discount of approximately 9.38% to the five (5)-day weighted average market price of Digistar Shares up to and including 14 March 2016 of RM0.1578 per Digistar Share.

On 23 March 2016, the 45,604,000 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 31 March 2016, the Company has utilised the proceeds raised of RM6.52 million as follows:

Details of Utilisation	**Timeframe for utilisation**	**Proposed Utilisation RM'000**	**Actual Utilisation RM'000**	**Amount Unutilise RM'000**	**% Utilised**	**Explanation**
General working capital	within 24 months	6,398	6,398	-	100.00	Nil
Estimated expenses in relation to the corporate exercises	upon completion	123	69	54	56.10	*
		6,521	6,467	54		

* It was unclaimed expenses by investment bank.

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B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 31 March 2016 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	-	-	-
Hire purchase payables	583	1,192	1,775
Bridging Loan	-	14,030	14,030
Bonds	-	259,022	259,022
Total	583	274,244	274,827

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 31/3//2016	Preceding Year Corresponding Quarter 31/3/2015	Current Year To Date 31/3//2016	Preceding Year Corresponding Period 31/3/2015
(a) Basic Earnings Per Share				
Net profit/ (loss) attributable to members of the Company (RM'000)	4,520	6,481	6,775	2,619
Weighted average number of ordinary shares in issue	460,550,321	463,362,818	458,282,842	455,618,732
Basic earnings/ (loss) per share (sen)	0.98	1.40	1.48	0.57
(b) Diluted Earnings Per Share				
Net profit/ (loss) attributable to members of the Company (RM'000)	4,520	6,481	6,775	2,619
Weighted average number of ordinary shares in issue	460,550,321	463,362,818	458,282,842	455,618,732
Adjustment for assumed exercise of Warrants	28,277,237	32,549,750	32,146,754	37,632,154
Adjusted weighted average number of ordinary shares in issue and issuable	488,827,558	495,912,568	490,429,596	493,250,886
Diluted earnings/ (loss) per share (sen)	0.92	1.31	1.38	0.53

B14. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2015 was not subject to any audit qualification.

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B15. Supplementary Information Disclosed Pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits/ (accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	As at 31/3/2016 RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	(11,618)
- Unrealised	-
	(11,618)
Less: Consolidation adjustments	5,904
Total group retained profits as per consolidated financial statements	(5,714)

B16. Notes to the Condensed Consolidated Statements of Income

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	Current Year Quarter 31/3/2016 RM'000	**Preceding Year Corresponding Quarter 31/3/2015 RM'000**	**Current Year To Date 31/3/2016 RM'000**	**Preceding Year Corresponding Period 31/3/2015 RM'000**
Profit before taxation is arrived at after charging/(crediting):				
Other operation income:				
- Interest Income	353	(1,069)	(1,170)	(3,587)
- Loss/ (Gain) on disposal of property, plant and equipment	(65)	-	(65)	-
Interest Expense	5,037	8,582	8,954	8,935
Depreciation and Amortization	551	487	835	1,008
Net Foreign Exchange (Gain) / Loss	-	10	-	(13)

B17. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 27 May 2016.