

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**
(The figures have not been audited)

	INDIVIDUAL QUARTER THREE MONTHS ENDED 30 SEPTEMBER		CUMULATIVE PERIOD SIX MONTHS ENDED 30 SEPTEMBER	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	14,354	11,483	35,326	26,841
Cost of sales	(8,309)	(9,759)	(23,149)	(16,977)
Gross profits	6,045	1,724	12,177	9,864
Other operating income	34	1,298	1,032	2,952
Other operating expenses	(6,483)	(8,681)	(12,293)	(15,840)
Finance costs	(372)	(174)	(654)	(350)
(Loss) / Profit before tax	(776)	(5,833)	262	(3,374)
Tax income / (expense)	177	(254)	(477)	(753)
Loss for the financial period	(599)	(6,087)	(215)	(4,127)
Other comprehensive income / (loss), net of tax				
Foreign currency translation differences for foreign operations	180	(37)	(306)	(459)
Other comprehensive income / (loss) for the financial period, net of tax	180	(37)	(306)	(459)
Total comprehensive loss for the financial period	(419)	(6,124)	(521)	(4,586)
Loss attributable to:-				
Owners of the Company	(598)	(6,069)	(213)	(4,113)
Non-controlling interest	(1)	(18)	(2)	(14)
Loss for the financial period	(599)	(6,087)	(215)	(4,127)
Total comprehensive loss attributable to:-				
Owners of the Company	(418)	(6,106)	(519)	(4,572)
Non-controlling interest	(1)	(18)	(2)	(14)
Total comprehensive loss for the financial period	(419)	(6,124)	(521)	(4,586)
Loss per ordinary share (sen)				
-Basic	(0.04)	(0.45)	(0.02)	(0.30)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes to the interim financial report and the audited financial statements for the financial year ended 31 March 2012.)

DIVERSIFIED GATEWAY SOLUTIONS BERHAD ("DGSB") (675362-P)
 Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 SEPTEMBER 2012**

	Unaudited As at 30.09.2012 RM'000	Audited As at 31.03.2012 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,664	1,737
Goodwill	10,928	10,928
Deferred tax assets	67	67
	<u>12,659</u>	<u>12,732</u>
Current Assets		
Inventories	12,313	7,824
Trade receivables	4,878	9,751
Other receivables, deposits and prepayments	9,235	11,552
Amounts owing by related companies	11,561	10,959
Current tax assets	832	429
Cash and cash equivalents	18,052	17,804
	<u>56,871</u>	<u>58,319</u>
TOTAL ASSETS	<u><u>69,530</u></u>	<u><u>71,051</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	135,588	135,588
Reverse acquisition reserve	(115,767)	(115,767)
Exchange translation reserve	(102)	204
Retained earnings	15,600	15,813
	<u>35,319</u>	<u>35,838</u>
Non-controlling interest	44	46
TOTAL EQUITY	<u>35,363</u>	<u>35,884</u>
Non-Current Liabilities		
Hire purchase and lease creditors	445	172
Provision for post-employment benefits	87	87
	<u>532</u>	<u>259</u>
Current Liabilities		
Trade payables	2,770	8,898
Other payables, deposits and accruals	6,578	12,289
Amounts owing to ultimate holding company	921	680
Amounts owing to related companies	2,981	3,136
Borrowings	20,138	9,813
Hire purchase and lease creditors	234	81
Current tax payables	13	11
	<u>33,635</u>	<u>34,908</u>
TOTAL LIABILITIES	<u>34,167</u>	<u>35,167</u>
TOTAL EQUITY AND LIABILITIES	<u><u>69,530</u></u>	<u><u>71,051</u></u>
Net assets per share (sen)	<u>2.60</u>	<u>2.65</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes to the interim financial report and the audited financial statements for the financial year ended 31 March 2012.)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**
(The figures have not been audited)

	<----- Attributable to owners of the Parent ----->						Total equity RM'000
	<----- Non-distributable ----->			Distributable		Non- controlling interest RM'000	
	Ordinary shares RM'000	Reverse acquisition reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total RM'000		
Six Months Financial Period Ended 30 September 2012							
Balance as at 1 April 2012	135,588	(115,767)	204	15,813	35,838	46	35,884
Loss after tax for the financial period	-	-	-	(213)	(213)	(2)	(215)
Foreign currency translation for foreign operations	-	-	(306)	-	(306)	-	(306)
Total comprehensive loss for the financial period	-	-	(306)	(213)	(519)	(2)	(521)
Balance as at 30 September 2012	135,588	(115,767)	(102)	15,600	35,319	44	35,363

	<----- Attributable to owners of the Parent ----->						Total equity RM'000
	<----- Non-distributable ----->			Distributable		Non- controlling interest RM'000	
	Ordinary shares RM'000	Reverse acquisition reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total RM'000		
Six Months Financial Period Ended 30 September 2011							
Balance as at 1 April 2011	135,588	(115,767)	160	22,922	42,903	-	42,903
Loss after tax for the financial period	-	-	-	(4,113)	(4,113)	(14)	(4,127)
Foreign currency translation for foreign operations	-	-	(459)	-	(459)	-	(459)
Total comprehensive loss for the financial period	-	-	(459)	(4,113)	(4,572)	(14)	(4,586)
Balance as at 30 September 2011	135,588	(115,767)	(299)	18,809	38,331	(14)	38,317

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes to the interim financial report and the audited financial statements for the financial year ended 31 March 2012.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012
(The figures have not been audited)**

	SIX MONTHS ENDED 30 SEPTEMBER	
	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before tax	262	(3,374)
Adjustment for non-cash items:		
Bad debts written off	-	91
Changes in fair value of other investments	-	227
Depreciation of property, plant and equipment	413	239
Impairment losses on trade receivables	738	2,173
Interest income	(214)	(241)
Interest expense	620	319
Net loss on disposal of property, plant and equipment	27	-
Net loss on disposal of other investments	-	15
Reversal of impairment losses on trade receivables	(261)	(1,641)
Net unrealised gain on foreign currency exchange	(65)	(422)
Other non-cash items	47	2
	<u>1,567</u>	<u>(2,612)</u>
Operating profit / (loss) before working capital changes		
	1,567	(2,612)
Net changes in assets	1,651	12,830
Net changes in liabilities	(11,645)	(11,758)
	<u>(8,427)</u>	<u>(1,540)</u>
Net cash used in operations		
	(8,427)	(1,540)
Tax paid	(954)	(866)
Tax refunded	76	-
	<u>(9,305)</u>	<u>(2,406)</u>
Net cash used in operating activities		
	(9,305)	(2,406)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(662)	(651)
Proceeds from disposal of property, plant and equipment	251	-
(Placement) / withdrawal of fixed deposits pledged	(492)	295
Proceed from disposal of other investments	-	59
Interest received	214	241
	<u>(689)</u>	<u>(56)</u>
Net cash used in investing activities		
	(689)	(56)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	9,423	200
Repayment of borrowings	(260)	(828)
Interest paid	(620)	(319)
	<u>8,543</u>	<u>(947)</u>
Net cash from / (used in) financing activities		
	8,543	(947)
Net decrease in cash and cash equivalents	(1,451)	(3,409)
Cash and cash equivalents at 1 April 2012/2011**	(147)	6,169
Effect of foreign exchange on opening balance	(381)	(351)
	<u>(1,979)</u>	<u>2,409</u>
Cash and cash equivalents at 30 September 2012/2011**		
	(1,979)	2,409

** Cash and cash equivalents at the beginning and end of the financial period are net of deposits pledged to banks.

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes to the interim financial report and the audited financial statements for the financial year ended 31 March 2012.)

Notes to the Interim Financial Report
For the Second Quarter Ended 30 September 2012

1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year ended 31 March 2012.

2 Significant Accounting Policies

First-time adoption of Malaysian Financial Reporting Standard ("MFRS")

The Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework commencing 1 April 2012. The MFRS Framework comprises standards as issued by the International Accounting Standards Board ("IASB"). This condensed quarterly report is the Group's first MFRS compliant condensed report, hence MFRS 1 "First-time adoption of Malaysian Financial Reporting Standard" has been applied.

In accordance with MFRS1, an opening MFRS statement of financial position has been presented at the date of transition to MFRS. There are no differences between the opening MFRS statement of financial position and the statement of financial position presented under the Financial Reporting Standards ("FRS") at 31 March 2012.

The adoption of the MFRS Framework did not result in any material impact to the interim financial report as the accounting policies applicable to the Group under the MFRS Framework are consistent with the accounting policies previously adopted under the FRS in Malaysia.

3 Qualification of independent auditors' report on preceding annual audited financial statements

The independent auditors' report on the annual audited financial statements for the financial year ended 31 March 2012 was not qualified.

4 Seasonal and cyclical factors

The business of the Group was not affected by any significant seasonal and cyclical factors during the current financial period under review.

5 Unusual items due to their nature, size or incidence

Saved as disclosed in note 2 and note 6 of this report, there were no unusual items affecting the assets, liabilities, equity, net income, or cash flows due to their nature, size, or incidence during the current financial period under review.

6 Material changes in estimates

There were no material changes in estimates of amounts reported in prior financial years. Thus, there is no material effect in the financial statements of the current financial period under review.

7 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt securities of the Group and equity securities of the Company during the current financial period under review.

8 Dividends paid

No dividends have been paid during the current financial period under review.

Notes to the Interim Financial Report
For the Second Quarter Ended 30 September 2012

9 Segmental reporting

Business Segments	Networks RM'000	Solutions RM'000	Others RM'000	Adjustment/ Eliminations RM'000	Total RM'000
<u>Six Months Financial Period Ended 30 September 2012</u>					
External sales	23,322	12,004	-	-	35,326
Inter segment sales	-	717	-	(717)	-
Total Sales	23,322	12,721	-	(717)	35,326
Segment results	2,550	(1,357)	(525)	-	668
Interest expense					(620)
Interest Income					214
Profit before tax					262
Segment assets	47,498	10,169	11,863	-	69,530
<u>Six Months Financial Period Ended 30 September 2011</u>					
External sales	9,820	17,021	-	-	26,841
Inter segment sales	6	106	-	(112)	-
Total Sales	9,826	17,127	-	(112)	26,841
Segment results	1,674	(4,730)	(240)	-	(3,296)
Interest expense					(319)
Interest Income					241
Loss before tax					(3,374)
Segment assets	37,478	14,119	13,929	-	65,526

10 Related Party Disclosures

Significant related party transactions are as follows:-

	INDIVIDUAL QUARTER THREE MONTHS ENDED 30 SEPTEMBER		CUMULATIVE PERIOD SIX MONTHS ENDED 30 SEPTEMBER	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of goods and services to related companies	2,579	526	5,496	526
Purchase of goods and services from related companies	-	271	324	918
Management fees to ultimate holding company	120	120	240	240

11 Carrying amount of revalued assets

There were no changes to the valuation of property, plant and equipment during the current financial period under review.

12 Subsequent events

There were no material events announced subsequent to the end of the current financial period under review.

13 Changes in the composition of the Group

On 10 August 2012, the Company announced that the Company had on 9 August 2012 incorporated a wholly-owned subsidiary company, Rangkaian Ringkas Sdn Bhd ("RRSB"), with RM2.00 issued and fully paid-up share capital comprising 2 new ordinary shares of RM1.00 each.

Saved as disclosed above, there were no other changes in the composition of the Group during the current financial period under review.

14 Changes in contingent liabilities or contingent assets

There were no changes in contingent liabilities or contingent assets of the Group since the previous financial year.

15 Capital commitments

There were no capital commitments during the current financial period under review.

**Additional information required by Bursa Securities Listing Requirements
For the Second Quarter Ended 30 September 2012**

1 Detailed analysis of performance

The Group recorded RM14.35 million of revenue in the current quarter under review, an increase of approximately 25.0% from RM11.48 million in the corresponding quarter of the preceding financial year.

For the financial period under review, the Group's revenue increased by approximately 31.6% from RM26.84 million in the corresponding financial period of the preceding financial year to RM35.33 million.

The detailed breakdown of revenue by business segments of the Group are as follows: -

	INDIVIDUAL QUARTER THREE MONTHS ENDED 30 SEPTEMBER		CUMULATIVE PERIOD SIX MONTHS ENDED 30 SEPTEMBER	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Networks	8,081	3,855	23,322	9,826
Solutions	6,424	7,689	12,721	17,127
	14,505	11,544	36,043	26,953
Less : Inter Segment Revenue	(151)	(61)	(717)	(112)
Total Group Revenue	14,354	11,483	35,326	26,841

The increase in revenue in Network segment of RM4.23 million for the current quarter and RM13.50 million for the current financial period is mainly due to major orders amounting to RM3.50 million and RM11.58 million contributed from a technology driven solution provider during the financial quarter and period under review respectively.

For the Solutions segment, the decrease in revenue of RM1.27 million for the current quarter and RM4.41 million for the current financial period is mainly due to lower billing in three of the subsidiaries.

The detailed breakdown of (loss)/profit before tax by business segments of the Group are as follows: -

	INDIVIDUAL QUARTER THREE MONTHS ENDED 30 SEPTEMBER		CUMULATIVE PERIOD SIX MONTHS ENDED 30 SEPTEMBER	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Networks	(284)	(55)	2,500	1,850
Solutions	1	(5,534)	(1,405)	(4,779)
Others	(493)	(244)	(833)	(445)
(Loss) / Profit before tax	(776)	(5,833)	262	(3,374)

Comparing the current quarter against to the corresponding quarter of the previous financial year, the loss before tax improved by approximately RM5.06 million. The Solutions segment had shown an improvement for the current quarter compared to a loss of RM5.53 million in the corresponding quarter of the preceding financial year.

For the current financial period, the Group recorded a profit before tax of RM0.26 million compared to a loss before tax of RM3.37 million in the corresponding financial period of the preceding year. This improvement is largely contributed by:-

- (i) improved gross profit margin in Solutions segment by RM1.06 million in the current financial period despite a lower revenue recorded. The lower gross profit margin in the corresponding quarter of the preceding financial year was due to the cost written off for a foreseeable loss of RM4.50 million in one of the projects of a subsidiary; and
- (ii) reduction of employee related expenses by RM2.66 million resulted from workforce reduction in the Solutions segment.

2 Variation of results against preceding quarter

	3 months ended 30.09.2012 RM'000	3 months ended 30.06.2012 RM'000
(Loss) / profit before tax	(776)	1,038

The Group posted a loss before tax of RM0.78 million for the current quarter under review as compared to a profit before tax of RM1.04 million for the preceding quarter. This is mainly due to lower other operating income and higher employee related expenses compared to the preceding quarter.

**Additional information required by Bursa Securities Listing Requirements
For the Second Quarter Ended 30 September 2012**

3 Current year prospects

The Group's performance is expected to improve with healthier sales pipelines in both Network and Solutions segments.

4 Profit forecast

Not applicable.

5 Tax (income)/expense

	INDIVIDUAL QUARTER THREE MONTHS ENDED 30 SEPTEMBER		CUMULATIVE PERIOD SIX MONTHS ENDED 30 SEPTEMBER	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current tax (income)/expense				
- Malaysian taxation	(188)	27	500	448
- Foreign taxation	11	227	41	250
(Over) / Under provision in prior year				
- Foreign taxation	-	-	(64)	55
	(177)	254	477	753

The Group's effective tax rate for the current financial period is higher than the statutory tax rate as profits of certain subsidiaries cannot be set-off against losses of other subsidiaries for tax purposes as these subsidiaries are not able to satisfy the conditions for group relief and certain expenses were disallowed for tax deductions.

6 Status of corporate proposals

On 26 March 2012, the Company announced its proposal to undertake a Renounceable Rights Issue of up to 338,969,273 new ordinary shares of RM0.10 each in DGSB ("Rights Shares") together with up to 338,969,273 Free Detachable Warrants ("Warrants") at an issue price of RM0.10 per Rights Share on the basis of one (1) Rights Share for every four (4) existing ordinary shares of RM0.10 each held in DGSB ("DGSB Shares") together with one (1) free Warrant for every one (1) Rights Share subscribed at an entitlement date, to be determined later by the Board ("Proposed Rights Issue With Warrants").

On 6 July 2012, Bursa Securities had approved the following:

- (i) Listing of and quotation for up to 338,969,273 new DGSB Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) Admission to the Official List and the listing of and quotation for up to 338,969,273 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and
- (iii) Listing of and quotation for up to 338,969,273 new DGSB Shares to be issued pursuant to the exercise of the Warrants.

On 19 July 2012, Bank Negara Malaysia had approved the issuance of the Warrants to non-residents shareholders of the Company.

On 13 September 2012, shareholders of DGSB have approved the Proposed Rights Issue With Warrants.

As at the date of this report, the Proposed Rights Issue With Warrants has yet to be completed.

Saved as disclosed above, there were no other corporate proposals announced or outstanding as at the date of this report.

7 Borrowings and debts securities

The Group's bank borrowings as at 30 September 2012 are as follows:

	RM'000
Short term bank borrowings - secured	
- Denominated in RM	<u>20,138</u>

**Additional information required by Bursa Securities Listing Requirements
For the Second Quarter Ended 30 September 2012**

8 Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive issued by Bursa Securities on 25 March 2010 and 20 December 2010, is as follows:

	30.09.2012	30.06.2012
	RM'000	RM'000
Total retained profits of the Group: -		
- Realised	22,234	22,883
- Unrealised	106	55
	<hr/>	<hr/>
	22,340	22,938
Less: Consolidation adjustments	(6,740)	(6,740)
Total Group retained profits as per consolidated financial statements	<hr/> <hr/>	<hr/> <hr/>
	15,600	16,198

The determination of realised and unrealised profits is based on the Guidedance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

9 Changes in material litigation

Please refer to the Summary of Material Litigation attached for further details.

10 Dividends

No dividends have been recommended during the financial quarter under review.

11 Loss per ordinary share

(a) Loss per ordinary share

Basic loss per ordinary share for the financial period under review is calculated based on the Group's loss after tax and minority interests divided by the weighted average ("WA") number of ordinary shares in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	THREE MONTHS ENDED 30		SIX MONTHS ENDED 30	
	SEPTEMBER		SEPTEMBER	
	2012	2011	2012	2011
Loss after tax and minority interests (RM'000)	(598)	(6,069)	(213)	(4,113)
WA number of ordinary shares in issue ('000)	1,355,877	1,355,877	1,355,877	1,355,877
Basic loss per ordinary share (sen)	<hr/>	<hr/>	<hr/>	<hr/>
	(0.04)	(0.45)	(0.02)	(0.30)

(b) Fully diluted earnings per ordinary share

The Group has no potential ordinary shares in issue as at 30 September 2012 and therefore, diluted earnings per share has not been presented.

Additional information required by Bursa Securities Listing Requirements
For the Second Quarter Ended 30 September 2012

12 (Loss) / Profit before tax

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	THREE MONTHS ENDED 30		SIX MONTHS ENDED 30	
	SEPTEMBER		SEPTEMBER	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
(Loss) / Profit before tax is arrived at after charging: -				
Changes in fair value of other investments	-	(10)	-	227
Bad debts written off	-	91	-	91
Depreciation of property, plant and equipment	413	155	413	239
Impairment losses on trade receivables	369	1,746	738	2,173
Interest expenses	351	161	620	319
Loss on disposal of:				
- property, plant and equipment	29	-	29	-
- other investments	-	-	-	15
Property, plant and equipment written off	-	-	47	2
Realised loss on foreign currency transactions	65	73	120	108
Unrealised loss on foreign currency translation	6	106	152	114
And crediting: -				
Gain on disposal of property, plant and equipment	1	-	2	-
Interest income	82	128	214	241
Reversal of impairment losses on				
- trade receivables	38	979	261	1,641
Realised gain on foreign currency transactions	45	307	255	395
Unrealised gain on foreign currency translation	(153)	146	217	536

SUMMARY OF STATUS OF MATERIAL LITIGATION AS AT 22 NOVEMBER 2012

MATERIAL LITIGATION FOR THE GROUP

No.	Parties to the Suit	Case / Summons No.	Court	Latest Status
1	ISS Consulting (M) Sdn Bhd ("ISS (M)") v TSH Resources Berhad		Regional Centre for Arbitration at Kuala Lumpur	The Arbitration has been fixed for hearing on 29, 30 and 31 January 2013 and the Parties are in the midst of complying with pre-hearing directions.