

10. FINANCIAL INFORMATION

10.1 HISTORICAL FINANCIAL INFORMATION

The following is a summary of the audited 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. The proforma consolidated results are presented for illustrative purposes only and have been prepared on the assumption that the current Digistar Group structure has been in existence throughout the financial years/period under review. The table should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus.

	←-----Financial years ended 30 September-----→					Eight (8)- month financial period ended 31 May 2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 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
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 and 2002 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.

10. FINANCIAL INFORMATION (Cont'd)

10.2 OVERVIEW OF THE REVENUE AND PBT FOR THE PAST FIVE (5) FINANCIAL YEARS ENDED 30 SEPTEMBER 2002 AND EIGHT (8)-MONTH FINANCIAL PERIOD ENDED 31 MAY 2003

Turnover for the financial year ended 30 September 1998 increased by 4% to RM12.09 million due to a few new projects secured in this financial year such as Maktab PDRM and MATRADE respectively. Despite the increase in turnover, PBT decreased to RM441,000 mainly due to a higher operating expenses such as higher depreciation charges and provision of bad and doubtful debts.

Turnover decreased to RM9.95 million for the financial year ended 30 September 1999. This was mainly due to the lower contract value for new contracts secured and executed during the financial year and less work done for contracts brought forward from the previous years as most work had been completed previously. The Group managed to record a PBT of RM433,000 for the financial year ended 30 September 1999, a fall of 1.8% as compared to the financial year ended 30 September 1998, in line with the lower turnover. This was mainly attributable to the lower margin earned from new contracts secured in this financial year ended 30 September 1999.

Turnover for the financial year ended 30 September 2000 increased by 20% to RM11.96 million mainly due to the increase in the contract value secured during the financial year ended 30 September 2000 which includes Hospital Pandan in Johor Bahru. Despite the significant increase in turnover, PBT decreased by RM11,000 to RM422,000 mainly due to higher operating overheads arising from an increase in the level of activities and higher staff costs incurred.

Turnover for the financial year ended 30 September 2001 increased by 72% to RM20.59 million largely due to the substantial increase in more large projects secured from the healthcare sector convention and training centre such as MTC Intan Bukit Kiara, Istana Budaya and Hospital Lahad Datu. As a result of the significant increase in turnover and better average gross profit margin, PBT increased substantially to approximately RM1.13 million as compared to RM422,000 in the financial year ended 30 September 2000.

Turnover for the financial year ended 30 September 2002 increased by 5% to RM21.71 million largely due to more hospital projects secured during the financial year such as Hospital Serdang, Hospital Ampang, Hospital Alor Star and Hospital Kepala Batas. PBT increased to approximately RM1.63 million or 45% from the financial year ended 30 September 2001 in line with the improvement in the turnover and gross profit margin.

Turnover for the eight (8)-month financial period ended 31 May 2003 increased by more than 100% on an annualised basis compared with the last financial year mainly due to larger contract value secured and executed in this financial period such as Putrajaya Convention Centre, University Malaysia Sabah, Hospital Serdang, Hospital Temerloh, and Hospital Sungei Buloh. As a result of the significant increase in turnover and tight cost-control measures implemented, PBT increased substantially to approximately RM5.28 million.

10.3 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE

As at 22 September 2003, save as disclosed in this Prospectus, the financial performance, position and operations of the Group are not materially affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had, or that the Group reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Digistar or the Group;
- (ii) material capital expenditure commitments;

10. FINANCIAL INFORMATION *(Cont'd)*

- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Digistar Group;
- (iv) substantial increase in revenue; and
- (v) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

10.4 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

10.4.1 Working capital

The Directors of the Company are of the opinion that, barring any unforeseen circumstances and after taking into account the cashflow estimate and cashflow forecast including the proceeds raised from the Public Issue and the banking facilities available, the Digistar Group has adequate working capital for a period of twelve (12) months from the date of issue of this Prospectus.

10.4.2 Borrowings

As at 22 September 2003, the total bank borrowings of the Group amounted to approximately RM5.21 million comprising term loans, bank overdraft, trust receipts and bankers acceptance and hire-purchase financing, all of which are interest-bearing, as follows:

	Payable within twelve (12) months RM'000	Payable after twelve (12) months RM'000	Total outstanding RM'000
Term loan	99	654	753
Bank overdraft	1,222	-	1,222
Trust receipts and bankers acceptance	2,602	-	2,602
Hire-purchase	235	398	633
TOTAL	4,158	1,052	5,210

There have been and will be no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past financial year ended 30 September 2002 or the subsequent financial year ended 30 September 2003. The Group does not have any non-interest-bearing borrowings or foreign borrowings.

10.4.3 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 have a material effect on the financial position of the Company or its subsidiaries, and the Directors of the Company are not aware of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which may materially or adversely affect the position or business of the Company or its subsidiaries.

10.4.4 Contingent liabilities

As at 22 September 2003, to the best knowledge of the Directors, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

10. FINANCIAL INFORMATION *(Cont'd)*

10.4.5 Capital commitments

As at 22 September 2003, the Group does not have any capital commitment.

10.5 FUTURE FINANCIAL INFORMATION

10.5.1 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

The principal assumptions upon which the above consolidated profit estimate and profit forecast have been made are as follows:

1. There will be no significant changes in the principal activities and the existing structure of the Group.
2. The Group's products and services will not be rendered obsolete and will be enhanced to keep pace with continuing changes in technology, evolving industry standards and emerging client needs and preferences. There will be no significant defects or errors of the Group's products that will materially affect the business of the Group.
3. The existing maintenance contracts signed between the Group and its customers will be renewed upon expiration without any significant variation to the existing terms and conditions of the contracts.
4. There will not be any loss of the Group's existing customers, distributors and business alliances that will materially affect the revenue of the Group.
5. There will be no significant changes in the estimated selling prices for the Group's products and services, or major changes in the expected market demand for the Group's products and services.
6. There will be no significant changes in the direct costs, labour and other operating costs other than those as provided. Any significant increase in the cost of products and services will be compensated through an equivalent increase in the selling prices.

10. FINANCIAL INFORMATION (*Cont'd*)

7. It is assumed that the commencement and completion of the various types of projects by the Group will be achieved as planned.
8. There will be sufficient manpower and there will be no industrial disputes or disruptions in the supply of audio visual equipment, healthcare communication system and related accessories or any other abnormal factors which will adversely affect the operations of the Group.
9. There will be no significant changes in the key management and operating structure of the Group.
10. Inflation and foreign currency exchange rates will not fluctuate significantly from the present and projected level. The Malaysian Ringgit will continue to be pegged to the United States Dollar ("USD") at a rate of RM3.80/USD.
11. There will be no significant changes to the prevailing political conditions in Malaysia, which may have an adverse effect on the activities and performance of the Group.
12. The Malaysian economy will perform in line with the government's projections during the projection periods without any unfavourable global economic impact.
13. There will be no significant changes in the present legislation or government regulations, direct or indirect taxes and duties, which will adversely affect the activities of the Group. The income tax rate in Malaysia will remain at 28% with no significant changes in the bases of taxation.
14. There will be no major proceedings against the Group which will adversely affect the activities or performance of the Group or give rise to any contingent liabilities which will materially affect the financial position or business of the Group.
15. There will be no significant changes in the accounting policies presently adopted by the Group. The results of the subsidiaries will be consolidated using the acquisition method of accounting.
16. Capital expenditure will be implemented and incurred as scheduled and there will be no material acquisition or disposal of property, plant and equipment or investments other than those planned and incorporated in the profit forecast.
17. The Group intends to invest RM1 million in Digistar Rauland MSC Sdn Bhd, a subsidiary of Digistar, to undertake research and development activities by September 2004. There is no revenue being projected as it is assumed that only research and development activities will be carried out during the financial year ending 30 September 2004 and commercial exploitation will only commence after financial year ending 30 September 2004.
18. The Group will continue to enjoy the existing credit and financing facilities and that additional credit and financing facilities will be obtained as required. Interest rates on the existing and additional credit and financing facilities will not vary significantly from the present and projected level.
19. The restructuring and flotation of Digistar are as follows:
 - (i) the acquisition by Digistar Holdings Sdn. Bhd. ("DHSB") of 49,000 ordinary shares of RM1.00 each in Digistar Properties Sdn Bhd comprising 49.0% of the equity interest in DPSB from Lee Wah Chong and Wa Siew Yam for a total purchase consideration of RM37,264 to be fully satisfied by the issuance of 37,264 new ordinary shares of RM1.00 each in DHSB (the ordinary shares in DHSB are referred to as "DHSB Shares" hereinafter) at an issue price of RM1.00 per share ("DPSB Acquisition"). The acquisition was completed on 13 August 2003;

10. FINANCIAL INFORMATION (Cont'd)

- (ii) the acquisition by Digistar of 2,037,264 DHSB Shares comprising the entire enlarged equity interest in DHSB for a purchase consideration of RM5,006,006 to be fully satisfied by the issuance of 50,060,060 new ordinary shares of RM0.10 each in Digistar (the ordinary shares in Digistar are referred to as "Digistar Shares" hereinafter) at an issue price of RM0.10 per share ("DHSB Acquisition"). The DHSB Acquisition was completed on 14 August 2003;
- (iii) the Rights Issue of 12,515,065 new Digistar Shares at an issue price of RM0.10 per share, 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 ("Rights Issue"). The Rights Issue was completed on 26 September 2003;
- (iv) the Public Issue of 20,860,000 new Digistar Shares at an issue price of RM0.55 per share which will be allocated in the following manner ("Public Issue"):-
 - (a) 3,500,000 new Digistar Shares of RM0.10 each made available for application by the general public;
 - (b) 1,500,000 new Digistar Shares made available for application by the eligible employees; and
 - (c) 15,860,000 new Digistar Shares by way of private placement to institutional and individual investors.
- (v) the listing of and quotation for the entire enlarged issued and paid-up share capital of Digistar comprising 83,435,325 Digistar Shares and the new Digistar Shares arising from the exercise of options granted under the Employees' Share Option Scheme ("ESOS") on the MESDAQ Market of the Kuala Lumpur Stock Exchange (KLSE); and
- (vi) the ESOS for eligible employees and executive directors of the Digistar Group of up to 30% of the issued and paid-up share capital of Digistar upon listing of Digistar on the MESDAQ Market of the KLSE.

20. The DPSB Acquisition and DHSB Acquisition were both completed in August 2003 and the proceeds from the Rights Issue were received in September 2003. The proceeds from the Public Issue are expected to be received by the last quarter of 2003.

21. None of the options granted under the ESOS will be exercised during the forecast year.

22. The total proceeds from the Rights Issue and the Public Issue will be utilised as follows:

Purpose	RM'000
Investment in Digistar Rauland MSC Sdn. Bhd.	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
Estimated listing expenses	1,200
Working capital	4,472
	<u>12,725</u>

10. FINANCIAL INFORMATION *(Cont'd)*

10.5.2 Reporting Accountants' letter on the consolidated profit estimate and profit forecast *(Prepared for inclusion in this Prospectus)*



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Chartered Accountants

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2 October 2003

The Board of Directors
Digistar Corporation Berhad
B5/5/5, 4th Floor, One Ampang Business Avenue,
Jalan Ampang Utama 1/2,
68000 Ampang,
Selangor Darul Ehsan.

Dear Sirs/Madam

DIGISTAR CORPORATION BERHAD ("Digistar") CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE FINANCIAL YEARS ENDED/ENDING 30 SEPTEMBER 2003 AND 2004

We have reviewed the accounting policies and the calculations for the consolidated profit estimate and forecast of Digistar and its subsidiaries ("the Group"), for which the Directors of Digistar are solely responsible, for the financial years ended/ending 30 September 2003 and 2004, as set out in the accompanying statements (initialled by us for the purpose of identification only) for inclusion in the Prospectus of Digistar to be dated 10 October 2003 in connection with the following:-

- (a) the acquisition by Digistar Holdings Sdn. Bhd ("DHSB") of 49,000 ordinary shares of RM1.00 each in Digistar Properties Sdn. Bhd. ("DPSB") comprising 49.0% of the equity interest in DPSB from Lee Wah Chong and Wa Siew Yam for a total purchase consideration of RM37,264 to be fully satisfied by the issuance of 37,264 new ordinary shares of RM1.00 each in DHSB (the ordinary shares in DHSB are referred to as "DHSB Shares" hereinafter) at an issue price of RM1.00 per share ("DPSB Acquisition");
- (b) the acquisition by Digistar of 2,037,264 DHSB Shares comprising the entire enlarged equity interest in DHSB for a purchase consideration of RM5,006,006 to be fully satisfied by the issuance of 50,060,060 new ordinary shares of RM0.10 each in Digistar (the ordinary shares in Digistar are referred to as "Digistar Shares hereinafter") at an issue price of RM0.10 per share ("DHSB Acquisition");
- (c) the Rights Issue of 12,515,065 new Digistar Shares at an issue price of RM0.10 per share, to be payable in full upon acceptance, on the basis of one (1) rights share for every four (4) existing Digistar Shares held after DHSB Acquisition ("Rights Issue");

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

10. FINANCIAL INFORMATION (Cont'd)



- (d) the Public Issue of 20,860,000 new Digistar Shares at an issue price of RM0.55 per share which will be allocated in the following manner ("Public Issue"):-
- (i) 3,500,000 new Digistar Shares of RM0.10 each made available for application by the general public;
 - (ii) 1,500,000 new Digistar Shares made available for application by the eligible employees; and
 - (iii) 15,860,000 new Digistar Shares by way of private placement to institutional and individual investors.
- (e) the listing of and quotation for the entire enlarged issued and paid-up share capital of Digistar comprising 83,435,325 Digistar Shares and the new Digistar Shares arising from the exercise of options granted under the Employees' Share Option Scheme ("ESOS") on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("KLSE"); and
- (f) the ESOS for eligible employees and executive directors of Digistar Group of up to 30% of the issued and paid-up share capital of Digistar upon listing of Digistar on the MESDAQ Market of the KLSE.

In our opinion, the profit estimate and forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted by Digistar and its subsidiaries.

Yours faithfully

A handwritten signature in black ink, appearing to be "Jpa", written over a horizontal line.

Horwath
Firm No : AF 1018
Chartered Accountants

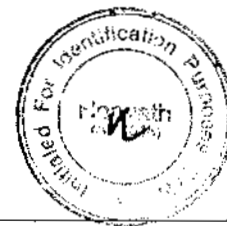
A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a horizontal line.

Onn Kien Hoe
Approval No : 1772/11/04(J/PH)
Partner

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

10. FINANCIAL INFORMATION (Cont'd)



DIGISTAR CORPORATION BERHAD

A. Consolidated Profit Estimate And Forecast For The Two (2) Financial Years Ended/Ending 30 September 2003 and 30 September 2004

The Directors of Digistar Corporation Berhad ("Digistar") estimate and forecast that, barring unforeseen circumstances and on the bases and assumptions set out below, the consolidated profit after taxation of Digistar and its subsidiaries ("the Group") for the two (2) financial years ended/ending 30 September 2003 and 30 September 2004 will be as follows:-

Year ended/ending 30 September	Estimate 2003 RM'000	Forecast 2004 RM'000
Consolidated profit after taxation	4,542	5,283
Less: Pre-acquisition profit	(3,974)	-
Consolidated profit after taxation attributable to shareholders of Digistar	<u>568</u>	<u>5,283</u>

B. Principal Bases And Assumptions Relating To The Consolidated Profit Estimate And Forecast

1. There will be no significant changes in the principal activities and the existing structure of the Group.
2. The Group's products and services will not be rendered obsolete and will be enhanced to keep pace with continuing changes in technology, evolving industry standards and emerging client needs and preferences. There will be no significant defects or errors of the Group's products that will materially affect the business of the Group.
3. The existing maintenance contracts signed between the Group and its customers will be renewed upon expiration without any significant variation to the existing terms and conditions of the contracts.
4. There will not be any loss of the Group's existing customers, distributors and business alliances that will materially affect the revenue of the Group.
5. There will be no significant changes in the estimated selling prices for the Group's products and services, or major changes in the expected market demand for the Group's products and services.
6. There will be no significant changes in the direct costs, labour and other operating costs other than those as provided. Any significant increase in the cost of products and services will be compensated through an equivalent increase in the selling prices.

10. FINANCIAL INFORMATION (Cont'd)



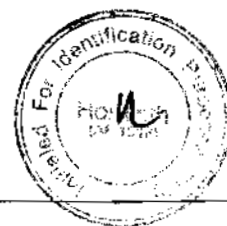
DIGISTAR CORPORATION BERHAD

B. Principal Bases And Assumptions Relating To The Consolidated Profit Estimate And Forecast (cont'd)

7. It is assumed that the commencement and completion of the various types of projects by the Group will be achieved as planned.
8. There will be sufficient manpower and there will be no industrial disputes or disruptions in the supply of audio visual equipment, healthcare communication system and related accessories or any other abnormal factors which will adversely affect the operations of the Group.
9. There will be no significant changes in the key management and operating structure of the Group.
10. Inflation and foreign currency exchange rates will not fluctuate significantly from the present and projected level. The Malaysian Ringgit will continue to be pegged to the United States Dollar ("USD") at a rate of RM3.80/USD.
11. There will be no significant changes to the prevailing political conditions in Malaysia, which may have an adverse effect on the activities and performance of the Group.
12. The Malaysian economy will perform in line with the government's projections during the projection periods without any unfavourable global economic impact.
13. There will be no significant changes in the present legislation or government regulations, direct or indirect taxes and duties, which will adversely affect the activities of the Group. The income tax rate in Malaysia will remain at 28% with no significant changes in the bases of taxation.
14. There will be no major proceedings against the Group which will adversely affect the activities or performance of the Group or give rise to any contingent liabilities which will materially affect the financial position or business of the Group.
15. There will be no significant changes in the accounting policies presently adopted by the Group. The results of the subsidiaries will be consolidated using the acquisition method of accounting.
16. Capital expenditure will be implemented and incurred as scheduled and there will be no material acquisition or disposal of property, plant and equipment or investments other than those planned and incorporated in the profit forecast.
17. The Group intends to invest RM1 million in Digistar Rauland MSC Sdn. Bhd., a subsidiary of Digistar, to undertake research and development activities by September 2004. There is no revenue being projected as it is assumed that only research and development activities will be carried out during the financial year ending 30 September 2004 and commercial exploitation will only commence after financial year ending 30 September 2004.

10. FINANCIAL INFORMATION (Cont'd)

DIGISTAR CORPORATION BERHAD



B. Principal Bases And Assumptions Relating To The Consolidated Profit Estimate And Forecast (cont'd)

18. The Group will continue to enjoy the existing credit and financing facilities and that additional credit and financing facilities will be obtained as required. Interest rates on the existing and additional credit and financing facilities will not vary significantly from the present and projected level.
19. The restructuring and flotation of Digistar are as follows:-
- (a) the acquisition by Digistar Holdings Sdn. Bhd. ("DHSB") of 49,000 ordinary shares of RM1.00 each in Digistar Properties Sdn. Bhd. ("DPSB") comprising 49.0% of the equity interest in DPSB from Lee Wah Chong and Wa Siew Yam for a total purchase consideration of RM37,264 to be fully satisfied by the issuance of 37,264 new ordinary shares of RM1.00 each in DHSB (the ordinary shares in DHSB are referred to as "DHSB Shares" hereinafter) at an issue price of RM1.00 per share ("DPSB Acquisition"). The acquisition was completed on 13 August 2003;
 - (b) the acquisition by Digistar of 2,037,264 DHSB Shares comprising the entire enlarged equity interest in DHSB for a purchase consideration of RM5,006,006 to be fully satisfied by the issuance of 50,060,060 new ordinary shares of RM0.10 each in Digistar (the ordinary shares in Digistar are referred to as "Digistar Shares" hereinafter) at an issue price of RM0.10 per share ("DHSB Acquisition"). The DHSB Acquisition was completed on 14 August 2003;
 - (c) the Rights Issue of 12,515,065 new Digistar Shares at an issue price of RM0.10 per share, 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 ("Rights Issue"). The Rights Issue was completed on 26 September 2003;
 - (d) the Public Issue of 20,860,000 new Digistar Shares at an issue price of RM0.55 per share which will be allocated in the following manner ("Public Issue"):-
 - (i) 3,500,000 new Digistar Shares of RM0.10 each made available for application by the general public;
 - (ii) 1,500,000 new Digistar Shares made available for application by the eligible employees; and
 - (iii) 15,860,000 new Digistar Shares by way of private placement to institutional and individual investors.
 - (e) the listing of and quotation for the entire enlarged issued and paid-up share capital of Digistar comprising 83,435,325 Digistar Shares and the new Digistar Shares arising from the exercise of options granted under the Employees' Share Option Scheme ("ESOS") on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("KLSE"); and
 - (f) the ESOS for eligible employees and executive directors of Digistar Group of up to 30% of the issued and paid-up share capital of Digistar upon listing of Digistar on the MESDAQ Market of the KLSE.

10. FINANCIAL INFORMATION (Cont'd)

DIGISTAR CORPORATION BERHAD


B. Principal Bases And Assumptions Relating To The Consolidated Profit Estimate and Forecast (cont'd)

20. The DPSB Acquisition and DHSB Acquisition were both completed in August 2003 and the proceeds from the Rights Issue were received in September 2003. The proceeds from the Public Issue are expected to be received by the last quarter of 2003.
21. None of the options granted under the ESOS will be exercised during the forecast year.
22. The total proceeds from the Rights Issue and the Public Issue will be utilised as follows:-

Purpose	RM'000
Investment in Digistar Rauland MSC Sdn. Bhd.	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
Estimated listing expenses	1,200
Working capital	4,472
	<u>12,725</u>

10. FINANCIAL INFORMATION *(Cont'd)*

10.5.3 Directors' analysis and commentary on the consolidated profit estimate and profit forecast

The Group has estimated a turnover of RM40.0 million for the financial year ended 30 September 2003 as compared to RM21.7 million for the financial year ended 30 September 2002, an increase of 84.3%. The Group has forecasted an increase in turnover of 26.0% or approximately RM10.4 million to RM50.4 million for the financial year ending 30 September 2004. The increase in turnover for the financial years ended/ending 30 September 2003 and 2004 are mainly due to the order book which stands at approximately RM49 million as at 22 September 2003. These projects are mostly scheduled to be executed in the financial years ended/ending 30 September 2003 and 2004.

The Group is expected to record a higher profit after taxation of RM4.5 million for the financial year ended 30 September 2003, which represents an increase of 450% compared to RM1.0 million in financial year ended 30 September 2002 corresponding to the higher turnover estimate. The profit after taxation is forecasted to increase to RM5.3 million for the financial year ending 30 September 2004, an increase of 17.8% from financial year ended 30 September 2003. The increase for the two (2) financial years ended/ending 30 September 2003 and 2004 are mainly due to the order book amounting to RM49 million as at 22 September 2003 and only slight corresponding increase in the cost as most of the cost is fixed or semi-fixed in nature.

The Directors of Digistar have reviewed and analysed the reasonableness, after due and careful enquiry based on the current prevailing economic and operating conditions, of the bases and assumptions used in deriving the profit estimate and the profit forecast for the financial years ended/ending 30 September 2003 and 2004, respectively. The Directors of Digistar are of the opinion that the profit estimate and profit forecast of the Digistar Group for the financial years ended/ending 30 September 2003 and 2004 respectively are fair and reasonable in light of the assumptions made, future plans and strategies to be adopted by the Digistar Group, the future prospects of the industry as well as the Group's level of gearing, liquidity and working capital. However, an estimate and forecast by its nature is subject to subjective judgements, inherent uncertainties and unexpected events which may occur beyond the control or prediction of the Group or its Board. Accordingly, the Board does not guarantee the achievement of the consolidated profit estimate and profit forecast.

10.6 DIVIDEND FORECAST AND POLICY

It is a policy of the Board of Directors of the Company in recommending dividends to allow shareholders to participate in the profits of the Group whilst retaining adequate reserves for its future growth. The Directors will take into consideration the retained profits, cashflow of the Company as well as the funding requirements of the Company before declaring any future dividends.

The Directors of the Company do not expect to declare any dividend for the financial year ended 30 September 2003. Based on the forecast consolidated profit after taxation for the financial year ending 30 September 2004, the Directors of the Company anticipates that, in the absence of unforeseen circumstances, the Company will be in a position to propose a gross dividend amounting to four (4) sen per share for the financial year ending 30 September 2004 based on the enlarged issued and paid-up share capital of RM8,343,533 comprising 83,435,325 Digistar Shares.

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10. FINANCIAL INFORMATION *(Cont'd)*

The intended appropriation of the consolidated profit forecast for the financial year ending 30 September 2004 is as follows:

	Forecast 2004
Financial year ending 30 September	
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

Notwithstanding the above, the Directors have full discretion not to propose any future dividend payment as and when necessary, if it is in the best interests of the Company.

10.7 PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)

The proforma consolidated balance sheets of Digistar as at 31 May 2003 are provided for illustrative purposes only to show the effects of the DHSB Acquisition by Digistar, the Rights Issue, the Public Issue and the ESOS, on the assumption that these transactions had been effected on that date:

	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

10. FINANCIAL INFORMATION (Cont'd)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

Basis of Preparation

The Proforma Consolidated Balance Sheets have been prepared based on the audited balance sheet of Digistar Corporation Berhad ("Digistar") and the audited consolidated balance sheets of Digistar Holdings Sdn Bhd ("DHSB") as at 31 May 2003, solely for illustrative purposes, to show the effects of the Proposals as though they were effected as of that date.

1.1 Proforma I

Proforma I incorporates the followings:-

- (i) the acquisition by DHSB of 49,000 ordinary shares of RM1.00 each in Digistar Properties Sdn Bhd ("DPSB") comprising 49.0% of the equity interest in DPSB from Lee Wah Chong and Wa Siew Yam for a total purchase consideration of RM37,264 to be fully satisfied by the issuance of 37,264 new ordinary shares of RM1.00 each in DHSB at an issue price of RM1 each. The acquisition was completed on 13 August 2003;
- (ii) the acquisition of 100% equity interest in DHSB comprising 2,037,264 ordinary shares of RM1.00 each by Digistar for a purchase consideration of RM5,006,006 to be fully satisfied by the issuance of 50,060,060 new Digistar shares of RM0.10 at an issue price of RM0.10 ("DHSB Acquisition"). The DHSB Acquisition was completed on 14 August 2003; and
- (iii) the rights issue of 12,515,065 new Digistar Shares at an issue price of RM0.10 per share, 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 ("Rights Issue"). The Rights Issue was completed on 26 September 2003.

1.2 Proforma II

Proforma II incorporates the effects of Proforma I and the public issue of 20,860,000 new Digistar Shares at an issue price of RM0.55 per share. The estimated listing expenses of RM1,200,000 have been debited against the share premium account.

1.3 Proforma III

Proforma III incorporates the effects of Proforma II and the full exercise of Employees' Share Option Scheme ("ESOS"), assuming 25,030,000 new Digistar Shares (approximately 30% of the issued and paid-up share capital of Digistar upon listing) will be issued upon full exercise of options granted under the ESOS at an exercise price of RM0.55 per new Digistar Shares.

10. FINANCIAL INFORMATION (Cont'd)

2. Share Capital

The movements in the issued and paid-up share capital of Digistar are as follows:-

Issued and Fully Paid-up Share Capital	Number of Ordinary Shares	Amount of Share Capital RM
Ordinary shares of RM0.10 each as at 31 May 2003	200	20
Ordinary shares issued pursuant to DHSB Acquisition	50,060,060	5,006,006
Rights Issue	12,515,065	1,251,507
As per Proforma I	62,575,325	6,257,533
Public Issue	20,860,000	2,086,000
As per Proforma II	83,435,325	8,343,533
Full exercise of ESOS	25,030,000	2,503,000
As per Proforma III	108,465,325	10,846,533

3. Share Premium Account

The estimated listing expenses of RM1.2 million have been charged against the share premium account under Proforma II. The movements in the share premium account are as follows:-

As at 31 May 2003/As per Proforma I	RM
Premium arising from the Public Issue	-
Estimated listing expenses	9,387,000
As per Proforma II	(1,200,000)
Premium arising from the ESOS	8,187,000
As per Proforma III	11,263,500
	19,450,500

4. Negative Goodwill

The negative goodwill arising from the DHSB Acquisition represents the excess of the fair value of the net assets acquired based on the audited balance sheet of DHSB as at 31 May 2003 over the fair value of the purchase consideration. The calculation of the negative goodwill is as follows:-

Fair value of net assets acquired	RM
Fair value of purchase consideration	8,716,532
As per Proforma I/II/III	5,006,006
	3,710,526

10. FINANCIAL INFORMATION (Cont'd)

10.8 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)



Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

2 October 2003

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

The Board of Directors

Digistar Corporation Berhad
B5/5/5, 4th Floor,
One Ampang Business Avenue,
Jalan Ampang Utama 1/2,
68000 Ampang,
Selangor Darul Ehsan.

603.2166.0000
603.2166.1000 Fax
horwath@po.jaring.my

Dear Sirs/Madam

**DIGISTAR CORPORATION BERHAD ("Digistar")
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MAY 2003**

We have reviewed the Proforma Consolidated Balance Sheets of Digistar and its subsidiaries as at 31 May 2003 together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the accompanying statements (initialed by us for the purpose of identification only) for inclusion in the Prospectus of Digistar to be dated 10 October 2003 in connection with the following:-

- (a) the acquisition by Digistar Holdings Sdn. Bhd ("DHSB") of 49,000 ordinary shares of RM1.00 each in Digistar Properties Sdn. Bhd. ("DPSB") comprising 49.0% of the equity interest in DPSB from Lee Wah Chong and Wa Siew Yam for a total purchase consideration of RM37,264 to be fully satisfied by the issuance of 37,264 new ordinary shares of RM1.00 each in DHSB (the ordinary shares in DHSB are referred to as "DHSB Shares" hereinafter) at an issue price of RM1.00 per share;
- (b) the acquisition by Digistar of 2,037,264 DHSB Shares comprising the entire enlarged equity interest in DHSB for a purchase consideration of RM5,006,006 to be fully satisfied by the issuance of 50,060,060 new ordinary shares of RM0.10 each in Digistar (the ordinary shares in Digistar are referred to as "Digistar Shares" hereinafter) at an issue price of RM0.10 per share ("DHSB Acquisition");
- (c) the Rights Issue of 12,515,065 new Digistar Shares at an issue price of RM0.10 per share, 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 ("Rights Issue");

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

10. FINANCIAL INFORMATION (Cont'd)



- (d) the Public Issue of 20,860,000 new Digistar Shares at an issue price of RM0.55 per share which will be allocated in the following manner ("Public Issue"):-
- (i) 3,500,000 new Digistar Shares of RM0.10 each made available for application by the general public;
 - (ii) 1,500,000 new Digistar Shares made available for application by the eligible employees; and
 - (iii) 15,860,000 new Digistar Shares by way of private placement to institutional and individual investors.
- (e) the listing of and quotation for the entire enlarged issued and paid-up share capital of Digistar comprising 83,435,325 Digistar Shares and the new Digistar Shares arising from the exercise of options granted under the Employees' Share Option Scheme ("ESOS") on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("KLSE"); and
- (f) the ESOS for eligible employees and executive directors of Digistar Group of up to 30% of the issued and paid-up share capital of Digistar upon listing of Digistar on the MESDAQ Market of the KLSE.

In our opinion, the Proforma Consolidated Balance Sheets have been prepared on the bases as set out in the notes to the Proforma Consolidated Balance Sheets and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

A handwritten signature in black ink, appearing to be the name of a representative from Horwath.

Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be the name of Onn Kien Hoe.

Onn Kien Hoe
Approval No: 1772/11/04(J/PH)
Partner

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

10. FINANCIAL INFORMATION (Cont'd)

DIGISTAR CORPORATION BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS

	At 31 May 2003 RM	Proforma I RM	Proforma II RM	Proforma III RM
Property, plant and equipment	-	4,937,013	4,937,013	4,937,013
Current assets				
Inventories held for resale	-	1,656,526	1,656,526	1,656,526
Trade receivables	-	3,562,042	3,562,042	3,562,042
Amount owing by contract customers	-	1,078,556	1,078,556	1,078,556
Other receivables, deposits and prepayments	-	2,240,627	2,240,627	2,240,627
Fixed deposits with licensed banks	-	2,802,145	2,802,145	2,802,145
Cash and bank balances	20	1,362,872	11,635,872	25,402,372
	20	12,702,768	22,975,768	36,742,268
Less: Current liabilities				
Trade payables	-	3,420,737	3,420,737	3,420,737
Other payables and accruals	-	335,713	335,713	335,713
Amount owing to directors	-	183,739	183,739	183,739
Hire purchase payables	-	294,228	294,228	294,228
Short term borrowings	-	388,200	388,200	388,200
Provision for taxation	-	1,063,618	1,063,618	1,063,618
Bank overdrafts	-	799,254	799,254	799,254
	-	6,485,489	6,485,489	6,485,489
Net current assets	20	6,217,279	16,490,279	30,256,779
	20	11,154,292	21,427,292	35,193,792
Financed by:				
Share capital	20	6,257,533	8,343,533	10,846,533
Share premium	-	-	8,187,000	19,450,500
Negative goodwill	-	3,710,526	3,710,526	3,710,526
Shareholders' equity	20	9,968,059	20,241,059	34,007,559
Non-current liabilities				
Long term borrowings	-	1,101,233	1,101,233	1,101,233
Deferred taxation	-	85,000	85,000	85,000
	20	11,154,292	21,427,292	35,193,792
Number of ordinary shares in issue	200	62,575,325	83,435,325	108,465,325
Net tangible assets per ordinary share (RM)	0.10	0.16	0.24	0.31

10. FINANCIAL INFORMATION (Cont'd)



DIGISTAR CORPORATION BERHAD

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. Basis of Preparation

The Proforma Consolidated Balance Sheets have been prepared based on the audited balance sheet of Digistar Corporation Berhad ("Digistar") and the audited consolidated balance sheets of Digistar Holdings Sdn. Bhd. ("DHSB") as at 31 May 2003, solely for illustrative purposes, to show the effects of the Proposals as though they were effected as of that date.

1.1 Proforma I

Proforma I incorporates the followings:-

- (a) the acquisition by DHSB of 49,000 ordinary shares of RM1.00 each in Digistar Properties Sdn. Bhd. ("DPSB") comprising 49.0% of the equity interest in DPSB from Lee Wah Chong and Wa Siew Yam for a total purchase consideration of RM37,264 to be fully satisfied by the issuance of 37,264 new ordinary shares of RM1.00 each in DHSB at an issue price of RM1.00 each. The acquisition was completed on 13 August 2003;
- (b) the acquisition of 100% equity interest in DHSB comprising 2,037,264 ordinary shares of RM1.00 each by Digistar for a purchase consideration of RM5,006,006 to be fully satisfied by the issuance of 50,060,060 new Digistar shares of RM0.10 at an issue price of RM0.10 ("DHSB Acquisition") The DHSB Acquisition was completed on 14 August 2003; and
- (c) the Rights Issue of 12,515,065 new Digistar Shares (the ordinary shares in Digistar are referred to as "Digistar Shares" hereinafter) at an issue price of RM0.10 per share, 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 ("Rights Issue"). The Rights Issue was completed on 26 September 2003.

1.2 Proforma II

Proforma II incorporates the effects of Proforma I and the Public Issue of 20,860,000 new Digistar Shares at an issue price of RM0.55 per share. The estimated listing expenses of RM1,200,000 have been debited against the share premium account.

1.3 Proforma III

Proforma III incorporates the effects of Proforma II and the full exercise of Employees' Share Option Scheme ("ESOS"), assuming 25,030,000 new Digistar Shares (approximately 30% of the issued and paid-up share capital of Digistar upon listing) will be issued upon full exercise of options granted under the ESOS at an exercise price of RM0.55 per new Digistar Shares.

10. FINANCIAL INFORMATION (Cont'd)



DIGISTAR CORPORATION BERHAD

2. Share Capital

The movements in the issued and paid-up share capital of Digistar are as follows:-

<i>Issued and Fully Paid-up Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Amount of Share Capital</i>
		RM
Ordinary shares of RM0.10 each as at 31 May 2003	200	20
Ordinary shares issued pursuant to DHSB Acquisition	50,060,060	5,006,006
Rights Issue	12,515,065	1,251,507
As per Proforma I	62,575,325	6,257,533
Public Issue	20,860,000	2,086,000
As per Proforma II	83,435,325	8,343,533
Full exercise of ESOS	25,030,000	2,503,000
As per Proforma III	108,465,325	10,846,533

3. Share Premium Account

The estimated listing expenses of RM1.2 million have been charged against the share premium account under Proforma II. The movements in the share premium account are as follows:-

	RM
As at 31 May 2003/As per Proforma I	-
Premium arising from the Public Issue	9,387,000
Estimated listing expenses	(1,200,000)
As per Proforma II	8,187,000
Premium arising from the full exercise of ESOS	11,263,500
As per Proforma III	19,450,500

4. Negative Goodwill

The negative goodwill arising from the DHSB Acquisition represents the excess of the fair value of the net assets acquired based on the audited balance sheet of DHSB as at 31 May 2003 over the fair value of the purchase consideration. The calculation of the negative goodwill is as follows:-

	RM
Fair value of net assets acquired	8,716,532
Fair value of purchase consideration	5,006,006
As per Proforma I/II/III	3,710,526