

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTERS OF DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "COMPANY") AND THEY, COLLECTIVELY AND INDIVIDUALLY, ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING. THE DIRECTORS OF DIGISTAR HEREBY ACCEPT FULL RESPONSIBILITY FOR THE PROFIT ESTIMATE AND PROFIT FORECAST INCLUDED IN THIS PROSPECTUS AND CONFIRM THAT THE PROFIT ESTIMATE AND PROFIT FORECAST HAVE BEEN PREPARED BASED ON ASSUMPTIONS MADE.

ALLIANCE MERCHANT BANK BERHAD, BEING THE ADVISER, UNDERWRITER, SPONSOR AND PLACEMENT AGENT ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC ISSUE AND IS SATISFIED THAT ANY PROFIT ESTIMATE AND THE PROFIT FORECAST (FOR WHICH THE DIRECTORS OF THE COMPANY ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THIS PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

THE KUALA LUMPUR STOCK EXCHANGE ("KLSE") AND SECURITIES COMMISSION ("SC") HAVE APPROVED THE PUBLIC ISSUE AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE KLSE AND THE SC RECOMMEND THE PUBLIC ISSUE. THE KLSE AND THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

ADMISSION TO THE OFFICIAL LIST OF THE MALAYSIAN EXCHANGE OF SECURITIES DEALING & AUTOMATED QUOTATION BHD ("MESDAQ") MARKET OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, COMPANY OR OF ITS SECURITIES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

CHARACTERISTICS OF THE MESDAQ MARKET OF KLSE – INVESTORS SHOULD BE AWARE THAT MESDAQ IS A DISTINCT MARKET FROM THE MAIN AND SECOND BOARDS IN MANY RESPECTS. IN PARTICULAR, COMPANIES LISTED ON MESDAQ ARE SUBJECT TO DIFFERENT QUANTITATIVE AND QUALITATIVE REQUIREMENTS, WHICH HAVE BEEN PRIMARILY DESIGNED TO ACCOMMODATE HIGH-GROWTH AND/OR TECHNOLOGY COMPANIES.






COMPANIES THAT ARE LISTED ON MESDAQ MAY NOT HAVE AN OPERATING HISTORY OR ANY PROFIT TRACK RECORD PRIOR TO LISTING. AS SUCH, WHILST POTENTIAL INVESTMENT RETURNS MAY BE RELATIVELY HIGH, COMPANIES LISTED ON MESDAQ MAY BE OF HIGHER INVESTMENT RISK.

THE REGULATORY PHILOSOPHY UNDERLYING THE MESDAQ MARKET IS THAT THE MARKET SHOULD BE ALLOWED TO DETERMINE THE MERITS OF THE SECURITIES / INSTRUMENTS IN A PARTICULAR COMPANY. HENCE, AS WITH ALL INVESTMENTS, PROSPECTIVE INVESTORS SHOULD BE AWARE OF ALL POTENTIAL RISKS IN INVESTING IN SUCH COMPANIES AND SHOULD MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATION BY REFERRING TO, AMONGST OTHERS, THE PROSPECTUS, THE LATEST FINANCIAL STATEMENTS AND CORPORATE ANNOUNCEMENTS. IN THIS RESPECT, ADVICE FROM A SECURITIES PROFESSIONAL / ADVISER IS STRONGLY RECOMMENDED.

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital of RM8,343,533 comprising 83,435,325 Digistar Shares on the MESDAQ Market of the KLSE is set out below:

Date		Event
10 October 2003		Opening date of Application
22 October 2003*		Closing date of Application
28 October 2003		Target date for balloting of applications
3 November 2003		Target date of allotment of shares
7 November 2003		Target date for listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market of the KLSE

Note:

- * *The Directors and the Underwriter may in their absolute discretion mutually decide to extend the closing date of the application to a further date or dates. Should the closing date of the application be extended, the dates for the allotment of the Public Issue Shares and the listing of and quotation for the entire enlarged issued and paid-up share capital of Digistar on the MESDAQ Market of the KLSE would be extended accordingly. Digistar will notify the public via an advertisement in a widely circulated English newspaper in the event there is an extension of time on the closing date of the application.*

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following abbreviations shall have the following meanings:

ACNielsen	:	ACNielsen (Malaysia) Sdn Bhd (10909-V)
Act	:	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
Alliance	:	Alliance Merchant Bank Berhad (21605-D)
Board	:	Board of Directors
CCM	:	Companies Commission of Malaysia
CCTV	:	Close Circuit Television System
CDS	:	Central Depository System
DHSB	:	Digistar Holdings Sdn Bhd (126542-X)
DHSB Acquisition by Digistar	:	Acquisition by Digistar of 2,037,264 DHSB Shares comprising the entire enlarged equity interest in DHSB from YB Haji AB Karim Bin Sulaiman, Lee Wah Chong, Wa Siew Yam, Ong Fee Chong and Low Lye Seng for a purchase consideration of RM5,006,006 fully satisfied by the issuance of 50,060,060 new Digistar Shares at an issue price of RM0.10 per share
DHSB Share(s)	:	Ordinary share(s) of RM1.00 each in DHSB
Digistar Group or Group	:	Digistar and its subsidiaries, collectively
Digistar or Company	:	Digistar Corporation Berhad (603652-K)
Digistar Share(s)	:	Ordinary share(s) of RM0.10 each in Digistar
DPSB	:	Digistar Properties Sdn Bhd (402599-H)
DPSB Acquisition by DHSB	:	Acquisition by DHSB of 49,000 DPSB Shares comprising 49.0% equity interest in DPSB from Lee Wah Chong and Wa Siew Yam for a purchase consideration of RM37,264 fully satisfied by the issuance of 37,264 new DHSB Shares at an issue price of RM1.00 per share
DPSB Share(s)	:	Ordinary share(s) of RM1.00 each in DPSB
DRMSB	:	Digistar Rauland MSC Sdn Bhd (619772-U)
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share

DEFINITIONS (Cont'd)

ESOS	:	Employees' Share Option Scheme
FIC	:	Foreign Investment Committee
HC	:	Hospital Communication System
IAV	:	Integrated Audio and Visual System
ICT	:	Information and Communications Technology
Issue Price	:	The issue price of RM0.55 per Public Issue Share
IT	:	Information technology
KLSB	:	Kenangan Lampiran Sdn Bhd (613451-X), a private investment holding company to hold Digistar Shares
KLSB Shares	:	Ordinary share(s) of RM1.00 each in KLSB
KLSE	:	Kuala Lumpur Stock Exchange (30632-P)
LAN	:	Local Area Network
Listing	:	Admission to the Official List of the KLSE and the listing of and quotation for the entire enlarged issued and paid-up share capital of Digistar of RM8,343,533 comprising 83,435,325 Digistar Shares
MATRADE	:	Malaysia External Trade Development Corporation
MATV	:	Master Antenna Television
MC	:	Master Clock System
MCD	:	Malaysian Central Depository Sdn Bhd (165570-D)
MCR	:	Master Control Room
MESDAQ	:	Mesdaq Market of the KLSE
MI	:	Minority interest
MIDFCCS	:	MIDF Consultancy and Corporate Services Sdn Bhd (11324-H)
MITI	:	Ministry of International Trade and Industry
MSC	:	Multimedia Super Corridor
NBV	:	Net book value
NTA	:	Net tangible assets
PAT	:	Profit after tax
PBT	:	Profit before tax

DEFINITIONS (Cont'd)

PC	:	Personal computer
PE Multiple	:	Price-earnings multiple
PSS	:	Integrated Professional Sound Reinforce System
Public Issue	:	Public issue of 20,860,000 new Digistar Shares at an issue price of RM0.55 per share payable in full upon application
Public Issue Shares	:	The 20,860,000 new Digistar Shares to be issued pursuant to the Public Issue, subject to the terms and conditions of this Prospectus
R&D	:	Research and development
Rights Issue	:	Rights issue of 12,515,065 new Digistar Shares at par, to be payable in full upon acceptance, on the basis of one (1) rights share for every four (4) existing Digistar Shares held after the DHSB Acquisition by Digistar
RM and sen	:	Ringgit Malaysia and sen respectively
SC	:	Securities Commission
TC	:	Tele-Conferencing System / Conferencing System
WAN	:	Wide Area Network
YB	:	Yang Berhormat

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
YB Haji AB Karim Bin Sulaiman (AMN., BKT., PJK., JP.) <i>(Executive Chairman)</i>	SI 26 Kg. Seri Jeram 78300 Masjid Tanah Melaka	Director	Malaysian
Lee Wah Chong (JP) <i>(Managing Director)</i>	No. 28, Jalan Satu Taman Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan	Director	Malaysian
Ong Fee Chong <i>(Executive Director)</i>	No. 27, Jalan UP 4/6 Ukay Perdana 68000 Ampang Selangor Darul Ehsan	Director	Malaysian
Wa Siew Yam <i>(Executive Director)</i>	No. 28, Jalan Satu Taman Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan	Director	Malaysian
Lee Mely <i>(Director)</i>	M1-0006, Court 7 Jalan USJ 14/1, Subang Perdana 47610 UEP Subang Jaya Selangor Darul Ehsan	Director	Malaysian
YB Datuk Haji Hasan Bin Malek <i>(Independent Non-Executive Director)</i>	No. 29, Lorong Seri Meranti Taman Bukit Chedang 70300 Seremban Negeri Sembilan	Director	Malaysian
Ir. Loh Khoon Hong <i>(Independent Non-Executive Director)</i>	No. 12, Lengkok Zaaba Satu Taman Tun Dr. Ismail 60000 Kuala Lumpur	Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
YB Datuk Haji Hasan Bin Malek	Chairman of Committee	Independent Non-Executive Director
Ir. Loh Khoon Hong	Member of Committee	Independent Non-Executive Director
Ong Fee Chong	Member of Committee	Executive Director

COMPANY SECRETARIES

Mah Li Chen (MAICSA 7022751)
No. 33, Jalan BRP 4/6
Bukit Rahman Putra
Seksyen U20
40160 Shah Alam
Selangor Darul Ehsan

CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARIES (Cont'd)

Lee Ming Leong (MAICSA 7006926)
No. 101, Jalan 17/4
46400 Petaling Jaya
Selangor Darul Ehsan

REGISTERED OFFICE

C15-1, Level 15, Tower C
Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 603-2166 2000
Fax: 603-2166 3000
E-mail: hwoode@po.jaring.my

HEAD OFFICE

B5/5/5, 4th Floor, One Ampang Business Avenue
Jalan Ampang Utama 1/2
68000 Ampang
Selangor Darul Ehsan
Tel: 603-4253 4319
Fax: 603-4257 2168
E-mail: digista@digistar.com.my
Website: www.digistar.com.my

**AUDITORS AND REPORTING
ACCOUNTANTS**

Horwath (AF 1018)
Chartered Accountants
Level 16, Tower C
Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

SOLICITORS

Messrs Jal & Lim
5th Floor, East Block
Wisma Selangor Dredging
No. 142-B, Jalan Ampang
50450 Kuala Lumpur

**INDEPENDENT MARKET
RESEARCH CONSULTANT**

ACNielsen (Malaysia) Sdn Bhd (10909-V)
19/F Menara MPPJ
Jalan Tengah
46200 Petaling Jaya
Selangor Darul Ehsan

REGISTRAR

PFA Registration Services Sdn Bhd (11324-H)
Level 13, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

CORPORATE DIRECTORY (Cont'd)

ISSUING HOUSE MIDF Consultancy and Corporate Services Sendirian Berhad
(11324-H)
12th Floor, MIDF Building
195A, Jalan Tun Razak
50400 Kuala Lumpur

PRINCIPAL BANKERS OCBC Bank (Malaysia) Berhad (295400-W)
No. 19, Jalan Stesen
41000 Klang
Selangor Darul Ehsan

United Overseas Bank (Malaysia) Bhd (271809-K)
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

**ADVISER, UNDERWRITER,
SPONSOR AND PLACEMENT AGENT** Alliance Merchant Bank Berhad (21605-D)
Level 29, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

LISTING SOUGHT MESDAQ Market of the KLSE

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1. INFORMATION SUMMARY

THE INFORMATION SUMMARY SET OUT BELOW IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE DIGISTAR GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE PROSPECTUS IN ITS ENTIRETY PRIOR TO DECIDING WHETHER TO INVEST.

1.1 HISTORY AND BUSINESS

Digistar was incorporated in Malaysia as a public company on 15 January 2003 under the Companies Act, 1965.

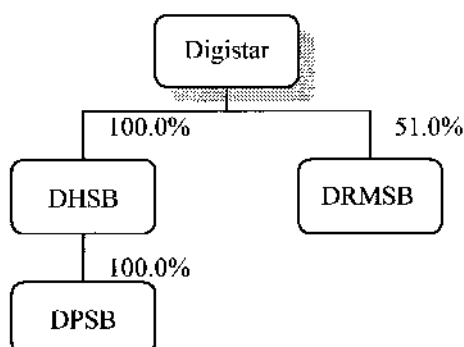
The authorised share capital of Digistar is RM25,000,000 comprising 250,000,000 Digistar Shares, of which 62,575,325 Digistar Shares have been issued and fully paid-up.

The Company was established to be the investment holding company of the Digistar Group in conjunction with the listing of the Group on the MESDAQ Market of the KLSE. The principal activities of the Company's subsidiaries are as follows:

Subsidiaries	Date / Country of incorporation	% effective equity interest	Issued and paid-up capital RM	Principal activities
DHSB	08.09.1984 Malaysia	100	2,037,264	Design, supply, installation and integration of IT infrastructure, tele-conferencing, LANs, interactive media management systems, radio and television news automation, tele-communication systems, integrated audio and visual systems and other related electronic systems
DRMSB	26.06.2003 Malaysia	51	100	R&D of software and hardware to be deployed in the area relating to communication, tele-communication and ICT
<i>Subsidiary of DHSB</i>				
DPSB	18.09.1996 Malaysia	100	100,000	Provision, maintenance and upkeep of premises

Further information on the subsidiaries is set out in Section 4.5 of this Prospectus.

The Group's corporate structure is depicted as follows:



1. INFORMATION SUMMARY (Cont'd)

DHSB, the core asset of the Digistar Group, made its presence in the local market in February 1982 under the name of Digi Enterprise. One of the founders of the Digistar Group is Mr Lee Wah Chong, the current Managing Director of Digistar. Being one of the pioneers, Mr Lee has consistently contributed to the success of the Group through more than twenty (20) years of technical and networking experience in the ICT infrastructure industry as well as efforts in grooming and expanding the businesses of the Digistar Group from a small outfit of only three (3) personnel to the present staff force of ninety-three (93) personnel, including Executive Directors, as at 22 September 2003. Digi Enterprise was established as a system house specialising only in design and installation of integrated audio and visual system. In 1984, D&G Holdings Sdn Bhd was incorporated to continue the businesses of Digi Enterprise. Subsequently, in 1995, D&G Holdings Sdn Bhd assumed its present name as DHSB. DPSB, the wholly-owned subsidiary of DHSB, owns a total of eight (8) office units situated at One Ampang Business Avenue, Ampang, Selangor, out of which, seven (7) office units are currently occupied by DHSB and the remaining office unit is leased. A portion of the said former office units occupied by DHSB is currently utilised as a showroom for the purpose of displaying an array of comprehensive products for its customers, where the customers would be able to experience live demonstration of the products offered. The total built-up area of the said eight (8) office units measure 14,912 square feet, which includes the showroom size of 725 square feet. In addition to the office units, DPSB also owns a double-storey shop house in Melaka with a land area measuring approximately 1,539 square feet and a vacant bungalow lot identified as a leasehold land situated on Mukim Kuala Kuantan, Pahang with a land area measuring approximately 15,289 square feet.

The Digistar Group's corporate mission is to be the leader in Asia Pacific with Malaysia as its hub to provide proven technology and excellent after sales service in the system integration business. This is evident from the progressive business developments in DHSB over the past twenty-one (21) years whereby it has grown from a system house specialising in design and installation of integrated audio and visual system to a "one-stop" system integrator which provides a wide array of systems throughout Malaysia such as IT infrastructure, tele-conferencing, LAN, interactive media management system, Radio/TV News' automation, tele-communication systems, integrated audio-visual systems and other advance electronics systems.

Due to its commitment to provide quality products and services to the local market, the Group successfully entered into various distribution/licence agreements with several international reputable hardware and software manufacturers over the years.

As part of its future expansion plan, the Group intends to move downstream into the retail market by entering into a smart partnership arrangement with selected entrepreneurs or small-medium enterprises from several states in Malaysia to offer the Group's products and services.

DHSB is also the registered authorised specialist with the relevant government authorities such as the *Pusat Khidmat Kontraktor* – PKK (Contractor Service Center), the Constructions Industry Development Board (CIDB), the *Kementerian Kewangan Malaysia* (Ministry of Finance) and "ePerolehan"-enabled, where the Group has access to bid for government projects directly. The "ePerolehan" is an e-Procurement initiative of the local government where it allows the local suppliers to register online and is accessible to the local government procurement offices nationwide in facilitating transactions such as a central contract, direct purchase, quotation and tender exercises.

In order to keep abreast with the fast-paced development in the ICT industry, the Digistar Group sends its staff personnel for training on a regular basis. DHSB also hosts regular seminars and symposiums on latest IT or related specialist fields on related products for the Malaysian government and private consultant engineers, professional engineers or specialists with the objective of transferring technology from technologically advanced countries to Malaysia and enhancing the utilisation of the latest technologies available in the market.

1. INFORMATION SUMMARY (Cont'd)

The Group is backed by sound business practises, technical skills, quality products and services rendered in its businesses for more than twenty (20) years and has an order book valued at over RM49 million as at 22 September 2003. The Group remains focussed in its future plans and is well equipped and ready to meet the challenges of the 21st century.

Further details on the business overview are provided in Section 4 of this Prospectus.

1.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

The beneficial interests, direct and indirect, of the promoters, substantial shareholders, directors, key management and key technical personnel in Digistar Shares after the Public Issue, are as follows:

	Designation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Promoters					
YB Haji AB Karim Bin Sulaiman	Executive Chairman	3,637,019	4.36	48,809,397 ⁽ⁱ⁾	58.50
Lee Wah Chong	Managing Director	6,884,951	8.25	48,809,397 ⁽ⁱ⁾	58.50
Ong Fee Chong	Executive Director	1,479,055	1.78	-	-
KLSB	N/A	48,809,397	58.50	-	-
Substantial shareholders					
YB Haji AB Karim Bin Sulaiman	Executive Chairman	3,637,019	4.36	48,809,397 ⁽ⁱ⁾	58.50
Lee Wah Chong	Managing Director	6,884,951	8.25	48,809,397 ⁽ⁱ⁾	58.50
KLSB	N/A	48,809,397	58.50	-	-
Directors					
YB Haji AB Karim Bin Sulaiman	Executive Chairman	3,637,019	4.36	48,809,397 ⁽ⁱ⁾	58.50
Lee Wah Chong	Managing Director	6,884,951	8.25	48,809,397 ⁽ⁱ⁾	58.50
Ong Fee Chong	Executive Director	1,479,055	1.78	-	-
Wa Siew Yam	Executive Director	560,615	0.67	-	-
Lee Mely	Director	-	-	-	-
YB Datuk Haji Hasan bin Malek	Independent Non-Executive Director	-	-	-	-
Ir. Loh Khoo Hong	Independent Non-Executive Director	-	-	-	-
Key management and key technical personnel					
Lim Soon Tat	Sales Director	10,000	0.01	-	-
Lye Siang Long	Finance Manager	100,000	0.12	-	-
Yap Kwai Lin	Accounts & Purchasing Manager	110,000	0.13	-	-
Azhan bin Ahmad Lahury	Business Development Executive	4,000	*	-	-
Low Lye Seng	Sales Manager – Audio Visual Division	1,230,038	1.47	-	-
Saw Siong Yih	Sales Manager – Healthcare Division	100,000	0.12	-	-
Mohd Nobeli bin Karim	Sales Manager –	100,000	0.12	-	-

1. INFORMATION SUMMARY (Cont'd)

	Designation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Mohd Nobeli bin Karim	Sales Manager – Government Project Division	100,000	0.12	-	-
Tan Chong Kiem	System Design & Application Assistant Manager	52,000	0.06	-	-
Chong Chee Woon	Service & Maintenance Manager	63,000	0.08	-	-

Notes:

* Negligible

(i) Deemed interest by virtue of his interest in KLSB

Further information on the promoters, substantial shareholders, directors, key management and key technical personnel are provided in Section 6 of this Prospectus.

1.3 FINANCIAL HIGHLIGHTS

1.3.1 Historical financial information

The following table is extracted from the Accountants' Report set out in Section 11 of this Prospectus and should be read in conjunction with the notes thereto.

The table below sets out a summary of the proforma consolidated results of the Digistar Group for the past five (5) financial years ended 30 September 1998 to 2002 and the eight (8)-month financial period ended 31 May 2003 and are provided for illustration purposes based on the audited financial statements of the subsidiaries of Digistar, prepared on the assumption that the current Digistar Group structure had been in existence throughout the financial years/period under review:

	-----Financial years ended 30 September-----					Eight (8)-month financial period ended 31 May 2003
	1998	1999	2000	2001	2002	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	12,093	9,949	11,964	20,589	21,712	30,482
<i>Results of operating activities</i>						
EBITDA	703	641	801	1,645	1,984	5,636
Interest expense	(132)	(106)	(128)	(171)	(166)	(127)
Interest income	58	82	41	13	119	61
Depreciation	(188)	(184)	(293)	(363)	(310)	(292)
PBT	441	433	421	1,124	1,627	5,278
Taxation	(167)	(41)	(161)	(464)	(597)	(1,567)
PAT	274	392	260	660	1,030	3,711

1. INFORMATION SUMMARY (Cont'd)

	<-----Financial years ended 30 September----->					Eight (8)- month financial period ended 31 May 2003
	1998	1999	2000	2001	2002	2003
No. of Digistar Shares in issue* ('000)	62,575	62,575	62,575	62,575	62,575	62,575
Gross EPS (sen)	0.7	0.7	0.7	1.8	2.6	12.7 [#]
Net EPS (sen)	0.4	0.6	0.4	1.1	1.6	8.9 [#]

Notes:

Annualised

* Based on the number of Digistar Shares assumed in issue after the DHSB Acquisition by Digistar and the Rights Issue but before the Public Issue

(i) The proforma historical track record of the Digistar Group is presented for the purpose of illustration only. The above performance indices are based on the audited financial statements of DHSB and DPSB for the financial years ended 30 September 1998, 1999, 2000, 2001, 2002 and eight (8)-month financial period ended 31 May 2003 after incorporating the prior year adjustments as explained in paragraph 7.3(k) of Section 11.

(ii) No provision for tax was made for the profit for the financial year ended 30 September 1999 as the amount of tax payable was waived, in accordance with the provisions of the Income Tax (Amendment) Act, 1999. The proforma effective tax rate of the Group for the financial year ended 30 September 1998, 2000, 2001, 2002 and eight (8)-month financial period ended 31 May 2003 were higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes.

(iii) There was no exceptional or extraordinary item in the relevant financial years/period under review.

Further details on the Digistar Group's historical financial performance are disclosed in Section 11 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)

1.3.2 Proforma consolidated balance sheets

The Proforma Consolidated Balance Sheets of the Company as at 31 May 2003, assuming that the DHSB Acquisition by Digistar, the Rights Issue, the Public Issue and the ESOS had been completed as at that date, together with the detailed assumptions underlying its preparation are set out in Section 10.7. The following table shows a summary of the Proforma Consolidated Balance Sheets of Digistar as at 31 May 2003:

	As at 31 May 2003 RM	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
Property, plant and equipment	-	4,937	4,937	4,937
Current assets	20	12,702	22,975	36,742
Current liabilities	-	6,485	6,485	6,485
Net current assets	20	6,217	16,490	30,257
	20	11,154	21,427	35,194
Financed by:				
Share capital	20	6,258	8,344	10,847
Share premium	-	-	8,187	19,451
Negative goodwill	-	3,710	3,710	3,710
Shareholders' equity	20	9,968	20,241	34,008
Hire purchase payables	-	1,101	1,101	1,101
Deferred taxation	-	85	85	85
	20	11,154	21,427	35,194
Number of shares in issue ('000)	0.2	62,575	83,435	108,465
NTA per share (RM)	0.10	0.16	0.24	0.31

Proforma I After the DHSB Acquisition by Digistar and the Rights Issue

Proforma II After Proforma I and the Public Issue

Proforma III After Proforma II and assuming full exercise of the ESOS options

Notes to the Proforma Consolidated Balance Sheets of Digistar are set out in Section 10.7 of this Prospectus.

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1. INFORMATION SUMMARY *(Cont'd)*

1.3.3 Auditors' qualification

The financial statements of Digistar and DPSB for the past five (5) financial years ended 30 September 2002 under review were reported upon without any qualification. The financial statements of DHSB for the past five (5) financial years ended 30 September 2002 under review were reported upon without any qualification, except for the financial years ended 30 September 1998 and 1999. The audit qualifications for those financial years are as follows:-

Financial year ended 30 September 1998

The auditor highlighted that the system of internal control was dependent on the close involvement of the directors who were also the major shareholders. Where independent confirmation of the completeness of the accounting records was not available, the auditor had accepted assurances from the directors that all the DHSB's transactions had been reflected in the financial statements.

The inventories were based on the management's count and valuation.

Financial year ended 30 September 1999

The auditor highlighted that the system of internal control was dependent on the close involvement of the directors who were also the major shareholders. Where independent confirmation of the completeness of the accounting records was not available, the auditor had accepted assurances from the directors that all the DHSB's transactions have been reflected in the financial statements.

In addition, the auditor qualified the following:-

- (i) the auditor did not observe the physical inventories count at the balance sheet date, and indicated that they were unable to satisfy themselves as to the quantities and valuation of the inventories by other means of auditing procedures; and
- (ii) the auditor did not receive any confirmation from trade payables, and were unable to verify to supporting documents as to the accuracy and correctness of the amounts as stated. Accordingly, the auditors were unable to ascertain the accuracy and correctness of the sales and purchases of DHSB.

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1. INFORMATION SUMMARY *(Cont'd)*

1.4 TECHNOLOGY

For its product design and development process, the Digistar Group applies Computer Assisted Design software technologies to develop designs of system integrations. The usage of Computer Assisted Design software enables the Digistar Group to draw an accurate design or plan prior to an installation of the integrated systems in the proposed development building.

The Digistar Group also uses C-language computer software to write programmes in order to integrate and control electronic devices in various communication protocols such as RS-232/RS-485/RS-422, infra-red and radio frequency.

Further information on technology is set out Section 4.4.3 of this Prospectus.

1.5 RISK FACTORS

There are a number of risk factors (which may not be exhaustive), both specific to the Digistar Group and relating to the general business environment, which may impact the operating performance and financial position of the Group. To appreciate the risk factors associated with an investment in Digistar, this Prospectus should be read in its entirety. Details of the key risk factors of which investors should be aware are set out in Section 3 of this Prospectus.

- (i) Economic condition
- (ii) Competitive risks
- (iii) Financial risks
- (iv) Shortage of labour and dependence on key personnel
- (v) Copyright issue/use of illegal software
- (vi) Innovation, product and service differentiation
- (vii) Elasticity of demand
- (viii) Reliance on distributor/licence agreements/arrangements
- (ix) No prior market for the Digistar Shares
- (x) Political and economic considerations
- (xi) Forward looking statements
- (xii) Failure/delay in the listing
- (xiii) Foreign exchange risk
- (xiv) Uncertainty in the proposed five (5)-year business development plan
- (xv) Profit estimate and profit forecast
- (xvi) Industry risks
- (xvii) Insurance risks
- (xviii) Controlling shareholders

1. INFORMATION SUMMARY *(Cont'd)*

1.6 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

1.6.1 Share capital

	RM
<i>Authorised:</i> 250,000,000 ordinary shares of RM0.10 each	25,000,000
<i>Issued and fully paid-up as at the date of this Prospectus:</i> 62,575,325 ordinary shares of RM0.10 each	6,257,533
<i>To be issued and credited as fully paid-up pursuant to the Public Issue:</i> 20,860,000 new ordinary shares of RM0.10 each	2,086,000
<i>Enlarged issued and fully paid-up share capital</i>	8,343,533

1.6.2 Issue Price per Public Issue Share (RM) 0.55

1.6.3 Proforma consolidated NTA as at 31 May 2003

	NTA RM'000	NTA per share RM
Proforma Consolidated NTA after the DHSB Acquisition by Digistar and the Rights Issue	9,968	0.16 ⁽ⁱ⁾
Proforma Consolidated NTA after the DHSB Acquisition by Digistar, the Rights Issue and the Public Issue	20,241	0.24 ⁽ⁱⁱ⁾

Notes:

- (i) *Based on the enlarged issued and paid-up share capital of 62,575,325 Digistar Shares after the DHSB Acquisition by Digistar and the Rights Issue*
- (ii) *Based on the enlarged issued and paid-up share capital of 83,435,325 Digistar Shares after the DHSB Acquisition by Digistar, the Rights Issue and the Public Issue*

The Proforma Consolidated Balance Sheets of Digistar is set out in more detail in Section 10.7 of this Prospectus.

1.6.4 Classes of shares and ranking

There is only one (1) class of shares in Digistar, namely ordinary shares of RM0.10 each. The Public Issue Shares will rank pari passu in all respects with the existing Digistar Shares in issue except that they shall not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

At any general meeting of the Company, each shareholder shall be entitled to vote at any general meeting of the Company, in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the registrar of companies.

1. INFORMATION SUMMARY (Cont'd)

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company in accordance with the Articles of Association of the Company.

1.6.5 Consolidated profit estimate and profit forecast

Financial year ended/ending 30 September	Estimate 2003 RM'000	Forecast 2004 RM'000
Revenue	40,000	50,400
Consolidated profit before taxation	6,527	7,428
Less: Taxation	(1,985)	(2,145)
Consolidated profit after taxation	4,542	5,283
Less: Pre-acquisition profit	(3,974)	-
Consolidated profit after taxation attributable to shareholders of Digistar	568	5,283
<i>Based on the enlarged issued and paid-up share capital of 83,435,325 Digistar Shares and consolidated profit after taxation before pre-acquisition profit</i>		
Gross EPS (sen)	7.8	8.9
Net EPS (sen)	5.4	6.3
Gross PE multiple based on the issue price of RM0.55 per Digistar Share (times)	7.0	6.2
Net PE multiple based on the issue price of RM0.55 per Digistar Share (times)	10.1	8.7

Further information on the consolidated profit estimate and profit forecast of the Digistar Group are as set out in Section 10.5 of this Prospectus.

1.6.6 Dividend forecast

Financial year ending 30 September	Forecast 2004
Gross dividend per ordinary share (sen)	4.0
Net dividend per ordinary share (sen)	2.9
Net dividend cover (times) *	2.2
Gross dividend yield based on the issue price of RM0.55 per Digistar Share (%)	7.3
Net dividend yield based on the issue price of RM0.55 per Digistar Share (%)	5.2

Note:

* Based on the enlarged issued and paid-up share capital of 83,435,325 Digistar Shares

Further information on the dividend forecast of the Digistar Group is as set out in Section 10.6 of this Prospectus.

1. INFORMATION SUMMARY *(Cont'd)*

1.7 UTILISATION OF PROCEEDS

The gross proceeds of approximately RM12.72 million from the Rights Issue and the Public Issue accruing to the Digistar Group will be utilised by the financial year ending 30 September 2005 in the following manner:

	RM'000
Investment in DRMSB	1,000
Capital expenditure for office expansion	3,100
Future business expansion	1,000
Renovation and upgrading of showroom	200
Purchase of fixed assets	1,000
Repayment of term loan	753
Working capital	4,472
Estimated listing expenses	1,200
	12,725

Further information on the utilisation of proceeds is provided in Section 2.7 of this Prospectus.

1.8 MATERIAL LITIGATION

As at 22 September 2003, Digistar and its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries, and the Directors of the Company have no knowledge of any proceedings pending or threatened against the Company and its subsidiaries or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and its subsidiaries.

1.9 CAPITAL COMMITMENTS

As at 22 September 2003, the Group does not have any capital commitment in respect of acquisition of land and building, plant and machinery and other fixed assets.

1.10 CONTINGENT LIABILITIES

As at 22 September 2003, the Directors of Digistar are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.