
4. INFORMATION ON THE DIGISTAR GROUP

4.1 HISTORY AND BUSINESS

DHSB, the core asset of the Digistar Group, made its presence in the local market since 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 currently being leased. A portion of the former office units occupied by DHSB is currently utilised as a showroom for 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 and 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.

In 1992, DHSB achieved a milestone by entering into its first exclusive distributorship agreement with Biamp Systems, United States of America to distribute the Biamp products, such as a digital signal processor for tele-conferencing system for the Malaysian market. The following year, DHSB successfully obtained another two (2) exclusive distributorships from:

- (i) Rauland-Borg Corporation, United States of America for the local distribution of advanced telecommunication system, hardware and software for healthcare and education facilities; and
- (ii) Danish Interpretation Systems A/S, Denmark to distribute the Professional Multilanguage Simultaneous Interpretation Systems and audio-visual teleconferencing systems in Malaysia.

In 1998, DHSB was appointed as a distributor in Malaysia by Mackie Designs (Italy) S.p.A to distribute the integrated audio teleconferencing systems. In 2002, DHSB achieved another milestone following the appointment by Leitch Technology International Inc., Canada, as the Exclusive Authorised Dealer for its products such as high definition television digital conversion system and distribution amplifier routing system within Malaysia as well as the appointment by Dalet Systems Asia Pte Ltd, as the Exclusive Distributor for the software in relation to the television or radio automation in Malaysia.

4. INFORMATION ON THE DIGISTAR GROUP (*Cont'd*)

In January 2003, the Group entered into a joint venture agreement with Rauland-Borg Corporation, United States of America and an individual to set up DRMSB whereby the joint venture company will undertake R&D on new system for application in learning institutions based on the existing Rauland-Borg's range of communication product technologies and customising the new products in accordance to the needs and requirements of the local and Asian countries, taking into consideration of various aspects such as ethnicity and weather. DRMSB successfully obtained MSC status from Multimedia Development Corporation Sdn Bhd in July 2003.

The Group has built a strong reputation for its expertise, experience and reliability in system integration, custom-designing for specialist in high technology assignment, as evident by the Group which had completed more than four hundred (400) specialist projects under its track record since its incorporation, spanning across a range of sectors that includes the education and healthcare sectors. Amongst the notable prestigious projects accomplished by the Group are the projects involving three hundred sixty five (365)-districts Education Resource Centre and fifteen (15) Education Technology Units in 1990 under the Government/World Bank initiative, the Hospital University Kebangsaan Malaysia in 1998, the Selayang Paperless Hospital in 1999, the Universiti Tenaga Nasional project in 2001, the MATRADE Buildings in 2001, and the government office training centre (INTAN) in 2002. Similarly, the Group was also one of the pioneers that implemented the ICT infrastructure for Smart School concepts in Malaysia, such as the S.R.J.K. (T) Batu Caves, Selangor and Sekolah Datuk Abdul Razak, Seremban.

As part of its social contribution towards moving Malaysia towards Vision 2020, the Group responded to the Malaysian government call to provide industrial training opportunities via internship to the students from the University of Technology Malaysia (UTM), Universiti Institut Teknologi Malaysia (UiTM), Universiti Teknologi Mara (MARA) and private colleges starting from year 1998. This provides an avenue for DHSB to employ potential employees upon completion of their studies.

As part of its future expansion plan, the Group intends to move downstream into the retail market by entering into "smart partnership" arrangement with the selected entrepreneurs 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 Construction Industry Development Board (CIDB), the *Kementerian Kewangan Malaysia* (Ministry of Finance) and "ePerolehan" enabled, where the Group has access to bid for the government projects directly. The "ePerolehan" is an e-Procurement initiative of the local government where it allows the local suppliers to register online and accessible to the local government procurement offices nationwide to facilitate transactions such as a central contract, direct purchase, quotation and tender exercises through ePerolehan.

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 field on related products for the Malaysian government and private consultant engineers, professional engineers or specialists with the objective of transfer of technology from advance countries to Malaysia and enhance the utilisation of the latest technologies available in the market.

The Group is backed by the sound business expertise, technical skills, quality products and services rendered in its businesses for more than twenty (20) years as well as order book valued at over RM49 million as of 22 September 2003 in the pipeline to achieve the future business development plans. The Group remains focus in its future plans and is well equipped and ready to meet the challenges of the 21st century towards Vision 2020.

4. INFORMATION ON THE DIGISTAR GROUP (*Cont'd*)

4.2 SHARE CAPITAL

The existing 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 changes in the issued and paid-up share capital of Digistar since its incorporation are as follows:

| Date of allotment | No. of Digistar Shares allotted | Par value RM | Consideration | Cumulative issued and paid-up share capital RM |
|-------------------|---------------------------------|--------------|---|--|
| 15.01.2003 | 200 | 0.10 | Cash | 20 |
| 14.08.2003 | 50,060,060 | 0.10 | Shares issued pursuant to the DHSB Acquisition by Digistar at par | 5,006,026 |
| 26.09.2003 | 12,515,065 | 0.10 | Rights issue on basis of 1:4 at par | 6,257,533 |

The principal activity of Digistar is investment holding whilst the principal activities of its 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 |

4.3 RESTRUCTURING SCHEME

As an integral part of the listing and quotation for the entire issued and paid-up capital of the Company on the MESDAQ Market of the KLSE, the Company undertook a restructuring scheme which was approved by the following authorities:

- (i) KLSE vide its letter dated 4 July 2003;
- (ii) SC vide its letter dated 3 July 2003;
- (iii) FIC vide its letter dated 26 March 2003; and
- (iv) MITI vide its letter dated 26 March 2003.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

The restructuring scheme entails the following:

4.3.1 DPSB Acquisition by DHSB

The 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 was fully satisfied by the issuance of 37,264 new DHSB Shares at par.

The purchase consideration of RM37,264 for the DPSB Acquisition by DHSB was arrived at based on the audited NTA of DPSB as at 30 September 2002 of RM76,049. The DPSB Acquisition by DHSB was completed on 13 August 2003.

The new DHSB Shares issued shall rank *pari passu* in all respects with the then existing DHSB Shares except that they shall not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

4.3.2 DHSB Acquisition by Digistar

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 was fully satisfied by the issuance of 50,060,060 new Digistar Shares at an issue price of RM0.10 per share.

The purchase consideration of RM5,006,006 for the DHSB Acquisition by Digistar was arrived at based on the adjusted audited consolidated NTA of DHSB as at 30 September 2002 of RM5,006,006 after taking into consideration the DPSB Acquisition by DHSB. The DHSB Acquisition by Digistar was completed on 14 August 2003.

The new Digistar Shares issued shall rank *pari passu* in all respects with the then existing Digistar Shares except that they shall not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

4.3.3 Rights Issue

The Company completed a rights issue of 12,515,065 new Digistar Shares at an issue price of RM0.10 per share, paid in full upon acceptance, on the basis of one (1) rights share for every four (4) existing Digistar Shares held on 26 September 2003.

The new Digistar Shares issued shall rank *pari passu* in all respects with the then existing Digistar Shares except that they shall not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

4.3.4 Public Issue

In conjunction with the listing of Digistar on the MESDAQ Market of the KLSE, the Company will be implementing a public issue of 20,860,000 new Digistar Shares at an issue price of RM0.55 each.

Upon completion of the Public Issue, the issued and paid-up share capital of Digistar will be increased from RM6,257,533 to RM8,343,533 comprising 83,435,325 Digistar Shares.

The public issue of a total of 20,860,000 Digistar Shares representing 25.0% of the enlarged share capital of Digistar are to be issued to the following parties:

- 1,500,000 Digistar Shares representing 1.8% of the enlarged share capital have been reserved for eligible employees of the Digistar Group;

4. INFORMATION ON THE DIGISTAR GROUP (Cont'd)

- 3,500,000 Digistar Shares representing approximately 4.2% of the enlarged share capital have been reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions; and
- 15,860,000 Digistar Shares representing approximately 19.0% of the enlarged share capital will be placed with Malaysian investors by placement agent.

The new Digistar Shares to be issued shall rank *pari passu* in all respects with the then existing Digistar Shares except that they shall not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

4.3.5 Listing of and quotation

Pursuant to the Public Issue, Digistar will seek 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.

4.4 BUSINESS OVERVIEW

4.4.1 Principal activities

DHSB, a wholly-owned subsidiary of Digistar, is principally involved in the provision of design, supply, installation and integration of IT infrastructure, tele-conferencing, LANs, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.

DHSB has three (3) main divisions under the sales department with each division responsible for sourcing for new businesses from different target group of customers. The sales department is supported by the project division whereby as soon as a new contract is secured by the sales department, the project department will take over the implementation of the projects and provide technical skills and expertise in the design and installation of the systems. The three (3) divisions under the sales department are as follows:

- Audio-Visual Division covers projects relating to education sectors and other private projects. As at 22 September 2003, the Group has secured and completed several projects such as:

| Project | Contract value RM Million | Year of completion |
|---|---------------------------------|-----------------------|
| Institut Teknologi Tun Hussein Onn, Kuala Lumpur | 0.43 | 2002 |
| Government office training centre (INTAN), Bukit Kiara, Kuala Lumpur | 5.60 | 2002 |
| Sekolah Datuk Abdul Razak, Seremban | 0.70 | 2001 |
| Universiti Tenaga Nasional, Bangi, Selangor | 5.50 | 2001 |
| International Islamic University, Selangor | 1.90 | 2001 |
| University Malaysia Sabah, Sabah | 1.70 | 2001 |
| Multi-Media University, Cyberjaya, Selangor | 0.92 | 2000 |
| Institute Perindustrian (ILP) for Johor, Sabah, Sarawak, Perlis and Kedah | 1.34 | 2000 |
| S.R.J.K. (T) Batu Caves, Selangor | 0.46 | 1999 |

4. INFORMATION ON THE DIGISTAR GROUP (Cont'd)

| Project | Contract value RM Million | Year of completion |
|---|------------------------------|--------------------|
| 365 District Education Resource Centres and 15 Education Technology Units | 1.98 | 1990 |

- Healthcare Division is responsible for procuring projects relating to healthcare industries either via tender or general quotations. Amongst the projects completed by the Group are as follows:

| Project | Contract value RM Million | Year of completion |
|---|------------------------------|--------------------|
| Sunway Medical Centre, Subang Jaya, Selangor | 0.20 | 2001 |
| Selayang Paperless Hospital, Selayang, Selangor | 7.10 | 1999 |
| Langkawi Hospital, Kedah | 1.20 | 1998 |
| Hospital Universiti Kebangsaan Malaysia, Cheras, Kuala Lumpur | 1.80 | 1998 |
| Selangor Medical Centre, Shah Alam, Selangor | 0.82 | 1996 |
| Damansara Specialist Hospital, Selangor | 0.41 | 1996 |
| Ampang Puteri Specialist Centre, Ampang, Selangor | 0.60 | 1995 |
| Hospital Bangi, Selangor | 0.20 | 1995 |

- Government Division comprises projects tendered directly from government departments, save for education projects. Amongst the projects completed are as follows:

| Project | Contract value RM Million | Year of completion |
|--|------------------------------|--------------------|
| Radio Television Malaysia, Johor Bahru, Johor | 0.10 | 2002 |
| Istana Budaya, Kuala Lumpur | 2.10 | 2001 |
| MATRADE Building, Kuala Lumpur | 7.00 | 2001 |
| Technology Park Malaysia, Kuala Lumpur | 1.00 | 2000 |
| State Museum of Terengganu | 0.80 | 2000 |
| Mahkamah Syariah, Terengganu | 0.31 | 2000 |
| Bangunan Gunasama Persekutuan, Ipoh, Perak | 5.30 | 2000 |
| Polis Dirija Malaysia Academic Institute, Cheras, Selangor | 4.40 | 1998 |
| Jabatan Kerja Raya Headquarter, Kuala Lumpur | 1.00 | 1997 |
| Pusat Sains Negara, Bukit Kiara, Kuala Lumpur | 0.92 | 1993 |

DPSB, a wholly-owned subsidiary of DHSB, is principally involved in the provision, maintenance and upkeep of premises which are substantially utilised by the Digistar Group. Currently, DPSB owns eight (8) office units, one (1) double-storey shophouse and one (1) vacant bungalow lot, whilst DHSB owns an office unit in Wisma Central, Jalan Ampang, Kuala Lumpur.

Further details in relation to the properties listing are included in Section 9.2.

4. INFORMATION ON THE DIGISTAR GROUP (Cont'd)

4.4.2 Principal products and services

The Digistar Group is principally engaged in design, supply, installation and integration of IT infrastructure, tele-conferencing, LANs, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.

The principal products and services of the Group are as follows:

| Products and Services | Industry | Usage / End Product Application |
|-------------------------------------|------------------------------|---|
| Infrastructure for IT / LAN | IT | <ul style="list-style-type: none"> ➤ Carriers of IT solutions for voice, video and data systems ➤ Sharing of data and network devices such as printers and internet access |
| Interactive Media Management System | IT | <ul style="list-style-type: none"> ➤ Control cables or LAN cable systems that overcome copyright problems, distribution of data, voice and video through the central management of all media, source materials, course-ware and media equipment in one centralised area for easy distribution, access and retrieve |
| Digital Radio Automation System | IT | <ul style="list-style-type: none"> ➤ MCR functions that receive, play out and monitor the quality of programmes. The main equipment such as servers, digital audio routers, monitoring facilities and other relevant facilities are located at the MCR ➤ On Air Studio that performs manual, live assist and fully unattended operations ➤ Editing and Production and Recording Studio that is designed for programme recordings, editing, scheduling and transferring of music, commercial materials and programmes |
| News Automation System | IT | <ul style="list-style-type: none"> ➤ The complete digital newsroom systems that allow streamlining, acquisition, digitisation, editing and play-out |
| Communication System | Telecommunication Technology | <ul style="list-style-type: none"> ➤ Education communication systems that allow complete integration between lecture halls or classrooms with the resource centre or library ➤ Hospital communication systems that integrate communication between the patients' rooms and control stations / response centers, performs day-to-day healthcare requirements such as itemising the patients' call time, response time etc |
| Integrated Audio and Visual System | Telecommunication Technology | <ul style="list-style-type: none"> ➤ Systems that transmit and distribute various forms of media through digital formats |

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

The principal products and services are further discussed below:

4.4.2.1 Infrastructure for IT/LAN

LAN and WAN are industry standards for carriers of IT solutions in business today, where the design of the cabling system provides for the necessary bandwidth for voice, video and data systems. WAN is a computer network that can span a relatively large geographical area. Typically, a WAN system consists of two or more LANs. Most modern businesses utilise this system which enables the sharing of data and network devices such as printers and internet access and thus allowing for distributed client/server computing and host-based networking. In future, the expansion of the communication functions will make these networks the most valuable asset within an organisation.

Some of the prestigious projects which have been completed by the Group include Universiti Tenaga Nasional, Bangi and PDRM Academic Institute, Cheras, Kuala Lumpur.

4.4.2.2 Interactive media management system

This is an interactive media management system or media retrieval system used to overcome copyright problems as well as to reduce the cost for purchase of multi-copy course-ware. It allows the distribution of data, voice and video through the central management of all media, source materials, course-ware and media equipment in one centralised area. It is also easily distributable, accessible and retrievable through control cables or LAN cable systems. This system is commonly used by education facilities, namely universities, colleges, smart schools and other training facilities. Such a system is suitable and ideal in countries with tropical climate, like Malaysia, with high humidity, lack of air-conditioning in classrooms, poor electricity in rural schools, and with high security problems. The interactive media management system, which is widely used in the United States of America and Australia, is capable of performing the following functions:

- Graphic media scheduling / reservation from any network workstation that is connected with LAN or internet;
- Audio, video and text announcement with video bulletin;
- Tracking of system utilisation statistics and system diagnostics;
- Multi-media device / source control from a single network interface device;
- Interactive user assistance / help functions; and
- Interactive search engine for viewing and retrieving information from local and remote multimedia catalogs.

Some of the notable projects that were completed by the Group in this area were for Sekolah Datuk Abdul Razak, Seremban and S.R.J.K. (T) Batu Caves, Selangor.

4.4.2.3 Digital radio automation system

The standard Digital Radio Automation System consists of the following:

- The MCR is the heart of the radio operation centre. MCR is able to receive, play out and monitor the quality of programmes. The incoming signals from satellites and outdoor broadcast lines are terminated in the room and the programme output will be monitored at MCR before they go on air. The main equipment such as servers, digital audio routers, monitoring facilities and other relevant facilities are located at the MCR. For monitoring purposes, the display at the control desk can display the on-air programme and off-air receive programme.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

- The On-Air studio is designed for 24-hour operation and is capable of manual, live-assists and fully unattended operations. It has all the necessary facilities to meet the requirements of very highly sophisticated radio stations with functions such as playback material, live programmes, interviews, station to station hook-ups, telephone shows and news crossovers. The Digital Audio Workstation system is interfaced with the on-air mixer and is able to play music on auto-mode with fixed time management together with voice announcements and live assists.
- The Production/Dubbing room is designed for programme recordings, editing, scheduling and transferring of music, commercial materials and programmes. Recording formats include Motion Picture Experts Group Layer3 ("MP3") and other file formats and is supported by external/internal sources such as Audio Tape Recorders (Open Reel), Digital Audio Recorder and Compact Disc players/recorders. It can operate as a standby On-Air Studio in case the On-Air Studio breaks down.

For the Digital Radio Automation System segment, the Group has the experience in designing, supplying, installing, testing and commissioning such an automation system having secured the exclusive distributorship from Dalet Systems Asia Pte Ltd, where Radio Television Malaysia ("RTM") is currently using its system. In this segment, the Group has successfully completed a project for RTM, Johor Bahru, Johor.

4.4.2.4 *News automation system*

A total digital newsroom is used for streamline acquisition, digitisation, editing and play-out. The heart of the digital newsroom system is a centralised-storage architecture wherein all content is simultaneously shared by all users. This permits newsroom operations to directly integrate their non-linear editors with the acquisition, preview and play-out channels with no copy being made.

After having first hand experience in projects for RTM Johor Bahru, the Group has shown its capabilities in areas such as designing, supplying, installing, testing and commissioning such systems.

4.4.2.5 *Communication system*

Applicable to facilities such as hospitals, education institutions and offices, the communication system has many different features and applications, depending on design and requirements. The core communication system undertaken and specialised in by the Group is education and healthcare communication systems using CAT-5 computers cabling which is commonly used in LANs.

- (i) Application in the education sector – the system, which is widely used in the United States of America, Australia and Singapore, allows a complete integration between lecture halls or classrooms with the resource centre or library that houses all teaching materials/resources, and enables the performance of the following functions:
 - Call-in communication via normal fixed lines with the respective lecture halls or classrooms for lessons and assignments from anywhere;
 - Performance evaluation of teaching and lecturing processes without physical presence;
 - Simultaneous multi-channel broadcasting throughout all lecture halls or classrooms;
 - Day-to-day teaching and lecturing process without physical presence of lecturers; and
 - Act as a security monitoring system for protection from vandalism and theft.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

- (ii) Application in the healthcare sector - the system allows for effective healthcare management in the healthcare sector and is currently widely in used countries such as United States of America, Europe, Australia, Singapore and Malaysia. It performs the following functions:
- Patients-monitoring and communication process with the control nurse station;
 - Better resource allocation by prioritising and effective managing nurses' duties in a multi-call situation or in a situation where there is a shortage of manpower;
 - Automated emergency call alert to the respective duty doctors and nurses when an emergency call is initiated by patients;
 - Itemisation of patient's call time, response time of nurses, type of calls and frequency of calls in a weekly or monthly basis for key performance measurement;
 - Equipment-monitoring process for breakdowns or faulty situations; and
 - Call transfer alert to doctors and nurses not present in the station where the emergency call is initiated.

The prestigious projects which have been completed by the Group include Selayang Paperless Hospital, Selangor and Hospital Universiti Kebangsaan Malaysia, Cheras, Kuala Lumpur.

4.4.2.6 *Integrated audio and visual system*

Integrated audio and visual systems are now daily features in business and the ICT industry where various forms of media are transmitted and distributed through digital formats. To facilitate office building automation or smart home automation, this system is integrated and used via centralised controls such as through infra-red, radio frequency or cabling where singular or multiple play-out of these formats can be ordered through a centralised control. This is used regularly in auditoriums, lecture halls, training facilities, meeting rooms, schools, and corporate offices. As many audio and visual equipments are being manufactured with the universal standard for inter-integration between the equipment, usage of this system further facilitates cross-platform and utilisation of multiple digital formats.

Amongst the notable projects accomplished by the Group were for Universiti Tenaga Nasional, Bangi, Selangor and Multi-Media University, Cyberjaya, Selangor.

4.4.2.7 *Other products and services*

Other products and services provided by the Group are as follows:-

- multimedia system
- teleconferencing system
- backbone/structure cabling
- simulator for any applications
- integrated professional sound reinforcement system
- advanced hospital infant alarm system
- advanced security closed circuit television using LAN system
- conference system
- language laboratory system
- stage and theatre luminaries system inclusive of curtains and rigging system
- master/central antenna television system
- simultaneous multi-language interpretation and conferencing system

4. INFORMATION ON THE DIGISTAR GROUP (*Cont'd*)

- security system inclusive intrusion alarm system
- e-commerce, and others

4.4.3 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 installing the integrated systems in the proposed 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.

4.4.4 Patents, trademarks, licenses and franchises

Digistar's wholly owned subsidiary, DHSB, is a registered authorised specialist with government authorities such as the *Pusat Khidmat Kontraktor – PKK* (Contractor Service Center) and the Construction Industry Development Board (“CIDB”). DHSB is also registered with *Kementerian Kewangan Malaysia* (Ministry of Finance), and “ePerolehan” where the Group is able to directly bid for government projects.

Similarly, the Group's products are licensed with its respective suppliers. Some of the exclusive distributor/licence agreements which the Group has entered into with reputable international hardware and software manufacturers are Rauland-Borg Corporation and Biamp Systems of United States of America, Leitch Technology International Inc. of Canada and Dalet Systems Asia Pte Ltd of Singapore.

Currently, the Group does not have any trademarks or patents registered with the Malaysian authorities.

4.4.5 Principal markets, marketing and distribution

Presently, the Group's key market is the local Malaysian market. The primary target markets for the Group are categorised as follows:

- Government and government-related bodies and facilities;
- Education institutions;
- Healthcare providers; and
- Corporate segment.

Due to the constant upgrading and evolution of the ICT sector, the increasing need to install modern systems into everyday life and the need for better education and healthcare facilities, the demand for the Group's products is expected to remain buoyant.

4. INFORMATION ON THE DIGISTAR GROUP (Cont'd)

The Group promotes its products and services mainly through business contacts and referrals based on its past project credentials where the Group has more than twenty (20) years of experience, and others via in-house sales consultants and the Internet. As of 22 September 2003, the Group has a sales department comprising thirteen (13) staff, including one (1) Sales Director, three (3) Sales Managers, one (1) Sales Assistant, five (5) executives and three (3) clerks. The Group implements a pro-active marketing strategy approach, focusing on principal customers such as the government, education and healthcare providers. The Group also plans to capture the retail segment in its five (5)-year business development plan by entering into "smart partnership" arrangements with selected entrepreneurs in major states in Malaysia, to further display, promote and sell its product range. In order to remain competitive, the Group provides quality and technologically advanced products and services at affordable cost, with after-sales services and maintenance.

For more than twenty (20) years, the Group has established long term business relationships with several principals from advanced countries such as Rauland-Borg Corporation, United States of America. These principals are able to provide technical and product development expertise to the Group.

4.4.6 Source and availability of raw materials

Raw materials for the Digistar Group are defined as both human resources and ICT equipment and systems. For further information on human resources, please refer to Section 4.4.11 of this Prospectus.

The Group's suppliers are primarily from overseas due to the foreign suppliers' ability to provide highly advanced ICT products that are not manufactured in Malaysia.

In order for the Group not to have any disruptions to the supply of the ICT products, the Group has entered into several exclusive and non-exclusive distributors/license agreements/arrangements with reputable international hardware and software manufacturers, as follows:

| Name of supplier | Type of product(s) supplied |
|--------------------------------------|--|
| Biamp Systems | Digital signal processor for audio teleconferencing |
| Rauland-Borg Corporation | Advanced telecommunication system, hardware and software for healthcare and education facilities |
| Danish Interpretation Systems A/S | Professional Multilanguage Simultaneous Interpretation Systems and audio-visual teleconferencing systems |
| Mackie Designs (Italy) S.p.A | Integrated audio teleconferencing system |
| Extron Electronics | Audio visual signal processing equipment |
| Leitch Technology International Inc. | High definition television digital conversion system, distribution Amplifier Routing Switcher, Master Control Command System etc |
| Dalet Systems Asia Pte Ltd | Customised software for Television/Radio Automation |
| Audio Telex Communications Pty. Ltd. | Integrated audio system |

The principals are responsible for providing technical support and training to their authorised distributors. DHSB's Procurement / Purchasing Department is responsible for evaluating the suppliers in terms of pricing, quality, product and after-sales service. The Directors will provide directions to the senior management in soliciting any new distributorship from overseas suppliers.

DHSB is responsible for the design, supply, installation, testing, commissioning and after sales service of the products and services it supplies to its local customers.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

4.4.7 Seasonality

Customer demand for the Digistar Group's products and services has been consistent throughout the years, with greater demand as the ICT industry progressed. Since the technologically advanced products and services are not susceptible to seasonal fluctuation, the Group has not encountered nor does it expect to encounter any problems.

4.4.8 Dependence on single or limited customers

The Group does not rely on a single customer. The Group's major customers in the past and present have been diverse and are classified as follows:

- (i) Government and government-related bodies and facilities;
- (ii) Education institutions;
- (iii) Healthcare providers; and
- (iv) Corporate segment.

As part of its five (5)-year business development plan, the Group intends to venture downstream into the retail market by setting-up "smart partnership" arrangements in major states of Malaysia. This would widen the customer and income base of the Group.

4.4.9 R&D

The Group believes that innovation is one of the key factors to see it through its corporate mission and vision. To ensure that the Group maintains its competitive advantage over its competitors, emphasis will be placed on R&D. Technical seminars and symposia are frequently held by the Group to keep its employees and the public including the Malaysian government and private consultant engineers, professional engineers or specialists updated on new technologies available in the market.

As part of its five (5)-year future business development plan, the Group had in July 2003 formed strategic alliances with its existing principal supplier, namely Rauland-Borg Corporation of the United States of America and an individual, via DRMSB, to undertake R&D activities in the interactive media management systems for application in local learning and teaching institutions. The Group would develop software development such as smart-home application as part of its expansion plans.

In addition, as DHSB is a member of the National Systems Contractors Association ("NSCA") of United States of America, and the International Communications Industries Association ("ICIA") of United States of America, the Group's system engineering department is able to access a well-stocked in-house library with up-to-date codes and standards, product literature and technical references to further upgrade their products knowledge.

4.4.10 Interruptions in operations

The Digistar Group did not experience any disruption in business which had a significant effect on its operations during the twelve (12)-month period prior to the date of this Prospectus.

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4. INFORMATION ON THE DIGISTAR GROUP (Cont'd)

4.4.11 Information on employees

As at 22 September 2003, the Group has a total staff force of ninety-three (93), including the Executive Directors. The breakdown of the total number of employees and their length of service in the Group as at 22 September 2003 are as follows:

| Categories of staff | No. of employees | Average length of service years |
|-----------------------------|------------------|---------------------------------|
| Directors | 4 | 9.0 |
| Managers/Professional | 13 | 4.2 |
| Engineers/Support/Executive | 52 | 1.5 |
| Clerical | 22 | 2.9 |
| General | 2 | 4.5 |

Generally, the Managing Director, Mr Lee Wah Chong provides the strategic, business development and day-to-day guidance to the entire Group. Mr Lee is assisted by the Executive Directors on all matters related to project management, systems application, service / maintenance, drafting services, product costing and high level business liaisons. On the aspects of general management, the Finance Manager assists Mr Lee in overseeing the Purchasing & Inventory, Accounting & Finance and Human Resource & Administration functions. The Sales Director is in charge of the sales activities of the Group.

The Group intends to increase its existing staff strength over time to meet the Group's expansion plans. The increase in staff strength mainly comprises technical ICT, projects and regional sales and technical support staff in response to the Group's future expansion plan. In the case of succession planning, the younger executives are given staff training and grooming to handle more complex assignments and responsibilities.

The Directors of Digistar believe that the working relationship between its senior management with its employees is good. There are no labour nor industrial disputes between the employees and the management which could have a material adverse financial impact on the Group. The employees do not belong to any labour union and enjoy a cordial relationship with the management.

4.4.12 Key achievements/milestones/awards

The key milestones of the Digistar Group are as follows:

| YEAR | KEY MILESTONES |
|-------------|---|
| August 1990 | DHSB secured the distinguished project in respect of the three hundred sixty five (365)-district education resource centres and fifteen (15) education technology units under Government/World Bank initiative. |
| March 1992 | DHSB obtained its first exclusive distributorship from Biamp Sytems, United States of America to distribute the Biamp products, such as a digital signal processor for tele-conferencing system for the Malaysian market. |

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

| YEAR | KEY MILESTONES |
|----------------|--|
| July 1993 | DHSB obtained exclusive distributorships from Danish Interpretation Systems A/S, Denmark to distribute the Professional Multilanguage Simultaneous Interpretation Systems and audio-visual teleconferencing systems in Malaysia. |
| August 1993 | DHSB obtained exclusive distributorship from Rauland-Borg Corporation, United States of America for the local distribution of advanced telecommunication system, hardware and software for healthcare and education facilities. |
| May 1996 | DHSB secured the Hospital University Kebangsaan Malaysia project. |
| January 1998 | DHSB secured the Selayang Hospital Paperless Hospital project. |
| July 1998 | DHSB was appointed as a distributor in Malaysia by Mackie Designs (Italy) S.p.A to distribute the integrated audio teleconferencing systems. |
| November 2000 | DHSB secured the Government office training centre (Intan) project. |
| May 2002 | DHSB was appointed by Leitch Technology International Inc., Canada, as the Exclusive Authorised Dealer for its products such as high definition television digital conversion system and distribution amplifier routing system within Malaysia. |
| September 2002 | DHSB was appointed by Dalet Systems Asia Pte Ltd, Singapore, as the Exclusive Distributor for the software in relation to the television or radio automation in Malaysia. |
| July 2003 | DRMSB was granted the MSC status from Multimedia Development Corporation Sdn Bhd. This joint venture company will undertake R&D on a new system for application in learning institutions based on Rauland-Borg's existing range of communication product technologies and customising the new products in accordance to the needs and requirements of the local and Asian countries, taking into consideration of various aspects such as ethnicity and weather. |

4.4.13 Location

DPSB 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 currently being leased. A portion of the former office unit 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. The Group does not have any other branch offices in Malaysia at this juncture.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

4.4.14 Competitive advantages

The Group has long since carved a niche in the local Malaysian market by providing its customers with customised systems integration products and services using technologically advanced equipment and infrastructure.

The Group believes that their competitive edge stems from the following factors:

- The readiness of the Group in embracing the latest technologies;
- Sound management policies that optimise the Group's technology and marketing strategies;
- Offering to the market affordable pricing for quality products and services; and
- Vast range of suppliers of technologically advanced products and services in the field of ICT and multimedia.

4.5 SUBSIDIARIES

4.5.1 Information on DHSB

4.5.1.1 *History and business*

DHSB was incorporated in Malaysia under the Act as a private limited company on 8 September 1984 under the name of D&G Holdings Sdn Bhd. On 6 November 1995, the company assumed its present name.

The company is principally engaged in the design, supply, installation and integration of IT infrastructure, tele-conferencing, LANs, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic system.

4.5.1.2 *Share capital*

The present authorised and issued and paid-up share capital of DHSB is as follows:

| | RM |
|--------------------------------|-----------|
| Authorised | |
| Ordinary shares of RM1.00 each | 5,000,000 |
| Issued and paid-up | |
| Ordinary shares of RM1.00 each | 2,037,264 |

4.5.1.3 *Changes in share capital*

The changes in the issued and paid-up share capital of DHSB since its incorporation are as follows:

| Date of allotment | No. of shares allotted | Consideration | Total issued and paid-up share capital RM |
|-------------------|------------------------|----------------------------|--|
| 08.09.1984 | 2 | Cash (Subscribers' shares) | 2 |
| 12.10.1985 | 69,998 | Cash | 70,000 |
| 10.06.1993 | 100,000 | Cash | 170,000 |

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

| Date of allotment | No. of shares allotted | Consideration | Total issued and paid-up share capital RM |
|-------------------|------------------------|---|--|
| 16.10.1995 | 130,000 | Cash | 300,000 |
| 28.05.1996 | 200,000 | Cash | 500,000 |
| 12.08.1997 | 250,000 | Bonus issue on basis of 1:2 | 750,000 |
| 22.06.1998 | 250,000 | Bonus issue on basis of 1:3 | 1,000,000 |
| 20.02.2002 | 1,000,000 | Cash | 2,000,000 |
| 13.08.2003 | 37,264 | Shares issued pursuant to the DPSB Acquisition by DHSB at par | 2,037,264 |

4.5.1.4 *Substantial shareholder*

As at 22 September 2003, DHSB is a wholly-owned subsidiary of Digistar.

4.5.1.5 *Subsidiaries and associated company*

As at 22 September 2003, DHSB has a wholly-owned subsidiary, namely DPSB. DHSB does not have any associated companies as at 22 September 2003.

4.5.2 Information on DRMSB

4.5.2.1 *History and business*

DRMSB was incorporated in Malaysia under the Act as a private limited company on 26 June 2003.

The company is principally engaged in the R&D of software and hardware to be deployed in the area relating to communication, tele-communication and ICT.

4.5.2.2 *Share capital*

The present authorised and issued and paid-up share capital of DRMSB is as follows:

| | RM |
|--------------------------------|---------|
| Authorised | |
| Ordinary shares of RM1.00 each | 250,000 |
| Issued and paid-up | |
| Ordinary shares of RM1.00 each | 100 |

4.5.2.3 *Changes in share capital*

The changes in the issued and paid-up share capital of DRMSB since its incorporation are as follows:

| Date of allotment | No. of shares allotted | Consideration | Total issued and paid-up share capital RM |
|-------------------|------------------------|----------------------------|--|
| 26.06.2003 | 100 | Cash (Subscribers' shares) | 100 |

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

4.5.2.4 *Substantial shareholder*

As at 22 September 2003, the substantial shareholders of DRMSB are as follow:

| Substantial shareholders | Nationality/Place of incorporation | No. of ordinary shares of RM1.00 each held | % |
|--------------------------|------------------------------------|--|----|
| Digistar | Malaysia | 51 | 51 |
| Rauland-Borg Corporation | United States of America | 29 | 29 |
| Eric Wong Weng Kee | Malaysian | 20 | 20 |

4.5.2.5 *Subsidiaries and associated company*

As at 22 September 2003, DRMSB does not have any subsidiaries and associated companies.

4.5.3 Information on DPSB

4.5.3.1 *History and business*

DPSB was incorporated in Malaysia under the Act as a private limited company on 18 September 1996 under the name of W.C.Lee & Associates Sdn Bhd. The company assumed its present name on 10 May 1997.

The company is principally engaged in the provision, maintenance and upkeep of premises.

4.5.3.2 *Share capital*

The present authorised and issued and paid-up share capital of DPSB is as follows:

| | RM |
|--------------------------------|---------|
| Authorised | |
| Ordinary shares of RM1.00 each | 100,000 |
| Issued and paid-up | |
| Ordinary shares of RM1.00 each | 100,000 |

4.5.3.3 *Changes in share capital*

The changes in the paid-up share capital of DPSB since its incorporation are as follows:

| Date of allotment | No. of shares allotted | Consideration | Total paid-up share capital RM |
|-------------------|------------------------|----------------------------|--------------------------------|
| 18.09.1996 | 2 | Cash (Subscribers' shares) | 2 |
| 23.05.1997 | 99,998 | Cash | 100,000 |

4. INFORMATION ON THE DIGISTAR GROUP (Cont'd)

4.5.3.4 Substantial shareholder

As at 22 September 2003, DPSB is a wholly-owned subsidiary of DHSB.

4.5.3.5 Subsidiaries and associated company

As at 22 September 2003, DPSB does not have any subsidiaries and associated companies.

4.6 INDUSTRY OVERVIEW

4.6.1 The Malaysian economy

After experiencing sluggish growth in 2001, the Malaysian economy rebounded strongly in 2002. Higher growth in 2002 bolstered optimism for a stronger economic performance in 2003 in anticipation of an improved world economic outlook. The prospect for a global economic recovery was, however, affected by recent geopolitical developments, in particular the war in Iraq, sporadic incidences of militancy and outbreak of the Severe Acute Respiratory Syndrome ("SARS"). During the second quarter, consumer and business sentiments in regional economies were particularly affected by the anxiety of a probable prolonged and widespread SARS epidemic that curtailed transport and tourism-related activities besides trade and investment flows.

Against this adverse global environment and concerns of further weakening of the already sluggish global economy, the Government has put in place a package of broad-based pro-growth measures in May 2003. The Package of New Strategies, apart from providing immediate relief for the SARS-affected sectors, was to address structural and organisational issues towards sustaining economic growth in the medium and longer term. The strategic measures introduced boosted confidence necessary to stimulate domestic consumption and investment. In addition, the short war in Iraq and the quick containment of SARS provided the much-needed relief for the economy to ride over the difficult times and remain on track to a firmer growth trajectory.

Malaysia's sound economic fundamentals and expansionary fiscal and accommodative monetary policies, supplemented by the Government's proactive stimulus package, have helped to sustain high growth in Malaysia's sound economic fundamentals and expansionary fiscal and accommodative monetary policies, supplemented by the Government's proactive stimulus package, have helped to sustain high growth in the real gross domestic product ("GDP"). After expanding 4.5% in the first half and with prospects of sustained growth in the second half, the economy is set to achieve its targetted growth of 4.5% this year, higher than the 4.1% achieved in 2002.

The economy is expected to be driven by stronger domestic demand reinforced by a modest pick-up in external demand in the second half of the year. Exports will continue to be buoyed by global economic recovery and the upturn in electronics, especially in information technology-related products and equipment. On the domestic front, consumer spending continues to pick up, on account of favourable export earnings and high commodity prices, positive wealth effect from better stock market performance as well as rising consumer confidence. All sectors registered positive growth with manufacturing and services driving the economy.

With exports expanding faster than imports, trade balance in July 2003 remains in surplus for 69 consecutive months since November 1997. International reserves continued to increase to a record high of USD38.67 billion at end-August, sufficient to finance 6 months of retained imports and 4.3 times the short-term external debt. Malaysia remains a high net saver with gross national savings constituting about one-third of gross national product, ranking third among the other high savers in the world.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

The MSC continues to show progress in providing infrastructural support for the development of ICT industries as the country moves towards a knowledge-based economy. By August 2003, 914 companies comprising 20% foreign companies were awarded MSC status. Planned investment in the designated areas covering activities of IT services and software development has reached RM13 billion, an increase of 34% against the previous year. The MSC has since created 21,270 jobs, out of which 86% involves knowledge workers. Currently, 59 world-class companies operate in MSC as against 53 the year before. Reflecting improved demand in the technology sector, total sales generated from the MSC amounted to RM5.85 billion, of which 17.5% were from exports.

The economic outlook for 2004 is envisaged to be favourable. Real GDP growth is expected to gain momentum and register a higher rate of 5.5%-6% in 2004. Growth is expected to emanate from higher in 2004. Growth is expected to emanate from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures. Whilst all sectors are forecast to register higher growth, services and manufacturing will continue to lead GDP growth, contributing 3.1 and 2.2 percentage points, respectively.

Of particular importance is the shift in the structure of the economy to focus on the services sector in keeping with the status of the nation as a more developed economy. The agriculture sector will be revitalised and emerge as the third engine of growth. In line with better economic prospect, per capita income is projected to continue to increase by 4.3% to RM14,954 (2003: 4.8%, RM14,343), while income in term of purchasing power parity will also increase by 5.3% to USD9,887 (2003: 6%, USD9,390).

(Source: Economic Report 2003/2004)

4.6.2 The ICT industry structure

The ICT industry consists of three primary sectors, namely:

4.6.2.1 *Supporting infrastructure*

Supporting infrastructure is the share of total economic infrastructure used to support electronic business processes and conduct electronic commerce transactions. It includes hardware, software, telecommunication networks, support services and labour used in electronic business and commerce. Examples of e-business infrastructure are system and application software and support services such as system integration, application development, web-site development and hosting, consulting, electronic payment, and certification security and services.

4.6.2.2 *Electronic business process*

Electronic business process ("e-business") is any process that a business organisation conducts over a computer-mediated network. Business organisations include any form of profit, governmental or non-profit entity. Their processes include production, customer and internal or management-focused business processes. Examples of e-business are internal or management-focused processes which include automated employee services, recruiting and training, information sharing and communication.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

4.6.2.3 *Electronic commerce*

Electronic commerce (“e-commerce”) is any transaction completed over a computer-mediated network that involves the transfer of ownership or rights to use goods and services. Transactions occur within selected e-business processes (e.g. selling process) and are “completed” when agreement is reached between the buyer and seller to transfer the ownership or rights to use goods or services. Completed transactions may have a zero price (e.g. free software download). Examples of devices and networks are linked electronic devices such as computers, personal digital assistants, web TV; and networks such as Internet, intranet, extranet, Electronic Data Interchange (“EDI”), networks and telecommunication networks.

The Government of Malaysia’s target is to develop Malaysia into an information and knowledge-based society by the year 2020 as part of their Vision 2020 programme. As such, the Government has put in place aggressive growth strategies for the ICT industry in Malaysia, with IT and multimedia being identified as strategic enabling tools assisting the achievement of these efforts. The thrust will be to develop and expand the requisite infrastructure that will contribute to the creation of ICT-based industries, as well as to instill an ICT-culture amongst citizens.

With this in mind, the MSC was created to assist companies of the world to test the limits of technology. The MSC will also accelerate Malaysia’s entry into the Information Age, and through it, help actualise Vision 2020. It will bring together, an integrated environment with all the unique elements and attributes necessary to create the perfect global multimedia climate.

(Source: ACNielsen’s Industry Assessment Report dated 26 February 2003)

4.6.3 **The MSC**

The MSC’s mission is to revolutionise the way Malaysians and others in the region do business. The objective of the MSC is to unlock the full potential of multimedia by integrating groundbreaking cyberlaws and ICT infrastructure in an attractive physical environment. The MSC mainly comprises the following elements:

- An island of excellence with multimedia specific capabilities, technologies, infrastructure, legislation, policies and systems geared towards building competitive advantage;
- A test bed for invention, research and a global community living on the leading edge of the information society; and
- A world of smart homes, smart schools, smart cities, smart cards and smart partnerships by year 2020.

The seven flagship applications of MSC are:

- Electronic government
- Telemedicine
- R&D cluster
- Worldwide manufacturing web
- Borderless marketing centre
- Multimedia funds haven
- National multipurpose Smart Cards

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

There are currently 749 MSC status companies, with 497 being Malaysian owned, 234 being foreign owned, 18 being joint-ventures and 53 being world class companies. This represents a 21% increase since 2001. The different categories of MSC companies include:

- Major users of Multimedia Applications
- Major developers of Multimedia Applications
- Universities /corporate R&D centers focused on Multimedia Research
- Venture capital/direct investment firms

To attract participants to the MSC, the government formulated a ten (10) point Bill of Guarantees which include, amongst others, a world-class physical and information infrastructure, unrestricted employment of local and foreign knowledge workers, freedom to source capital globally from MSC infrastructure, and the right to borrow funds globally, provide competitive financial incentives, including no income tax for up to 10 years or an investment tax allowance, and no duties on import of multimedia equipment.

(Source: ACNielsen's Industry Assessment Report dated 26 February 2003)

4.6.4 ICT in Malaysia

Malaysia is one of the ASEAN countries that is experiencing positive growth in terms of both its economy and the ICT industry. There were 750,000 Internet subscribers, with 1.89 million Internet users in 1999 and the number are expected grow to 3.91 million by the year 2004.

The Malaysian Communications and Multimedia Commission's industry statistics puts the total number of internet subscribers to 2.29 million, with 6.89 million internet users. In the provisional figure provided by the Commission, the growth rate of internet subscribers was 27.5% in year 2001.

There are currently only three Internet Service Providers of ISPs namely Jaring, Maxis and Tmnet – the latter a leader in the industry. However, four more licenses have been issued as part of the government's efforts to ease congestion on the Internet, due to the rapid increase of users in the country.

Global e-commerce is estimated to increase to US\$150 billion in 2000, with 50 million potential users but Malaysian companies in general have only just begun to realise the significance of e-commerce. However, the pace of activity on the Internet is picking up and CEOs are becoming increasingly aware that online business is becoming more lucrative. E-commerce revenue is expected to grow from US\$426 million (RM1.6 billion) in 2000, to US\$3 billion (RM11.4 billion) in 2004. The National Electronic Commerce Committee was set-up during the Seventh Malaysian Plan ("7MP") period to formulate a framework aimed at promoting and coordinating the development of e-commerce in Malaysia.

Malaysia is placed ninth on the list of "Emerging 20", a term coined to distinguish the countries which may prove to be the most lucrative markets going into the 21st century, which will be extremely attractive to U.S. equipment providers. In 1998, due to the economy falling into recession, the ICT industry in Malaysia took a tumble. The industry as a whole suffered a 38% drop in sales, from US\$2,096.6 million (RM7,967 million) in 1997, to US\$1,297.2 million (RM4,929 million) in 1998.

It is expected that the spending on ICT software and services would rise to 63.9% by 2005, based on an annual growth rate of 12.1%. The demand for ICT products and services has generated a global market that reached nearly US\$1 trillion in 2001 and is projected to surpass the US\$1.4 trillion mark by 2005. Statistics show that the ICT industry in Malaysia, for the year 1999 has grown and is on an upward trend. Total sales for 1999 were US\$1,380.4 million (RM5,246 million) or an increase of approximately 6% over 1998.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

The World Economic Forum (2001-2002)'s IT Readiness Report, ranked Malaysia 36 out of the 75 countries surveyed in terms of network readiness. The same report also mentioned that Malaysia's Vision 2020 is one of the most aggressive and comprehensive ICT plans in the world. Malaysia was ranked 30 in the Global Competitiveness Index 2001-2002.

Knowledge based industries are a fast growing sector of the Malaysian economy. Even the traditional manufacturing, resource and agricultural industries, long the foundations of Malaysian economic well-being, are joining service industries such as banking and travel in their increased use of the new technologies. Manufacturers are now using information technologies to find export markets and fill orders from around the globe. Resource companies use these technologies to gain access to the scientific and marketing data necessary for sustained growth and sustainable development. These enabling effects of ICT are building a foundation for competitiveness in the global economy.

Investments in ICT grew at a rate of 9.2% per annum from US\$1 billion (RM3.8 billion) in 1995 to US\$1.55 billion (RM5.9 billion) in 2000, due to the increasing awareness of corporate Malaysia on the importance of ICT. The banking and finance sector was the second largest investors of ICT, with 14% of total ICT investments in 2000, amounting to US\$218 million (RM827 million).

The growth of the ICT industry was also measured in terms of PC and Internet penetration rates. The number of PCs installed increased from 610,000 in 1995 to 2.2 million in 2000, which is a 261% increase.

During the period of the 7MP (1996 – 2000) as well as in the 8MP period (2001 – 2005), the government set forth several growth initiatives. A summary of some of these initiatives are as follows:

- The promotion and development of the ICT industry, in terms of design and production of innovative products, systems and services.
- To generate new growth opportunities as well as skills and employment in high-tech areas and developing Malaysia into an ICT hub with international ICT companies operating in Malaysia.
- Expand ICT infrastructure, particularly to the rural areas to bridge the digital divide and enable all citizens to have equitable access to knowledge and information.

One of the more prominent incentives for the increase of home PC ownership was the PC Ownership Campaign, which witness contributors to the Employees Provident Fund ("EPF") being allowed to withdraw their savings for the purchase of computers. In 1999, a total of RM665.3 million was paid out, comprising of 199,293 applications. (This incentive has currently been stopped, due to investigations for suspected abuse.). Other incentives include a RM400 tax rebate for each family for PC purchases and the implementation of internet accessibility and connectivity programmes in schools.

Malaysia is now the second largest ICT spender in the region, with an expenditure of RM 8.1 billion in 2001, after Singapore. ICT spending has grown at a compounded annual growth rate of 4.8% from 1995 to 2001. Between 1995 and 2001, there was a correlation of 92% growth in ICT spending and GDP growth. The Malaysian economy is expected to grow 4.2% in 2002, increasing to 6.2% in 2003 and the ICT industry is expected to follow suit. Further in 2002, the government had allocated RM 994 million for the ICT sector, where the focus will be on the computerization of schools and government agencies.

(Source: ACNielsen's Industry Assessment Report dated 26 February 2003)

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

4.6.5 Government legislation, policies and incentives

The 8MP continues to support the nurturing of Malaysia's ICT industry, by continuing initiatives put in place during the 7MP, and introducing further ICT related initiatives. The Government believes that ICT provides businesses with the best options to increase productivity and improve competitiveness. Some of the key initiatives include the National IT Agenda 1996 ("NITA"), the MSC, the Communications and Multimedia Act 1998 and the laying of telecommunications infrastructure to facilitate ICT growth.

4.6.5.1 Government bodies

Whilst the growth and development of the ICT industry has to be a joint effort between the public and the private sectors, undeniably the Malaysian government plays a pivotal role in ensuring that this growth is well coordinated. Several Government bodies and semi-government organizations are involved in the monitoring of the development of the ICT industry.

(i) *Ministry of Energy, Communications and Multimedia*

The Ministry's main responsibility is to facilitate and regulate the growth of Energy, Communications and Multimedia industries to ensure the availability of high quality, efficient and safe services at a reasonable price to consumers throughout the country. The regulatory function of the Ministry is undertaken through its regulatory bodies, namely, the Energy Commission and the Communications and Multimedia Commission

(ii) *Malaysian Communications and Multimedia Commission ("MCMC")*

Its primary role is to implement and promote the Government's national policy objectives for the communications and multimedia sector. MCMC is also charged with overseeing the new regulatory framework for the converging industries of telecommunications, broadcasting and online activities.

(iii) *National IT Council ("NITC")*

NITC is responsible for facilitating the migration of Malaysians and institutions into fully embracing the usage of ICT. This body plays the key role of ensuring that the country achieves the goals of the NITA via the five strategic thrust areas, namely:

- E-Economy, value and wealth creation by all sectors of the economy.
- E-Public Services, provision of people-oriented, customer focused services.
- E-Community, interaction and communication amongst various social groups to improve the quality of life.
- E-Learning, the cultivation of a lifelong learning culture.
- E-Sovereignty, building a resilient national identity.

The above strategic thrusts are managed by the Strategic Thrusts Implementation Committee ("STIC") that is part of the NITC.

Other initiatives organized by the NITC include:

- Information Society Conference ("InfoSoc") - to provide a framework and platform for dialogues and exchange of national and international ICT experiences.
- Demonstrator Applications Grant Scheme ("DAGS"), established in 1998 to promote the use of ICT and multimedia for socio-economic development. From 1996 to 2000, a total of 37 community-based projects were implemented, costing a total of RM48 million.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

4.6.5.2 *Regulatory bodies*

(i) ***Multimedia Development Corporation (“MDC”)***

The MDC was established in 1996 by the Malaysian Government as the agency to spearhead the development and implementation of the MSC. MDC will be a “one-stop super shop”, facilitating relocation applications to the MSC by multinational and local companies. It globally markets the MSC, shapes MSC-specific laws, policies and practices. It also standardizes MSC’s information infrastructure and urban development.

In facilitating the establishment of company operations within the MSC, the MDC serves as champion, facilitator and partner. The MDC endeavors to cut through the proverbial bureaucratic red-tape to provide timely information and good advice, expedite permit and license approvals, and introduce companies to potential local partners and financiers.

The MDC’s mission is to ensure the MSC is the world's best environment to harness the full-potential of multimedia. It is also committed to proactively collaborate with governments and companies for mutual enrichment. The MDC also actively assists the government to pioneer, develop and update Cyberlaws, formulate policy and modify practices to provide a sound framework for the MSC.

(ii) ***Legislations Governing the ICT Industry***

In their efforts to promote the use of IT and to encourage the growth of the Malaysian ICT industry, various laws and regulations were enacted. The following are some of such legislations:

- (a) Digital Signature Act 1997 – Enforced on 1 October 1998, it enables the development of e-commerce, by providing an avenue for secure and legally recognized online transactions through the use of digital signatures. It serves as a framework for the licensing and regulation of Certification Authorities (“CAs”), and the recognition of digital signatures. There are currently 2 CAs that have been appointed, they are – Digicert Sdn Bhd and MSC Trustgate Sdn Bhd.
- (b) The Copyright (Amendment) Act 1997 - This Act amended the Copyright Act 1987 and came into force 1 April 1999. This Act makes unauthorized transmissions of copyright works over the Internet an infringement of copyright. It is also an infringement of copyright to circumvent any effective technological measures aimed at restricting access to works, this protecting intellectual property rights for companies investing in the ICT industry.
- (c) Computer Crimes Act 1997 – This Act was brought into effect 1 June 2000. This Act governs activities relating to the misuse of computers, for example, unauthorized access to computer materials, unauthorized access with the intent to commit other offences, and unauthorized modification of computer contents.
- (d) Telemedicine Act 1997 – Provides a framework for licensed medical practitioners to provide telemedical services using audio, visual and data communications.
- (e) Communications and Multimedia Act 1998 – This Act came into effect 1 April 1999. It provides a regulatory framework to cater for the convergence of the telecommunications, broadcasting and computing industries. This will assist in making Malaysia a major global hub for communications and multimedia information and content services. The Act repealed the Telecommunications Act 1950 and the Broadcasting Act 1988. The Malaysian Commission for Communications and Multimedia, appointed on 1 November 1998 is the sole regulator of the new regulatory regime.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

4.6.5.3 *Government incentives*

To promote the usage of IT and the growth of the ICT industry, the Malaysian government has introduced many types of incentives from the start of the 7MP period (1996 – 2000) and continues to introduce incentives in the 8MP period (2001 – 2005). A RM500 million ICT Fund was also introduced in 2000 to provide financing to high technology and ICT-based companies.

One of the more prominent incentives for the increase of home PC ownership was the PC Ownership Campaign, which witness contributors to the Employees Provident Fund (“EPF”) being allowed to withdraw their savings for the purchase of computers. In 1999, a total of RM665.3 million was paid out, comprising of 199,293 applications. (This incentive has currently been stopped, due to investigations for suspected abuse). Other incentives include a RM400 tax rebate for each family for PC purchases and the implementation of internet accessibility and connectivity programmes in schools.

In addition, the MSC Venture Corporation (“MSC VC”) was set-up in 1999, with the purpose of assisting companies to obtain venture capital funding. MSC VC’s first venture fund was launched in June 1999 and by the end of 2000, MSC VC had committed investments in 10 companies amounting to RM43 million. In addition, other incentives enjoyed by MSC-status companies in Malaysia include:

- Financial incentives such as Pioneer Status – 100% exemption from taxable statutory income. This incentive is granted for a period of 5 years for the first round; a 100% Investment Tax Allowance (“ITA”); eligibility for R&D grants (for majority Malaysian ownership MSC-status companies) and freedom to source capital and borrow funds globally
- Non-financial incentives such as duty-free importation of multimedia equipment (“DFI”); intellectual property protection and a pioneering and a pioneering and comprehensive framework of cyberlaws can be enjoyed by MSC-status companies irrespective of location; no censorship of the Internet; high-powered implementation agency to act as an effective one-stop super shop – the MDC; world-class physical and ICT infrastructure if companies are located within the MSC; globally competitive telecommunication tariffs and services guarantees if MSC-status companies are located within the MSC; high-quality, planned urban developments within the MSC corridor; excellent R&D facilities, including the region’s first Multimedia University within the MSC corridor; green environment protected by strict zoning in the MSC corridor.

The MESDAQ was established to provide another alternative avenue of fund raising for technology and high-growth companies.

(Source: ACNielsen’s Industry Assessment Report dated 26 February 2003)

4.7 INDUSTRY LINKAGES

4.7.1 Telecommunications

Companies today are increasingly reliant on networking, not only among business units of the same corporate group but also with vendors, suppliers and customers in the value chain. To support corporations’ information system and data services, telecommunications infrastructure has to be put in place in a strategic manner. Strategic telecommunications planning sustains and increases the growth of ICT, mobile phone, Internet/networks and application development.

The term telecommunications includes the transmission, switching and distribution of voice, data and video information for use in public and private telecommunications networks. It has become very complex, with multiple network topologies (geometric arrangement of systems), standards and protocols (common sets of rules and signals that computers on the network use to communicate) and the associated network / inter-networking arrangements.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

The backbone of the telecommunications infrastructure is a digital fiber-optic cable network 'criss-crossing' the nation. A digital system is able to carry more call traffic and facilitates the introduction of advanced telecommunications services on par with those in more developed countries.

The principal customers of the industry are carriers, which offer a variety of communications services. Deregulation in the service industry of Malaysia has permitted principal customers to own their own terminal equipment and private networks leading to the development of a bigger and more competitive market of mobile and long distance residential and business customers.

(Source: ACNielsen's Industry Assessment Report dated 26 February 2003)

4.7.2 Private sector and government departments

ICT builds, integrates, operates and maintains computer systems that manage information for federal and state department administrative functions such as taxation, budget, accounts and control, personnel, and purchasing. This includes the computer equipment and software that tracks corporate sales and income tax receipts, payment checks to vendors to maintaining the state's investment, appropriations and expenditure accounts. The systems manage information, which enables the state to function effectively.

With the inception of the MSC, all government departments will be linked eventually to a common database to facilitate inter-governmental collaboration and citizen access to government services. Facilitating access to government services and information on activities of the various government departments are platforms such as multimedia kiosks, smart cards and homepages on the Internet. Further ICT initiatives of the government in the foray of telemedicine and education will allow the Group to expand its products and services in this area.

IT sales to the government in 1998 decreased to US\$75.2 million, a drop of 37% compared to US\$119.2 million in 1997 due to the recession. However, sales for 1999 showed an increase of 4% or US\$78.4 million compared to the previous year. Actual expenditure by the government in 2000 amounted to US\$140 million and the average annual growth rate for government IT expenditure from 1996 to 2000 was 6.9%. According to International Data Corporation estimates, the growth trend is positive with sales estimated to increase from US\$88.5 million to US\$131.9 million in 2003.

(Source: ACNielsen's Industry Assessment Report dated 26 February 2003)

4.7.3 Telemedicine

Malaysia is committed to creating a nation of healthy individuals, families, and communities, and enhancing the quality of life of all Malaysians. The use of information, telecommunication and multimedia technologies in providing healthcare, better known as Telemedicine, will provide the potential to enhance patient care.

Telemedicine relies on the ability to transfer electronic medical data, such as high-resolution images, live video, sound and patient records from one location to another. Malaysia has taken the initiative to incorporate Telemedicine into the healthcare delivery system of the country. Leading Malaysian and international companies have been invited to develop pilot applications that will be implemented over a five-year period. The applications will be tested at several sites both within and outside the MSC.

In the 8MP, there are two ICT-based specialist hospitals in Selayang, Selangor and Putrajaya; the Group provided the systems integration services in the Selayang hospital project. Other hospitals incorporating the computerized Total Hospital Information System ("THIS") are in Ampang, Serdang and Sungai Buloh in Selangor; Alor Setar and Sungai Petani in Kedah; and Pandan in Johor. Additionally there are 25 small-and-medium sized hospitals, including 12 in Sabah and Sarawak incorporating Health Information Systems ("HIS"), currently in various stages of planning and implementation.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

To facilitate the development of ICT in the health sector, the Telemedicine Act was enacted in 1997, which among others, made provisions for the regulation and control of the practice of telemedicine, such as confidentiality of information of patient's and the requirements of medical practitioners to obtain consent of the patient before telemedicine is practiced.

Telemedicine is poised to be a major contributor to national health and economic growth, and the Group is poised to contribute significantly in this field due to the Group's past experience and technologically advanced products and services.

(Source: ACNielsen's Industry Assessment Report dated 26 February 2003)

4.7.4 Smart Schools and other education institutions

One of the challenges that Malaysia faces is in preparing its people to compete in the new ICT economy, which means equipping them with the right tools, skills and knowledge. In today's ICT-driven global marketplace, with its wide range of new technologies, businesses need people with the right mix of skills. By leveraging the same infrastructure needed for e-commerce, the way people provide and receive education; information and training will change dramatically.

Organisations are implementing e-learning to provide their workforces with the ability to turn change into an advantage. E-learning is an Internet-enabled learning programme. Its components can include content delivery in multiple formats, management of the learning experience, and a networked community of learners, content developers and experts.

Realizing the importance of knowledge workers in a knowledge-based economy the government has committed to granting MSC status to qualified multimedia, ICT, engineering and related faculties of institutions of higher learning. It is expected that by 2003, there will be 25 institutions of high learning being granted MSC status, and with this, the privileges associated with MSC status institutions and companies such as unrestrictive employment of foreign staff members and professionals, and competitive telecommunications tariff rates, will apply.

The 8MP also provides for computer networking linking 31 teachers training colleges to facilitate training of teachers specializing in ICT under the Post-Graduate Teachers Training Programme ("PTTP"). The colleges will provide teachers with access to electronic libraries that will enhance their skills and expertise.

The smart schools project will also be further enhanced through the utilization of computer facilities, computer-aided teaching and learning, improved courseware for Mathematics, Science, Bahasa Malaysia and the English language. Further more schools with computer and ICT-related infrastructure will be introduced the smart school concept.

(Source: ACNielsen's Industry Assessment Report dated 26 February 2003)

4.8 PROSPECTS OF THE SYSTEMS INTEGRATION AND ICT SOLUTIONS

It is forecasted that by the end of 2005, over 2 billion people will be connected by networked systems and this will create a huge demand for the introduction of new technologies and innovative ICT products and services. The World Economic Forum cites the following four (4) technological advances as key components in ensuring future ICT development:

- Peer-to-peer or device-to-device networks – devices at the edges of networks that are able to share resources with each other, bypassing the central servers.
- Precise local spatial data embedded in every device and application to improve market efficiencies. This is especially useful for the logistics industry. This teamed with Global Position Satellites ("GPS") offer businesses new ways of managing their businesses and institutions.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

- Sensor fusion – the integration of devices that can measure temperature, movement, pressure and acceleration will enable technologists to begin creating the “intelligent” cities / offices / refrigerators / air conditioners.
- Unique identity systems – to identify programs, devices or users. This will form the basis for the growth of commercial and social transactions.

The region around Malaysia is now reviving faster than anticipated and this will help Malaysia, particularly as intra-Asian trade increases. The external environment is structurally favourable for the ICT industry, as it cuts across geography and time barriers to enable businesses to “stay awake” for much longer.

ICT, in particular the telecommunication market in Malaysia has developed over the years at a rate much higher than the world’s rate.

However, there remains a large area where access to networking is impossible. However, wireless technology will to an extent allow users to access the Internet from remote locations and to establish a foundation for entering the information society.

The government has placed emphasis on the growth of ICT as the competitiveness of any corporation is driven by its information resources and the skills and competence of its managers and staff in using and exploiting these resources.

The 8MP focuses on further strengthening of human resource capabilities in the ICT industry as well as building a critical mass of small-medium enterprises (“SMEs”) and Internet users to enable Malaysia to transform itself into a developed nation with a knowledge-based society.

During this period, a total of RM5.2 billion will be allocated for ICT-related programmes and projects, with 35.4% used to rollout MSC flagship applications. In addition, the Deputy Finance Minister on 9 September 2002, launched a Knowledge-based Economy Masterplan. This plan outlines seven (7) strategic thrusts that would drive the transformation of the country’s economy from a largely production-based economy to a knowledge-based economy. The plan contains 136 recommendations for the development of human resources, institutional frameworks, info-structure and infrastructure, science and technology capacity, role of the public sector, a knowledge-based civil service, as well as efforts to bridge the knowledge and digital divides.

The initiatives will provide the Digistar Group a platform to launch their marketing plans and growth strategies, particularly those initiatives related to ICT solutions and systems integration.

(Source: ACNielsen’s Industry Assessment Report dated 26 February 2003)

4.9 MAJOR CUSTOMERS

As mentioned in Section 4.4.8 of this Prospectus, the major customers of the Digistar Group are categorised into government and government-related bodies and facilities, education institutions, healthcare providers and corporate segment.

The Digistar Group’s business is on project basis and it varies in value from time to time. Thus, the Digistar Group may have certain projects that may contribute significantly to its turnover and profit at certain times or periods. Hence, the Digistar Group does not rely on any single major customer.

The major customers (which contributed more than 10% of turnover) of Digistar for the eight (8)-month financial period ended 31 May 2003 are IJM Corporation Bhd and Ranhill Engineers And Constructors Sdn Bhd who contributed 39% and 22% respectively to the turnover of Digistar. IJM Corporation Bhd and Ranhill Engineers And Constructors Sdn Bhd have business relationships of more than five (5) years and two (2) years respectively with Digistar.

4. INFORMATION ON THE DIGISTAR GROUP *(Cont'd)*

4.10 MAJOR SUPPLIERS

The Digistar Group's business is on project basis and it varies in value from time to time. Thus, the Digistar Group may have certain projects that require certain products and services from certain suppliers and hence may contribute significantly to its purchases at certain times or periods. Therefore, the Digistar Group does not rely on any single major supplier.

For the eight (8)-month financial period ended 31 May 2003, Digistar has only one (1) major supplier who supplies more than 10% of the total purchases, namely Danish Interpretation Systems A/S who accounted for 42% of purchases. The said supplier has approximately ten (10) years of relationship with Digistar.

4.11 PROSPECTS AND OUTLOOK OF THE DIGISTAR GROUP

The growth of ICT in Malaysia as well as the region around Malaysia has been more than encouraging in recent years. Infrastructure and incentives put in place by the Malaysian government has allowed the ICT industry to expand much faster than anticipated; for example in the telecommunication sector, it has developed over the years at a rate much higher than the world's rate. However, there still remains a large area where access to networking is impossible. Notwithstanding that, increasing proliferation of wireless technology and other new information products will allow, to an extent, increasing number of people and businesses to enter into the information-based society.

The Group is expected to continue to retain its market standing in the ICT industry, especially in the systems integrator sector and should have the ability to sustain the growth's growth as one of the key players in providing the advanced integrated systems. The Group has the business expertise, technical skills, quality products and ample project experiences in both public and private sector to meet the requirements and the demands of its customers.

The Group has also plans to expand their revenue base through amongst others, new product development and strategic alliances with its principals. The Group also recognises the potential growth of the downstream market in the region, thus it has chosen to move into the retail market through the "smart partnership" arrangements with the local entrepreneurs in the major states.

(Source: ACNielsen's Industry Assessment Report dated 26 February 2003)

The Group also intends to penetrate further into the local education and healthcare sectors by introducing some new product developments which are in line with the local government's initiatives as set out in the 8MP.

Overall, it will be the Group's strong commitment to innovation, developing their people and productivity / efficiency improvements that will back them in facing the challenges ahead.

The Digistar Group's prospects and outlook should also be read in conjunction with its Five (5)-year Business Development Plan in Section 5 of this Prospectus. Based on the above, the Digistar Group is poised to enjoy the rewards of a bright and prosperous future, ready to meet the challenges of the 21st century and the nation's Vision 2020.