

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

If you have sold or transferred all your Digistar Shares, you should at once hand this Abridged Prospectus, and the accompanying NPA and RSF to the agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants should be addressed to our Share Registrar, Tricor Investor Services Sdn Bhd (118401-V) at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, and the accompanying NPA and RSF have also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents. You are advised to note that recourse for false or misleading statements or acts made in connection with this Abridged Prospectus are directly available through Sections 248, 249 and 357 of the CMA.

The approval from our shareholders for the Rights Issue with Warrants was obtained at our EGM held on 19 February 2013. Approval from Bursa Securities has also been obtained on 16 January 2013 for the admission of the Warrants to the Official List and the listing of the Rights Shares and the Warrants as well as the new Digistar Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue with Warrants. The admission of the Warrants to the Official List and the listing of and quotation for all the new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants. The admission of the Warrants to the Official List and the official listing of and quotation for all the new securities will commence after the receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/ or their renouncee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Neither the SC nor Bursa Securities takes any responsibility for the correctness of statements made or opinions expressed in this Abridged Prospectus.

Our Directors have seen and approved all the documentation relating to this Rights Issue with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

This Abridged Prospectus, and the accompanying NPA and RSF are only despatched to our Entitled Shareholders whose names appear on our Record of Depositors and who have provided our Share Registrar with an address in Malaysia not later than 5.00 p.m. on 13 March 2013. This Abridged Prospectus, and the accompanying NPA and RSF are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders and/ or their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/ or other professional advisers as to whether the acceptance and/ or renunciation (as the case may be) of all or any part of their entitlements to the Rights Shares and the Warrants would result in a contravention of any laws of such countries or jurisdictions. Neither we, OSK nor any other professional advisers shall accept any responsibility or liability in the event that any acceptance and/ or renunciation (as the case may be) of the entitlements to the Rights Shares and the Warrants made by the Entitled Shareholders and/ or their renouncee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions.

OSK, being our Principal Adviser for this Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO SECTION 6 OF THIS ABRIDGED PROSPECTUS.



DIGISTAR CORPORATION BERHAD

(Company No.: 603652-K)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 137,664,390 NEW ORDINARY SHARES OF RM0.10 EACH IN DIGISTAR CORPORATION BERHAD ("DIGISTAR") ("DIGISTAR SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING DIGISTAR SHARES HELD AS AT 5.00 P.M. ON 13 MARCH 2013 TOGETHER WITH UP TO 103,248,292 FREE DETACHABLE WARRANTS ("WARRANT(S)") ON THE BASIS OF THREE (3) FREE WARRANTS FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED AT AN ISSUE PRICE OF RM0.20 PER RIGHTS SHARE

Principal Adviser

OSK Investment Bank Berhad (14152-V)

[A member of RHB Banking Group]
[A Participating Organisation of Bursa Malaysia Securities Berhad]

IMPORTANT RELEVANT DATES AND TIME:-

Entitlement Date	: Wednesday, 13 March 2013 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	: Wednesday, 20 March 2013 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	: Monday, 25 March 2013 at 4.00 p.m.
Last date and time for acceptance and payment	: Thursday, 28 March 2013 at 5.00 p.m.*
Last date and time for excess application and payment	: Thursday, 28 March 2013 at 5.00 p.m.*

* or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time.

This Abridged Prospectus is dated 13 March 2013

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE REGISTRATION OF THIS ABRIDGED PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE RIGHTS ISSUE WITH WARRANTS OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS ABRIDGED PROSPECTUS.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS TO THE OFFICIAL LIST AND THE LISTING OF THE RIGHTS SHARES AND THE WARRANTS AS WELL AS THE NEW DIGISTAR SHARES TO BE ISSUED ARISING FROM THE EXERCISE OF THE WARRANTS ON THE MAIN MARKET OF BURSA SECURITIES. HOWEVER, THIS IS NOT AN INDICATION THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE WITH WARRANTS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN THE RIGHTS SHARES AND THE WARRANTS. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus, the NPA and the RSF:-

"Act"	: The Companies Act, 1965
"Additional Warrants A"	: Additional Warrants A to be issued pursuant to the adjustments to the Warrants A in accordance with the provisions of the deed poll dated 5 December 2006, as a consequence of the Rights Issue with Warrants
"Amendment"	: The amendment to the Memorandum of Association of Digistar
"Board"	: The Board of Directors of Digistar
"Bursa Depository" or "Depository"	: Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	: Bursa Malaysia Securities Berhad (635998-W)
"CDS"	: Central Depository System
"CDS Account"	: A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depository) Act, 1991 and the Rules of Bursa Depository for the recording of deposits of securities and for dealings in such securities by the depositor
"CMSA"	: The Capital Markets and Services Act 2007
"Code"	: The Malaysian Code on Take-Overs and Mergers, 2010
"Corporate Exercises"	: The Rights Issue with Warrants, the Increase in Authorised Share Capital and the Amendment, collectively
"Deed Poll"	: The deed poll dated 4 March 2013 constituting the Warrants
"DHSB"	: Digistar Holdings Sdn Bhd (126542-X), a wholly-owned subsidiary company of Digistar
"Digistar" or the "Company"	: Digistar Corporation Berhad (603652-K)
"Digistar Group" or the "Group"	: Digistar and its subsidiary companies, collectively
"Digistar Share(s)" or "Share(s)"	: Ordinary share(s) of RM0.10 each in Digistar
"Director(s)"	: The director(s) of Digistar and shall have the meaning given in Section 4 of the Act
"EGM"	: Extraordinary General Meeting
"Entitlement Date"	: 5.00 p.m. on 13 March 2013, being the date and time on which the names of our shareholders must appear in the Record of Depositors in order to participate in the Rights Issue with Warrants
"Entitled Shareholder(s)"	: Our shareholders whose names appear in our Record of Depositors on the Entitlement Date

DEFINITIONS (CONT'D)

"EPS"	:	Earnings per Share
"Excess Rights Shares with Warrants"	:	Rights Shares with Warrants which are not taken up or not validly taken up by the Entitled Shareholders and/ or their renounee(s) (if applicable) prior to excess application
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"ICT"	:	Information and communication technology
"Increase in Authorised Share Capital"	:	The increase in the authorised share capital of Digistar from RM50,000,000 comprising 500,000,000 Digistar Shares to RM100,000,000 comprising 1,000,000,000 Digistar Shares
"IT"	:	Information technology
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	20 February 2013, being the latest practicable date prior to the registration of this Abridged Prospectus with the SC
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"Maximum Scenario"	:	Assuming all the existing treasury shares have been resold in the open market at the respective acquisition prices, all the outstanding Warrants A are exercised prior to the Entitlement Date and the Rights Issue with Warrants is undertaken on a full subscription level basis
"Minimum Scenario"	:	Assuming all the existing treasury shares are retained by our Company, none of the outstanding Warrants A are exercised prior to the Entitlement Date and the Rights Issue with Warrants is undertaken on the Minimum Subscription Level basis
"Minimum Subscription Level"	:	A minimum level of subscription of 25,113,381 Rights Shares together with 18,835,034 Warrants pursuant to the Rights Issue with Warrants, as determined by the Board. The aforesaid Minimum Subscription Level is based on the irrevocable written undertaking from our substantial shareholders namely Kenangan Lampiran Sdn Bhd, Datuk Wira Lee Wah Chong and Ong Fee Chong to subscribe for a collective sum of 25,113,381 Rights Shares, being their entitlements under the Rights Issue with Warrants
"NA"	:	Net assets
"NPA"	:	Notice of Provisional Allotment
"Official List"	:	A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed
"OSK" or the "Principal Adviser"	:	OSK Investment Bank Berhad (14152-V)
"PAT"	:	Profit after tax

DEFINITIONS (CONT'D)

"PBT"	:	Profit before tax
"Provisional Rights Shares with Warrants"	:	Rights Shares with Warrants provisionally allotted to the Entitled Shareholders
"Record of Depositors"	:	A record consisting of names of depositors established by Bursa Depository under the Rules of Depository
"Rights Issue with Warrants"	:	The renounceable rights issue of up to 137,664,390 Rights Shares on the basis of two (2) Rights Shares for every five (5) existing Digistar Shares held on the Entitlement Date together with up to 103,248,292 Warrants on the basis of three (3) Warrants for every four (4) Rights Shares subscribed
"Rights Share(s)"	:	Up to 137,664,390 new Digistar Shares to be issued pursuant to the Rights Issue with Warrants
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RSF"	:	Rights Subscription Form
"SC"	:	Securities Commission Malaysia
"TV"	:	Television
"WAMP"	:	Weighted average market price
"Warrant(s)"	:	Up to 103,248,292 free detachable warrants to be issued pursuant to the Rights Issue with Warrants
"Warrant(s) A"	:	The 90,040,325 outstanding 2007/ 2017 warrants as at the LPD constituted by the deed poll dated 5 December 2006. Each Warrant A carries the right to subscribe for one (1) new Digistar Share during the 10-year exercise period of the Warrants A up to 7 February 2017

All references to "our Company" and "Digistar" in this Abridged Prospectus are made to Digistar Corporation Berhad and references to "our Group" are made to our Company and our subsidiary companies. All references to "we", "us", "our" and "ourselves" are made to the Company, or where the context requires, our Group or any of our subsidiary companies. All references to "you" in this Abridged Prospectus are made to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Nationality	Occupation
YB Datuk Md. Sirat Bin Abu <i>(Independent Non-Executive Chairman)</i>	No. 11A, Jalan MP12 Melaka Perdana Resort Homes 75450 Ayer Keroh Melaka	Malaysian	Member of Parliament Malaysia
Datuk Wira Lee Wah Chong <i>(Managing Director)</i>	No. 28, Jalan Satu Taman Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan	Malaysian	Company Director
Datin Wira Wa Siew Yam <i>(Executive Director)</i>	No. 28, Jalan Satu Taman Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan	Malaysian	Company Director
Ong Fee Chong <i>(Executive Director)</i>	No. 122, Jalan UP3/2 Ukay Perdana 68000 Ampang Selangor Darul Ehsan	Malaysian	Company Director
Lee Mely <i>(Executive Director)</i>	No. 1, Jalan USJ 2/4K 47600 Subang Jaya Selangor Darul Ehsan	Malaysian	Company Director
Lye Siang Long <i>(Executive Director)</i>	No. 53, Villa Laman Tasik Bandar Sri Permaisuri 56000 Cheras Kuala Lumpur	Malaysian	Company Director
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan <i>(Independent Non-Executive Director)</i>	Lot 574, Jalan Enam Taman Ampang Utama 68000 Ampang Selangor Darul Ehsan	Malaysian	Company Director
Dato' Haji Ishak Bin Haji Mohamed <i>(Independent Non-Executive Director)</i>	No. 11, Jalan Pulai Height 14 Pulai Heights Simpang Pulai 31300 Ipoh Perak Darul Ridzuan	Malaysian	Company Director
Cheong Yee Kiong <i>(Independent Non-Executive Director)</i>	Block A-20-05 Kiaramas Sutera Jalan Desa Kiara 50480 Kuala Lumpur	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
YB Datuk Md. Sirat Bin Abu	Chairman	Independent Non-Executive Chairman
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	Member	Independent Non-Executive Director
Dato' Haji Ishak Bin Haji Mohamed	Member	Independent Non-Executive Director
Cheong Yee Kiong	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (CONT'D)

- COMPANY SECRETARIES** : Tan Bee Hwee (MAICSA 7021024)
E-6-9, Flora Damansara
Jalan PJU 8/9
Bandar Damansara Perdana
Bukit Lanjan
47820 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-2264 8888
Fax: 03-2282 2733
- Wong Wai Foong (MAICSA 7001358)
1164, Jalan 17/46
Happy Garden
46400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-2264 8888
Fax: 03-2282 2733
- REGISTERED OFFICE** : Level 18, The Gardens North Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 8888
Fax: 03-2282 2733
- PRINCIPAL OFFICE** : B6/4/4, 3rd Floor
One Ampang Business Avenue
Jalan Ampang Utama 1/2
68000 Ampang
Selangor Darul Ehsan
Tel: 03-4253 4319
Fax: 03-4257 2168
Email: digista@digistar.com.my
Website: www.digistar.com.my
- SHARE REGISTRAR** : Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 3883
Fax: 03- 2282 1886
- AUDITORS AND REPORTING ACCOUNTANTS** : Messrs Crowe Horwath (AF 1018)
Chartered Accountants
Level 16, Tower C
Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 03-2788 9999
Fax: 03-2788 9998
- PRINCIPAL BANKER** : United Overseas Bank (Malaysia) Berhad (271809-K)
Kuala Lumpur Main Branch
Menara UOB, Jalan Raja Laut
P.O. Box 10868
50728 Kuala Lumpur
Tel: 03-2692 7722
Fax: 03-2691 8418

CORPORATE DIRECTORY (CONT'D)

OCBC Bank (Malaysia) Berhad (295400-W)
Menara Great Eastern
No. 303, Jalan Ampang
50450 Kuala Lumpur
Tel: 03-4813 1808
Fax: 03-4813 1868

Malayan Banking Berhad (3813-K)
Nos. 2 and 3, Jalan Memanda 7
Batu 4½, Jalan Ampang
68000 Ampang
Selangor Darul Ehsan
Tel: 03-4256 8506
Fax: 03-4251 4333

SOLICITORS

: Messrs Enoil Loo
Advocates and Solicitors
M-2-9 Plaza Damas
60 Jalan Sri Hartamas 1
Sri Hartamas
50480 Kuala Lumpur
Tel: 03-6203 2381
Fax: 03-6203 2359

PRINCIPAL ADVISER

: OSK Investment Bank Berhad (14152-V)
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel: 03-2333 8333
Fax: 03-2175 3217

**STOCK EXCHANGE LISTED AND
LISTING SOUGHT**

: Main Market of Bursa Securities

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DIGISTAR CORPORATION BERHAD

(Company No.: 603652-K)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office

Level 18, The Gardens North Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur

13 March 2013

Board of Directors

YB Datuk Md. Sirat Bin Abu (*Independent Non-Executive Chairman*)
Datuk Wira Lee Wah Chong (*Managing Director*)
Datin Wira Wa Siew Yam (*Executive Director*)
Ong Fee Chong (*Executive Director*)
Lee Mely (*Executive Director*)
Lye Siang Long (*Executive Director*)
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan (*Independent Non-Executive Director*)
Dato' Haji Ishak Bin Haji Mohamed (*Independent Non-Executive Director*)
Cheong Yee Kiong (*Independent Non-Executive Director*)

To: Our Entitled Shareholders

Dear Sir/ Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 137,664,390 NEW DIGISTAR SHARES ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING DIGISTAR SHARES HELD AS AT 5.00 P.M. ON 13 MARCH 2013 TOGETHER WITH UP TO 103,248,292 FREE WARRANTS ON THE BASIS OF THREE (3) FREE WARRANTS FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED AT AN ISSUE PRICE OF RM0.20 PER RIGHTS SHARE

1. INTRODUCTION

On 4 December 2012, OSK had, on behalf of our Board, announced that we propose to undertake the Rights Issue with Warrants, the Increase in Authorised Share Capital and the Amendment.

On 17 January 2013, OSK had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 16 January 2013, resolved to approve the following:-

- i. Admission to the Official List and the listing of and quotation for the Warrants;
- ii. Listing of the Additional Warrants A to be issued arising from the adjustments pursuant to the Rights Issue with Warrants; and
- iii. Listing of the Rights Shares to be issued pursuant to the Rights Issue with Warrants and the new Digistar Shares to be issued arising from the exercise of the Warrants and the Additional Warrants A.

The aforesaid approval is subject to the following conditions:-

	Conditions	Status of compliance
i.	Digistar and OSK must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants;	Noted
ii.	Digistar and OSK to inform Bursa Securities upon the completion of the Rights Issue with Warrants;	To be complied
iii.	Digistar to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed; and	To be complied
iv.	Digistar is required to furnish Bursa Securities on a quarterly basis, a summary of the total number of Digistar Shares listed pursuant to the exercise of the Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

On 31 January 2013, OSK had, on behalf of our Board, announced that the Controller of Foreign Exchange (via Bank Negara Malaysia) had, vide its letter dated 23 January 2013, resolved to approve the issuance of the Warrants to the non-resident shareholders of Digistar as well as the Additional Warrants A the non-resident holders of the Warrant A.

On 19 February 2013, our shareholders had approved the Corporate Exercises at our EGM. A certified true extract of the resolutions pertaining to the Corporate Exercises passed at the aforesaid EGM is set out in Appendix I of this Abridged Prospectus.

On 26 February 2013, OSK had, on behalf of our Board, announced that the issue price of the Rights Shares and the exercise price of the Warrants have been fixed at RM0.20 per Rights Share and RM0.26 per Warrant, respectively.

On 27 February 2013, OSK had, on behalf of our Board, announced that the Entitlement Date has been fixed on 13 March 2013 at 5.00 p.m., along with other relevant dates pertaining to the Rights Issue with Warrants.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or OSK.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Rights Issue with Warrants

In accordance with the terms of the Rights Issue with Warrants as approved by the relevant authorities and our shareholders at the EGM held on 19 February 2013 and subject to the terms of the Abridged Prospectus and the accompanying documents, we will provisionally allot up to 137,664,390 Rights Shares to our Entitled Shareholders, on a renounceable basis of two (2) Rights Shares for every five (5) existing Digistar Shares held on the Entitlement Date together with up to 103,248,292 Warrants on the basis of three (3) Warrants for every four (4) Rights Shares subscribed by the Entitled Shareholders and/ or their renounee(s) (if applicable), at an issue price of RM0.20 per Rights Share.

In determining the entitlements of the Entitled Shareholders, fractional entitlements of the Rights Shares and the Warrants, if any, will be disregarded and shall be dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

The Warrants will be immediately detached from the Rights Shares upon allotment and issuance and will be traded separately. The Warrants will be issued in registered form and constituted by the Deed Poll.

The Rights Issue with Warrants is renounceable in full or in part. The renunciation of the Rights Shares by the Entitled Shareholders will entail the renunciation of the Warrants to be issued together with the Rights Shares pursuant to the Rights Issue with Warrants. Accordingly, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall then be entitled to the Warrants in the proportion of their acceptance of their Rights Shares entitlements.

Any unsubscribed Rights Shares together with the Warrants, will be made available to other Entitled Shareholders and/ or their renounee(s) (if applicable) under the Excess Rights Shares with Warrants application. It is the intention of our Board to allocate the Excess Rights Shares with Warrants, if any, in a fair and equitable manner, and on a basis as set out in Section 10.8 of this Abridged Prospectus.

As the Rights Shares and the Warrants are prescribed securities, your CDS Account will be duly credited with the number of Provisional Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Provisional Rights Shares with Warrants, as well as to apply for the Excess Rights Shares with Warrants if you choose to do so.

Any dealings in our securities will be subject to, inter-alia, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares and the Warrants to be allotted and issued will be credited directly into the respective CDS Accounts of the successful applicants. No physical share or warrant certificates will be issued.

We will allot and issue the Rights Shares with Warrants, despatch notices of allotment to the successful applicant and make an application for the quotation for the Rights Shares and the Warrants within eight (8) Market Days from the last date for acceptance and payment for the Rights Shares with Warrants or such period as may be prescribed by Bursa Securities. The Rights Shares and the Warrants will then be quoted on the Main Market of Bursa Securities two (2) Market Days after the application for quotation is made to Bursa Securities.

2.2 Basis and justification of determining the issue price of the Rights Shares

On 26 February 2013, OSK had, on behalf of our Board, announced that the issue price of the Rights Shares has been fixed at RM0.20 per Rights Share. This represents a discount of approximately 23.08% to the theoretical ex-rights price of Digistar Shares of RM0.26, calculated based on the five (5)-day WAMP of Digistar Shares of RM0.29, up to and including 25 February 2013, being the last trading day of Digistar Shares immediately preceding the price-fixing date for the Rights Shares. The issue price was determined by our Board after taking into consideration the aforementioned theoretical ex-rights price of Digistar Shares and it shall in no event be lower than the par value of Digistar Shares of RM0.10 each after the discount to the theoretical ex-rights price.

2.3 Basis and justification of determining the exercise price of the Warrants

On 26 February 2013, OSK had, on behalf of our Board, announced that the exercise price of the Warrants has been fixed at RM0.26 per Warrant. This represents the theoretical ex-rights price of Digistar Shares, calculated based on the five (5)-day WAMP of Digistar Shares of RM0.29, up to and including 25 February 2013, being the last trading day of Digistar Shares immediately preceding the date of fixing the said exercise price. The exercise price of the Warrants was determined by our Board after taking into consideration the aforementioned theoretical ex-rights price of Digistar Shares and it shall in no event be lower than the par value of Digistar Shares of RM0.10 each.

For avoidance of doubt, the Warrants attached to the Rights Shares will be issued at no cost to the Entitled Shareholders who subscribe for the Rights Shares.

2.4 Ranking of the Rights Shares and new Digistar Shares to be issued arising from the exercise of the Warrants and Additional Warrants A

The Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing Digistar Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Rights Shares.

The new Digistar Shares to be issued arising from the exercise of the Warrants and Additional Warrants A will, upon allotment and issuance, rank *pari passu* in all respects with the existing Digistar Shares, save and except that the new Digistar Shares to be issued arising from the exercise of the Warrants and Additional Warrants A will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the said new Digistar Shares.

2.5 Principal terms of the Warrants

The principal terms of the Warrants are set out below:-

- | | | |
|-----------------|---|---|
| Issue size | : | Up to 103,248,292 Warrants to be issued in conjunction with the Rights Issue with Warrants to the Entitled Shareholders on the basis of three (3) Warrants for every four (4) Rights Shares subscribed. |
| Form | : | The Warrants which are to be issued with the Rights Shares are immediately detachable upon allotment and issuance and will be separately traded. The Warrants will be issued in registered form and constituted by the Deed Poll. |
| Exercise rights | : | Each Warrant entitles the registered holder, at any time during the exercise period, to subscribe for one (1) new Digistar Share at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll. |
| Exercise period | : | The Warrants may be exercised at any time during the period of 10 years commencing on and including the date of issuance of the Warrants. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid. |
| Exercise price | : | RM0.26 per Warrant, payable in cash in respect of each new Share for which a Warrant holder will be entitled to subscribe upon exercise of the exercise rights, or such other price as may be approved by the relevant authorities and subject to the adjustments in accordance with the Deed Poll. |

- Mode of exercise : The registered holder of the Warrant is required to lodge a subscription form, as set out in the Deed Poll, with the Company's registrar, duly completed and signed together with payment of the exercise price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia.
- Board lot : For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new Digistar Shares at any time during the exercise period, or such denomination as determined by Bursa Securities.
- Participating rights of the holders of Warrants in any distribution and/ or offer of further securities : The Warrant holders are not entitled to vote in any general meeting of Digistar or to participate in any distribution other than on winding-up, compromise or arrangement of Digistar and/ or offer of further securities in the Company unless and until the holder of the Warrants becomes a shareholder of Digistar by exercising his Warrants into new Digistar Shares or unless otherwise resolved by Digistar in a general meeting.
- Adjustments in the exercise price and/ or number of Warrants : The exercise price and/ or number of unexercised Warrants may from time to time be adjusted by the Board, in consultation with the approved adviser and certified by the Company's auditors, in the event of any alteration to the par value of the share capital of the Company by reason of any consolidation or subdivision or conversion, issuance of shares by way of capitalisation of profits or reserves, capital distribution or rights issue of shares or convertible securities or any other events and in accordance with the provisions of the Deed Poll.
- Rights in the event of winding-up, compromise and/ or arrangement : Where a resolution has been passed for a voluntary winding-up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies pursuant to a scheme of arrangement to which the Warrant holders, or some person designated by them for such purpose, is a party, the terms of such scheme of arrangement shall be binding on all the Warrant holders.

In any other case, every Warrant holder shall be entitled, upon and subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within six (6) weeks after the granting of the court order approving the compromise or arrangement, by submitting to the Company the subscription form, duly completed with the payment of the exercise price, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by such Warrants to the extent specified in the subscription form and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new Digistar Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.

Subject to the above, if the Company is wound up or an order has been granted for such compromise or arrangement, all exercise rights which have not been exercised within six (6) weeks of the passing of the resolution or the court order shall lapse and the Warrants will cease to be valid for any purpose.

- Modifications : Save as expressly provided in the Deed Poll and manifest error, no modification, amendment, deletion or addition may be made to the provisions of the Deed Poll without the sanction of a special resolution, other than amendments or additions required to correct any typographical errors or relating to purely administrative matters or to comply with the mandatory provisions of the laws of Malaysia or if, in the opinion of the approved adviser, it will not be materially prejudicial to the interests of the Warrant holders. Any modification, amendment, deletion or addition to the aforementioned deed poll may be effected only by a deed executed by the Company and expressed to be supplemental to the deed poll, and only if the requirements of the relevant provision of the aforementioned deed poll have been complied with.
- Constitution : The Warrants will be constituted by the Deed Poll
- Governing law : Laws and regulations of Malaysia.

2.6 Details of other corporate exercises

Save for the Rights Issue with Warrants, we do not have any other corporate exercises which have been approved by the regulatory authorities but not yet completed as at the LPD.

3. RATIONALE AND JUSTIFICATION FOR THE RIGHTS ISSUE WITH WARRANTS

After due consideration of the various funding options available to us, our Board is of the view that the Rights Issue with Warrants is the most appropriate avenue for raising funds after taking into consideration the following factors as the Rights Issue with Warrants will:-

- i. Enable us to raise equity capital without incurring interest expenses as compared to bank borrowings. This would allow us to preserve cash for reinvestment and/ or operational purpose;
- ii. Provide our Entitled Shareholders with an opportunity to further increase their equity participation in our Company via the issuance of new Digistar Shares without diluting their existing equity interest, assuming that all Entitled Shareholders fully subscribe for their respective entitlements pursuant to the Rights Issue with Warrants; and
- iii. Improve liquidity and financial flexibility, as well as to optimise our Group's capital structure by strengthening the statement of financial position.

In addition, the Warrants to be issued pursuant to the Rights Issue with Warrants will provide an incentive to the Entitled Shareholders and/ or their renounee(s) (if applicable) to subscribe for the Rights Shares. The Warrants will allow the Entitled Shareholders and/ or their renounee(s) (if applicable) to benefit from the potential capital appreciation of the Warrants and increase their equity participation in our Company at a predetermined price over the tenure of the Warrants. Furthermore, we would also be able to raise further proceeds as and when the Warrants are exercised.

4. IRREVOCABLE UNDERTAKINGS, MINIMUM SUBSCRIPTION LEVEL AND UNDERTAKING ARRANGEMENT

Our Board had determined to undertake the Rights Issue with Warrants on the Minimum Subscription Level basis. The Minimum Subscription Level had been determined by our Board after taking into consideration the minimum level of funds that we wish to raise from the Rights Issue with Warrants which will be channelled towards the proposed utilisation of proceeds as set out in Section 5 of this Abridged Prospectus. In this regard, our Board intends to raise minimum gross proceeds of RM5.02 million.

To meet the Minimum Subscription Level, our substantial shareholders, namely Kenangan Lampiran Sdn Bhd, Datuk Wira Lee Wah Chong and Ong Fee Chong, had vide their letters dated 7 November 2012, provided their respective irrevocable undertakings to subscribe in full for their respective entitlements under the Rights Issue with Warrants based on their shareholdings.

For illustrative purposes only, a summary of the irrevocable undertakings is set out below:-

Substantial shareholders	Shareholdings as at the LPD		Entitlements and irrevocable undertakings under the Rights Issue with Warrants		Funding required RM
	No. of Shares	% ^{*1}	No. of Shares	% ^{*2}	
Kenangan Lampiran Sdn Bhd	45,316,733	18.37	18,126,693	13.17	3,625,339
Datuk Wira Lee Wah Chong	15,946,607	6.46	6,378,642	4.63	1,275,728
Ong Fee Chong	1,520,115	0.62	608,046	0.44	121,609
Total	62,783,455	25.45	25,113,381	18.24	5,022,676

Notes:-

^{*1} Computed based on the issued and paid-up share capital of Digistar as at the LPD, excluding all the existing treasury shares

^{*2} Computed based on the total of 137,664,390 Rights Shares available for subscription under the Maximum Scenario

The above-mentioned substantial shareholders had also, on 7 November 2012, provided confirmations that they have sufficient financial resources to subscribe for their respective entitlements as set out above. The said confirmation has been verified by OSK, our Principal Adviser for the Corporate Exercises.

As the Rights Issue with Warrants will be undertaken on the Minimum Subscription Level basis, we will not be procuring any underwriting arrangement for the remaining portion of up to 112,551,009 Rights Shares, representing 81.76% of the total Rights Shares available for subscription under the Maximum Scenario pursuant to the Rights Issue with Warrants.

The subscriptions of the Rights Shares by the above-mentioned substantial shareholders pursuant to the Rights Issue with Warrants are not expected to trigger any mandatory take-over offer obligation under Part III of the Code.

5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.20 per Rights Share, the Rights Issue with Warrants is expected to raise gross proceeds of up to RM27.53 million.

The proceeds are expected to be utilised in the manner as set out below:-

Details of utilisation	Timeframe for utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000
Business expansion ¹	within 24 months	1,000	5,000
General working capital ²	within 24 months	1,323	18,833
Repayment of bank borrowings ³	within six (6) months	2,000	3,000
Estimated expenses in relation to the Corporate Exercises ⁴	upon completion	700	700
Total		5,023	27,533

Notes:-

¹ The broadcasting business of our Group is on project basis. Our Group intends to expand our business in broadcasting segment by servicing more local media broadcast operators. As we currently do not have any branch office, we intend to establish branch offices adjacent to the client's premises to provide routine maintenance and support services. Our Group also intends to venture into overseas market, namely Singapore and Europe countries, by participating in tendering and bidding projects.

In addition, our Group intends to expand our interactive pay TV segment locally. As at the LPD, our customer base in this segment consists solely of hospitals throughout Malaysia. We are currently providing interactive pay TV services to 15 hospitals and are in the midst of finalising contractual agreements and installing interactive pay TV services for 10 other hospitals. At this juncture, our Board has yet to determine the number of additional hospitals which we are targeting to service in future.

Further, our Group plans to venture into new niche market of residential users in condominium, apartments and flats where we are able to install centralised systems in these types of buildings. However, at this juncture, our Board has yet to determine the number and locations of condominium, apartments and flats which we are targeting to service.

Our Group intends to apportion the proceeds for business expansion in the following manner:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
Broadcasting segment	400	2,000
Interactive pay TV segment	600	3,000
Total	1,000	5,000

The breakdown of proceeds to be utilised for local market expansion and overseas venture for the broadcasting segment has not been determined at this juncture.

² The proceeds for working capital will be utilised to finance the day-to-day operations of our Group and is estimated to be utilised in the following manner:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
<i>Repayment to trade and other creditors (which include payment for the inventories, payment made to sub-contractors, consultancy fees and other direct costs)</i>	500	13,900
<i>Purchase of equipments, primarily audio-visual, broadcasting, and security and surveillance equipments, electrical components and accessories, and maintenance charges for buildings, equipments and accessories</i>	200	500
<i>Marketing expenses</i>	300	300
<i>General expenses (which include, amongst others, salaries, travelling expenses, utilities, staff training and staff welfare such as allowances, and payments to employees provident fund and social security organisation)</i>	323	4,133
Total	1,323	18,833

³ As at the LPD, our Group's total bank borrowings amounted to approximately RM4.85 million. For illustrative purposes and under the Maximum Scenario, the partial repayment of our Group's borrowings is expected to result in an interest cost savings of approximately RM0.19 million per annum based on the effective interest rate of 6.40% per annum.

⁴ The breakdown of the estimated expenses in relation to the Corporate Exercises are set out below:-

	RM'000
<i>Professional fees (including fees for Principal Adviser, reporting accountants and solicitors)</i>	480
<i>Regulatory fees</i>	82
<i>Miscellaneous expenses (including printing and advertising costs)</i>	138
Total	700

Any variation to the amount of proceeds to be raised which is dependent upon the actual number of Rights Shares to be subscribed and issued, will be adjusted against the allocation for the working capital.

The gross proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants. Such proceeds will be utilised as additional working capital of our Group.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the above purposes, the proceeds will be placed in deposits with financial institutions or short term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short term money market instruments will be used as additional working capital of our Group.

6. RISK FACTORS

You and/ or your renouncee(s) (if applicable) should consider carefully, in addition to other information contained elsewhere in this Abridged Prospectus, the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group before subscribing for or investing in the Rights Issue with Warrants.

6.1 Risks relating to the industry that we operate in

6.1.1 We face competition from other players in the industry

The electronic systems engineering and integration industry is competitive and fragmented. We expect competition to persist and increase in the future as we are presently moving towards the digital era. Although the existing local market is relatively small as compared to other developed nations, competition is still intense as few companies compete for local market share. Additionally, there is no assurance that foreign players with greater resources and longer track records may not enter our market. Increased competition from external parties could erode our market position or pricing power, resulting in a material adverse effect on our overall financial and operational performance. We face competition in our three (3) business segments, namely audio-visual systems, broadcasting systems as well as security systems.

We will constantly improve on meeting our customers' requirements in terms of electronic related infrastructure and systems. We seek to limit the aforementioned risks by taking every measure to sharpen our competitive edge through, inter-alia, implementing cost reduction and productivity enhancement programmes to upgrade our engineers and technical personnel's quality of knowledge and services as well as hiring overseas professionals.

Whilst our Directors are confident that our business will not be materially affected by the competition given our niche as a comprehensive systems integration solutions provider and our long established business with more than 30 years of experience and reputation, there can be no assurance that we would be able to sustain our competitiveness against our current and future competitors.

6.1.2 We are subject to technological obsolescence risk

We are subject to inherent risks associated with the rapid development of technologies. Our products and services are characterised by rapid technological development, constantly evolving industry standards, swift changes in customer requirements and frequent new product introductions and enhancements. As such, our future depends substantially upon our ability to address the increasingly sophisticated needs of our customers.

We seek to minimise these risks by actively and continuously pursuing technological advancement through attending international symposiums and technical shows to keep abreast with the latest technology direction, adopting industry best practices and forming strategic business alliances with key technology providers to address the changing needs of our customers from time to time. Further, our exposure to these risks is mitigated as we expect our customers to constantly upgrade their systems to stay relevant with the latest technology, hence creating more business opportunities for us. In view of this, we also provide continuous staff development to align their skills and knowledge with updated technology to ensure that they are proficient in performing their respective job responsibilities.

Nevertheless, there is no assurance that we will be able to continue to adapt to ongoing advances in technology and develop new products and services which meet the needs of our customers on a timely manner and cost effective basis.

6.1.3 We are exposed to the risk of lack of long term contracts with our customers

A substantial part of our Group's revenue is derived from the provision of systems engineering and integration services, whereby such services are generally provided on a project basis to our customers. Our failure to secure new projects may have a material adverse effect on our Group's future financial performance. It is also normal within the electronic systems engineering and integration industry that users of such infrastructure and systems do not enter into long term contracts with the system providers. There is no assurance that our customers will continue to engage us to provide them with such systems engineering and integration services.

Nevertheless, the risk of a lack of long term contracts is mitigated by our established business relationships with the broadcast media operators, mechanical and electrical contractors, building and construction contractors, civil engineering contractors, higher learning institutions and hospitals, as well as our ability to continually secure repeated orders from these customers. However, there can be no assurance that the aforesaid efforts are sufficient to mitigate the risk arising from the lack of long term contracts with our customers.

6.2 Risks relating to our operations

6.2.1 Our operations are affected by the expenditure budget of our customers and the general economic condition

Our end-user industries expenditure budget is affected by the overall performance of their companies as well as the general economic condition of the country. In general, where companies are profitable, there would be a larger portion of the expenditure allocated for system integration upgrading and investment. Whilst companies are plagued with financial difficulties and uncertain economic climates signalling longer timeframes required to turnaround, our end-user industries spending are usually reduced drastically.

Our Group's exposure to such risk is mitigated to a certain extent by our focus on a selected group of customers, such as organisations and institutions who consider electronic systems engineering and integration as essential in their daily operation. This selected group of customers includes government institutions, education facilities and healthcare providers.

Other strategies to alleviate our sensitivity to any impending economic downturn include:-

- i. keeping fixed operating overhead expenses low with a lean staff force;
- ii. maintaining flexibility in pricing our products and services offered;
- iii. providing enhanced and upgraded products and services to our customers; and
- iv. diversifying our revenue base by providing electronic systems support and maintenance services as well as innovating new products.

Although our management strives to mitigate these risks, no assurance can be given that our Group's financial and operating performances will not be affected by any adverse economic conditions of both local and foreign countries.

6.2.2 We are reliant on distributors and license agreements

Our business is dependent, to a certain extent, on various third parties hardware and software products supplied to us either through exclusive or non-exclusive distributorship or license agreements which are subject to annual review and renewal. In the event these distributorship or license agreements with these third parties providers are terminated, our Group's business and ability to service our customers will be adversely affected. There can be no assurance that the new distributors or licensors will be able to provide similar terms which are offered by our existing distributors or licensors, hence this may result in us incurring higher operating costs.

Nevertheless, as an active partner of our suppliers, we believe the risk of termination is low. For the past three (3) financial years up to the FYE 30 September 2012 and subsequent period up to the LPD, our Group has not experienced any termination of distributorship or license agreement with our third party hardware and software providers which had materially affected our business operations. Further, should the distributorship or license agreements with our existing third party providers be terminated, we are confident that we are able to source for new distributors or licensors to replace our existing third party providers and negotiate with the new distributors or licensors for the favourable terms of the agreements given the sufficient time.

6.2.3 We may be exposed to infringement of copyright and the use of illegal software issues

The infringement of copyright and illegal copying of proprietary software can be deemed as amongst the major constraints impacting the electronic systems engineering and integration industry. Our Group seeks to limit these risks through, inter-alia, entering into various distributors or license agreements with several international reputable hardware and software manufacturers to provide the licensed products and services to our customers. Notwithstanding that we do not intend to infringe the copyright of others, there can be no assurance that our Group will not be sued by third parties alleging that we have infringed their copyright.

We also place great emphasis on the goodwill of our brand name, as negative connotations to a brand name would invariably adversely affect the market share of that particular brand. Hence, we have registered our "HaHaTV®" trademark with the relevant authorities in Malaysia and Singapore. Nevertheless, even though our "HaHaTV®" trademark has been registered, there can be no assurance that there would not be unauthorised third party copying, using or exploiting of our brand name.

6.2.4 We are exposed to numerous project risks

Our Group's contracts with customers are generally entered into on a project basis. Due to the complexity of the projects that our Group undertakes, the projects are subject to the following risk factors:-

- i. Most of our Group's services are based on fixed price contracts which the price is determined at the time of bidding, based on estimates. Our Group may underestimate project costs in tendering or bidding for a project. In such event, our Group may incur cost overruns which will result in reduced profits or cause our Group to incur losses for such a project. Such events are normal occurrences due to fluctuation in costs of labor, equipments and materials of which may unfavourably affect our project budgeting, whilst we have pre-established in part on contract value of such prices when entering into fixed price contracts. Nevertheless, as at the LPD, we have not experienced any material cost overruns;
- ii. Customers may delay or cancel their projects due to unforeseen circumstances such as incomplete specifications, unfavourable credit terms, delays or failure in obtaining the necessary approvals from relevant regulatory authorities or other unanticipated difficulties in delivering the project. Delays may also arise from other contractors and hence affecting our completion schedule. Project delays will affect profit margin as time spent negotiating and resolving issues will delay the recognition of revenues. Additional costs may also be incurred as a result of these delays. Furthermore, any changes in our client's management may also cause cancellation of awarded projects. As at the LPD, we have not experienced any cancellation of awarded projects by our customers; and
- iii. Failure to implement projects that fully satisfy the requirements and expectations of our customers may lead to claims being made against our Group, which may in turn adversely affect our profits and reputation. This usually arises from staff turnover, human error, misinterpretation of and failure to adhere to specifications and procedures. As at the LPD, save for a counterclaim filed by a customer, namely Kejuruteraan Bintai Kindenko Sdn Bhd ("KBKSB"), against DHSB, details of which is set out in Section 4 of Appendix VII of this Abridged Prospectus, we have not experienced any claim from our customers resulting from our inability to fulfil our contractual obligations or our customers' requirements.

To mitigate the above risks, our management has and will continue to conduct studies on the complexity and the specification of each project in order to ensure smooth implementation, acceptable costs of sales and minimise cost overruns. Notwithstanding that, there can be no assurances that such project risk will not have a material impact on our Group's financial performance.

In addition, as it is customary in our Group's industry, a progress payment method is usually adopted for most of the projects undertaken by our Group. Therefore, even if the project is completed by the stipulated timeline, there is a risk that our customers may delay the acceptance or certification of the stages of completion before we can recognise the degree of work done as revenue. During this juncture, our Group would have already incurred the costs of construction for the stages. Until we are able to recognise the revenue and receive the payment from our customers, such delays will result in an increase in the net amount owing by contract customers which represents, to a certain degree, an increase in net utilisation of our working capital. Our management is of the view that such internal funding for short term working capital changes is necessary for our Group to undertake larger and higher number of projects which is expected to deliver higher revenue and profitability, and the conversion of the net amount owing by contract customers to actual collections is merely a timing issue which will invariably be accepted and subsequently settled by the project owners in the ordinary course.

Nevertheless, in the event that such delays occur for a prolonged period or due to project failures or stoppage, our Group's financial performance and working capital position may be adversely affected. Although we may have legal avenues to seek for acceptance or certification and subsequently claiming such amounts from our customers, there can be no assurance that during the interim period, our financial performance and cashflow position will not be materially affected.

6.2.5 We are exposed to business diversification risk

Our Group also intends to involve in the property development sector with the completion of the acquisition of the remaining 40% equity interest in Seni Pujaa Sdn Bhd on 20 July 2012. Business operation of Seni Pujaa Sdn Bhd has recently began with the first project under a joint venture arrangement with Yayasan DMDI to undertake a commercial development project in Malacca, dubbed "*The Heritage*", which was launched on 18 October 2011.

As our Group is primarily involved in the electronic systems engineering and integration industry, the venture into the property development sector would result in diversification of our Group's business. Hence, our Group would be exposed to new challenges and risks arising from the property development business, in which our Group has not been directly participating in the past.

Nonetheless, our Group seeks to mitigate these risks by leveraging the competencies and experience of other professionals and/ or outsource the project development to the relevant professionals.

In the event the property development project or business might reasonably be expected to result in either:-

- i. the diversion of 25% or more of our Group's NA to our property development operation, which differs widely from those operations previously carried on by us; or
- ii. the contribution from such property development operation of 25% or more of our Group's net profits,

we will ensure that all relevant regulatory and disclosure requirements, including any applicable requirements of the Listing Requirements, will be complied with and the approval of our Company's shareholders will be sought.

6.2.6 We may face shortage of labour and we are dependent on our Executive Directors, key management and key technical personnel

The electronic systems engineering and integration industry is dependent on the availability of a broad range of labour. Some of these include amongst others, hardware specialist, ICT infrastructure specialists, software specialists, programmers and networking specialists.

Whilst the future of our Group will depend to a certain extent upon the abilities and continued efforts of our existing Directors and senior management who have been in this field of business since 1982 and our Group's ability to attract and retain skilled personnel, we have also made continuous efforts to groom the junior personnel to ensure a smooth transition in the management team. Furthermore, our Group's success in having secured numerous major and technically demanding projects is testimony of a dynamic and strong organisation, which appeals to many job seekers in the market.

We also responded to the Malaysian government call to provide industrial training opportunities via internship to students from universities and colleges, such as University Malaya, University Tunku Abdul Rahman, University of Technology Malaysia, Monash University and Multimedia University since 1998. Besides, we also provide scholarship programmes to undergraduates in local higher learning institutions. Hence, these provide avenues for us to employ potential employees upon completion of their studies.

Nevertheless, there can be no assurance that we will be successful in retaining or attracting the personnel we require.

6.2.7 We are exposed to foreign exchange risks

Our Group is exposed to foreign exchange risks as a considerable portion of our input materials are purchased from our foreign suppliers, which is primarily denominated in United States Dollar and Great Britain Pound. Therefore, fluctuations in foreign exchange rates may materially affect our profitability.

We currently adopt prudent foreign currency management procedures in hedging against foreign currency fluctuations through the locking in of foreign currency rates at or around the time of order placement. As all our receivables and assets are denominated in local currency, we only monitor our trade payables in foreign currencies on a monthly basis to provide us with the estimated amount of foreign currencies to be locked in. This also gives us an indication as to the appropriate payment methods to adopt, such as through bank transfer to the respective suppliers at the prevailing spot rates or to hedge against the foreign currencies through forward contracts maintained with financial institutions. The payment method is dependent on the prevailing foreign exchange rates as well as our forecast on foreign exchange fluctuations in the future.

For the past three (3) financial years up to the FYE 30 September 2012 and subsequent period up to the LPD, there have been no material fluctuations in exchange rate which had adversely affected our Group's financial performance. Nevertheless, there can be no assurance that any future change in exchange rates will not have an impact on our earnings streams.

6.2.8 We are exposed to borrowing risks and restrictive covenants

Our total borrowings as at the LPD amounted to approximately RM4.85 million, all of which are domestic borrowings and are interest-bearing. These borrowings translated to a gearing ratio of 0.08 times. Any additional borrowings and/ or increase in interest rates may result in an increase in interest expense which may materially affect our profitability.

Our credit facilities may also be subject to periodic review by the banks or financiers and contain certain covenants which may limit our operating and financial flexibility. Any act or omission by us that breaches such covenants may give the rights to the banks or financiers to terminate the relevant credit facilities and/ or enforce any security granted in relation to those credit facilities. This may in turn cause a cross default of other credit facility agreements. As these covenants are commonly contained in credit facility agreements in Malaysia, we will endeavour to monitor the compliance with all such covenants.

For the past three (3) financial years up to the FYE 30 September 2012 and subsequent period up to the LPD, our Group has not encountered any breach of covenants of our loan facilities. Nevertheless, there can be no assurance that our future performance will not be adversely affected should we breach such covenants of any of our facility agreements.

6.2.9 Recoverability of debts is inherently uncertain

Generally, the risk of potential bad debts is considered to affect most businesses. However, recoverability of debts has not been a significant concern to us for the past three (3) financial years up to the FYE 30 September 2012 and subsequent period up to the LPD.

This was mainly because we have implemented various credit control measures such as procuring downpayment from our customers, to keep our credit risk at a minimal level and discontinuing projects when our customers default in their respective payments for a certain period, as well as taking up legal actions against our delinquent customers usually when their debts exceeded 12 months from the credit period given.

Furthermore, our well-established long relationships with our customers are built on mutually agreed terms of payment. For the FYE 30 September 2012, approximately RM14.18 million of the total of trade receivables and amount owing by contract customers have exceeded our Group's normal credit period of 120 days, of which approximately RM6.32 million or 44.57% has been collected as at the LPD. These amounts owing include retention sums retained by our customers for each project undertaken by us and they are collectable after the defect liability period of the projects.

Nevertheless, there is no assurance that all debts would be collected. Our financial performance could be adversely affected in the event of write-offs and/ or impairment losses on receivables. However, our Directors are confident that our outstanding debts are recoverable.

6.2.10 There is no assurance that our insurance coverage would be adequate

Our Group's operations are very much dependent on our assets, including our plant and equipment as well as dependent on our employees. As such, we maintain general insurance policies, where practicable, covering both our assets and employees in line with general business practices in the service industry, and with policy specifications and insured limits which we believe are reasonable.

Furthermore, as we are primarily a provider of systems engineering and integration, we also maintain the following insurance policies for each of our projects undertaken:-

- i. erection all risk (EAR) insurance policy, that provides protection against all the risks involved in the erection of our systems as well as third party claims arising in connection with the installation works of the project;
- ii. workmen's compensation insurance policy, that provides cover for our employees against death or injuries by accident arising out of and in the course of their employment; and
- iii. public liability insurance policy, that provides protection against our legal liability (if any) to pay compensation for accidental bodily injury to or accidental damage to the property of our customers caused by or through our or our employees' negligence or by any defect in the premises of our customers.

However, in the event that the amount of such claims exceed the coverage of the insurance policies which we have taken up, we may be liable for the shortfalls in the amounts claimed. In such events, our business and financial position will be adversely and materially affected.

In ensuring such risks are kept to a minimum level, we review and ensure adequate coverage for our assets on a continuous basis. Furthermore, all assets such as inventories, machineries and equipment are sufficiently insured under fire and burglary policies. Although we have taken necessary steps to ensure that our assets are adequately insured, there can be no assurance that our insurance coverage would be adequate to compensate the replacement costs of the assets or any consequential losses arising thereof.

6.2.11 There is no assurance that our business expansion plans and strategies would be successfully implemented, and that they would contribute positively to our profitability

The success and viability of our business expansion plans and strategies are largely dependent upon the dynamics of the electronic systems engineering and integration industry, as well as the availability of management, financial, customer support, operational and other resources. The success of our business plans will also be dependent upon, amongst others, our ability to generate continuing demand from our existing customers and demand by new customers for our services, ability to implement strategic marketing plans on a timely basis, successfully monitor our business growth and to hire and retain skilled management and technical personnel.

Nonetheless, our Group has been in existence for more than 30 years and we are backed by the vast experience and know-how in the electronic systems engineering and integration industry of our Executive Directors, especially our Datuk Wira Lee Wah Chong, Mr Ong Fee Chong and Mr Lye Siang Long. Nevertheless, there can be no assurance that we will be able to successfully implement our business plans or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in our implementation or even deviation from our original plans. Furthermore, the actual results may deviate from our business plans due to rapid technological and market changes, as well as competitive pressures.

6.3 Risks relating to the Rights Issue with Warrants

6.3.1 Market risks of the Rights Shares and the Warrants

The market price of our Shares is influenced by, amongst others, the prevailing market sentiments, the liquidity of our Shares, the volatility of equity markets, outlook of the industries which we operate in and our financial performance. In view of this, there can be no assurance that our Shares will trade at or above the issue price of the Rights Shares or the theoretical ex-rights price of our Shares upon or subsequent to the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

The market price of the Warrants is influenced by, amongst others, the market price of the underlying Shares, the remaining tenure of the Warrants and the volatility of our share price. In view of this, there can be no assurance that the Warrants will be "in-the-money" during the tenure of the Warrants. There can also be no assurance that an active market for the Warrants will develop upon or subsequent to their listing on Bursa Securities or if developed, that such market can be sustained.

Further, it should be noted that when the Warrants expire at the end of its tenure, it will cease thereafter to be valid for any purposes and hence, will no longer have any value.

6.3.2 Delay in or abortion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one (1) or more of the following events:-

- i. Material adverse change of events/ circumstances such as changes in inflation rates, interest rates, political leadership and unfavourable changes in the governments' policies such as taxation and licensing regulations as well as other force majeure events, which are beyond the control of our Company and OSK, arising prior to or during the implementation of the Rights Issue with Warrants;
- ii. We are unable to meet the public spread requirement of the Listing Requirements, i.e. at least 25% of our issued and paid-up capital must be held by public shareholders holding not less than 100 Shares each; and
- iii. We are unable to meet the public spread requirements of at least 100 holders of Warrants holding not less than one (1) board lot of the Warrants each. In the event we do not meet the aforesaid public spread requirements, the Warrants will not be listed on the Main Market of Bursa Securities.

Nevertheless, our Group will endeavour to ensure the successful listing of the Rights Shares and the Warrants. However, there can be no assurance that the abovementioned events will not occur or cause a delay in or abortion of the Rights Issue with Warrants being aborted. In the event the Rights Issue with Warrants is aborted, our Group will repay without interest all monies received in respect of the accepted application for the subscription of the Rights Shares and the Warrants pursuant to the Rights Issue with Warrants and if such monies are not repaid within 14 days after it becomes liable, we will repay such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

6.4 Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical information which may not be reflective of the future results, whilst others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this Abridged Prospectus are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, the risk factors as set out in this section. In view of these uncertainties, the inclusion of any forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS OF OUR GROUP

We are primarily a provider of systems engineering and integration. Through our subsidiary companies, our Group is principally engaged in the provision of design, supply, installation and integration of IT infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and TV news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems. In addition, our Group is also involved in the provision of e-commerce, interactive pay TV services, property development, property holding and management operations. Due to nature of our business, our Group's performance is closely dependant on the future prospects of the related industries, namely construction, communication particularly in broadcasting, and ICT industries.

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5-5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners.

On the supply side, growth in 2013 is expected to be broad-based supported by expansion in all sectors of the economy. Of significance, external trade-related industries are envisaged to benefit from stronger global growth, particularly during the second half of 2013. The services and manufacturing sectors are expected to contribute 4.2% to the gross domestic product ("GDP") growth. The services sector is expected to benefit from the recovery in external trade-related activities while strong domestic economic activities will provide further impetus for wholesale and retail trade and financial activities to grow.

Domestic demand, which is expected to grow 5.6%, will remain the main driver of growth in 2013 underpinned by strong private sector expenditure. Private consumption is projected to expand 5.7% on account of higher disposable income arising from better employment outlook, firm commodity prices and the wealth effect from the stable performance of the stock market following strong domestic economic activities.

Private investment is expected to post a strong growth of 13.3% in 2013 attributed to the ongoing implementation of the Economic Transformation Programme ("ETP") projects. Investment in the domestic-oriented industries is anticipated to be buoyant in line with strong domestic economic activities while investment in export-oriented industries is expected to pick up amid an improving global economic outlook.

Public investment will continue to support growth and is expected to expand 4.2% in 2013. Growth is anticipated to be driven by higher capital outlays by the Non-Financial Public Enterprises ("NFPEs") and development expenditure by the Federal Government. Capital expenditure of the NFPEs will focus on the upstream oil and gas, transport, communication and utility industries.

(Source: Ministry of Finance Malaysia (2012). Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

7.2 Overview and outlook of the construction industry

The construction sector consists of four (4) subsectors, namely residential, non-residential, civil engineering and special trade works. During a period of rapid economic expansion, the sector generally outperforms the GDP growth. However, during an economic downturn, the sector tends to undergo a sharper correction. During the previous cycle of construction boom in Malaysia between 1989 and 1997, the construction sector recorded an average growth of 14.3% vis-a-vis economic growth of 9.2%. The implementation of several large-scale projects such as Kuala Lumpur International Airport, Petronas Twin Towers, Sepang International Circuit and the development of Putrajaya and Cyberjaya contributed to the construction boom during this period.

The construction sector posted a strong growth of 18.9% during the first half of 2012, the fastest pace since 1995. This impressive performance was underpinned by robust construction activity in the civil engineering and residential subsectors. Reflecting the buoyant construction activities, the total value of construction works rose 24.6% to RM38.1 billion. The private sector contributed 69.8% of the total value of construction works. The non-residential and civil engineering subsectors were the main contributors constituting 36.5% and 31.2% respectively, followed by the residential subsector. For 2012, the sector is expected to grow 15.5%, contributing 0.5% to the overall GDP growth.

The residential subsector expanded significantly by 22% during the first half of 2012 supported by strong demand for housing and investment purposes arising from higher household disposable income. Additionally, improved accessibility following the development of infrastructure projects further stimulated the demand for houses, especially in the suburban areas.

The non-residential subsector grew 12.8% during the first half of 2012 largely driven by construction of industrial buildings, particularly in the Samalaju Industrial Park, Sarawak and shophouses. Industrial building starts increased 47.8% to 501 units. Meanwhile, construction starts for purpose-built office decreased substantially to 22,758 square metres due to higher supply following the completion of several office buildings and shopping malls in 2011.

For 2013, the construction sector is envisaged to expand strongly by 11.2%, with all subsectors registering steady growth. The sector is expected to benefit from the acceleration of ongoing construction activities, particularly from the ETP and second rolling plan for construction-related projects under the Tenth Malaysia Plan. Of significance, exploration activities in oil and gas industries and major projects such as the electrified double-tracking between Ipoh-Padang Besar, Jabur-Kuala Terengganu of East Coast Expressway Phase 2, MY Rapid Transit and the River of Life are expected to drive the growth of the civil engineering subsector. The non-residential subsector is expected to expand spurred by the industrial building segment and the commencement of construction of the Tun Razak Exchange. The residential subsector is also projected to expand, albeit at a moderate pace, after recording several years of strong growth. Key housing development projects, particularly in Sungai Buloh and Bandar Malaysia in Sungai Besi, which are expected to commence in 2013, will support residential construction activities.

(Source: Ministry of Finance Malaysia (2012). Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

7.3 Overview and outlook of the communication industry

Communication industry is part of the overall umbrella of the services sector. For 2013, the communication subsector is expected to grow 8.2%.

In the broadcasting industry, the subscription-based satellite TV, namely Astro Malaysia Holdings Berhad ("Astro"), has 3.2 million subscribers with a household penetration rate of 50.4% as at end July 2012. This was largely attributed to a wide range of content offerings with 156 channels, including 22 high-definition channels and increased subscriptions to sports packages. In addition, Astro can now be accessed through smartphones, tablets, laptops and personal computers with internet connection. The performance of the industry in 2012 is expected to remain favourable with the offerings of more high-definition channels and introduction of prepaid packages to targeted groups.

Prospects for the services sector are expected to remain upbeat in 2013, with the accelerated implementation of major initiatives under the National Key Result Areas and continued investment in the seven (7) services subsectors under the National Key Economic Areas. These initiatives are expected to drive the wholesale and retail trade, finance and insurance, and communication subsectors, which are expected to grow 6.8%, 5.2% and 8.2% respectively. Overall, the sector is estimated to remain strong at 5.6% supported by domestic consumption, investment and travel-related activities.

(Source: Ministry of Finance Malaysia (2012). Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

7.4 Overview and outlook of the ICT industry

The National ICT Association of Malaysia (Pikom) has forecast a growth of between 8% and 10% for the ICT industry in 2012. Its president, Shaifubahrim Saleh, said the projection was in line with the country's economic growth forecast of between 4% and 5%.

(Source: The Sun Daily (28 May 2012). "Pikom Sees 8-10% ICT Sector Growth This Year")

In IT services, 83 companies were granted the Multimedia Super Corridor Malaysia ("MSC") status with total estimated investment of RM1,465.3 million and 7,891 employment opportunities during the first eight (8) months of 2012. As at end August 2012, the total number of MSC Malaysia companies stood at 3,037, of which 2,273 or 74.8% are Malaysian-owned, 677 or 22.3% are foreign-owned, and the remaining 87 or 2.9% are joint ventures. These companies are clustered into infotech (75.8%), creative multimedia (11.6%), global sourcing (8.8%), and institutions of higher learning and incubators (3.8%). In addition, there were 26 cyber cities and cyber centres as at end August 2012 including three (3) new cyber centres approved in 2012, namely Jaya 33 in Petaling Jaya, Puchong Financial and Corporate Centre, and Menara Worldwide in Bukit Bintang. Furthermore, three (3) new premises are in the pipeline for consideration as cyber city and cyber centre status by end 2012.

Under the nation's programme, namely, Digital Malaysia, the government aims to create an ecosystem which promotes the pervasive use of digital technology in all aspects of the economy to connect communities globally and interact in real time resulting in increased economic activity, productivity and standard of living. While Malaysia has built a strong ICT foundation, Digital Malaysia will focus on driving value-added services through digital technologies. One of the goals to be achieved under Digital Malaysia is to raising Malaysia's ICT contribution from 9.8% of GDP in 2010 to 17% by 2020.

Digital Malaysia also aims to create 160,000 high-income job opportunities, particularly in areas such as cloud enterprise applications, gamification, embedded systems, micro-sourcing, social media, e-commerce and green technology. The Tenth Malaysia Plan shows that the bulk of government investment in ICT is on supply-centric or infrastructure-based projects such as high-speed broadband, development of IT centres, and purchase of computer hardware and software. Digital Malaysia aims to create demand-side activities such as the development of digital entrepreneurs to tap into the total domestic ICT spending of RM175 billion by 2020.

(Source: Ministry of Finance Malaysia (2012). Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

7.5 Overview and outlook of the electrical and electronics industry

Output of electrical and electronics ("E&E") rebounded 1.6% during the first seven (7) months of 2012 mainly driven by the higher production of semiconductor devices as well as audio, visual and communication apparatus. The improved performance of E&E was partly due to chip vendors and storage producers taking advantage of stable prices and supply of parts to replenish inventories as well as the launching of new products which was delayed by massive floods in Thailand during the fourth quarter of 2011.

On the back of a slowdown in global demand, E&E manufacturers continued to invest in new technology and product development to upscale the value chain. Approved capital spending in the E&E subsector amounted to RM1.72 billion in 46 projects, of which RM1.35 billion were from foreign investors. This further reaffirms Malaysia as an attractive and cost-efficient E&E manufacturing base in the region. The continued strong investments will further strengthen growth in the E&E subsector and create more skilled jobs.

For 2013, the E&E subsector is expected to grow further driven by higher demand for electronic equipment and parts as well as semiconductors in line with the economic recovery in advanced economies.

(Source: Ministry of Finance Malaysia (2012). Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

7.6 Future prospects of our Group

The prospects of our Group are favourable in light of the following factors:-

- i. Our Group's business performance based on the audited consolidated financial statements of our Group for the past five (5) financial years up to the FYE 30 September 2012:-
 - a) Our revenue grew from RM52.00 million to RM69.51 million between the FYE 30 September 2008 and FYE 30 September 2012, which translated to a compounded annual growth rate of 7.53%;
 - b) Our PBT grew from RM0.67 million to RM9.99 million between the FYE 30 September 2008 and FYE 30 September 2012, which translated to a compounded annual growth rate of 96.50%; and
 - c) Our PBT margin grew from 1.29% to 14.37% between the FYE 30 September 2008 and FYE 30 September 2012.

The good financial performance of our Group over the last five (5) years will provide us with the platform for continuing business success and growth.

- ii. Our Group's competitive advantages and key strengths that will enable us to compete successfully as well as to provide us with growth prospects. Our competitive advantages and key strengths are set out below:-
 - a) Our track record and established reputation as a comprehensive system integration solutions provider since the commencement of our business in 1982;
 - b) Our expertise in providing customised solutions in systems engineering and integration to meet our customers' requirements; and
 - c) The services provided to large user-industries, which is a key strength as it enables us to sustain our business and future growth.
- iii. We have in place a business expansion plan which focuses on the following areas:-
 - a) Our business expansion into the broadcasting and interactive pay TV segments to drive our business growth in Malaysia and to address new markets in the Asia Pacific region; and
 - b) Our new business ventures into central monitoring systems engineering and integration, and operation of central monitoring stations to address new areas of growth and opportunities.

The aforementioned future plan would provide us with the platform to sustain and grow our business.

Furthermore, the electronic systems engineering and integration industry is closely related to construction industry. This is because many of the buildings, structures and amenities constructed are commonly fitted with various types of electronic systems, particularly for non-residential buildings and amenities. In tandem with the positive outlook of the construction industry as set out in Section 7.2 of this Abridged Prospectus, our Board anticipates greater business opportunities for our system integration segment through projects involving the installation and integration of IT infrastructure. In addition, TV networks and production facilities in the Asia Pacific region are increasingly making the transition from analogue to digital TV broadcasting. With the introduction of digitalisation, most of the broadcasters are working towards having their broadcast stations equipped with the necessary technology. This gives ample continuous opportunities for us to offer our broadcast system integration services to broadcasters in this region.

In view of the above, our Board believes that the prospect of our Group is favourable after having considered all the relevant aspects including the outlook of the related industries which are closely linked to our business performance.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

8.1 Issued and paid-up share capital

The proforma effects of the Rights Issue with Warrants on our issued and paid-up share capital as at the LPD are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at the LPD	254,120,650	25,412,065	254,120,650	25,412,065
Less: Treasury shares, at par	(7,372,808)	(737,281)	-	-
Upon full exercise of the outstanding Warrants A	-	-	90,040,325	9,004,033
	246,747,842	24,674,784	344,160,975	34,416,098
Shares to be issued pursuant to the Rights Issue with Warrants	25,113,381	2,511,338	137,664,390	13,766,439
	271,861,223	27,186,122	481,825,365	48,182,537
Shares to be issued assuming full exercise of the Warrants	18,835,034	1,883,503	103,248,292	10,324,829
Enlarged issued and paid-up share capital	290,696,257	29,069,625	585,073,657	58,507,366

8.2 NA and gearing

Based on the audited consolidated financial statement of our Group as at 30 September 2012, the proforma effects of the Rights Issue with Warrants on the consolidated NA per Share and gearing of our Group are set out below:-

Minimum Scenario

	I	II
	After the Rights Issue with Warrants RM'000	After I and assuming full exercise of the Warrants RM'000
Audited as at 30 September 2012 RM'000		
Share capital	25,412	29,807
Treasury shares	(3,249)	(3,249)
Share premium	13,355	18,180 ³
Warrants reserve	503	503
Retained profits	21,341	21,341
Shareholders' equity/ NA	57,362	66,582
No. of Shares outstanding (excluding treasury shares) ('000)	246,748	290,696
NA per Share (RM)	0.23	0.23
Borrowings (RM'000)	3,859	1,859
Gearing ratio (times)	0.07	0.03

Notes:-

¹ After accounting for the issuance of 25,113,381 Rights Shares at an issue price of RM0.20 per Rights Share, the recognition of 18,835,034 Warrants at the theoretical fair value of RM0.0836 per Warrant and the estimated expenses of RM480,550 representing 68.65% of the total estimated expenses of RM700,000 in relation to the Corporate Exercises

² After accounting for the issuance of 18,835,034 Warrants pursuant to the Rights Issue with Warrants at the theoretical fair value of RM0.0836 per Warrant and deducting the balance of the estimated expenses of RM219,450 representing 31.35% of the total estimated expenses of RM700,000 in relation to the Corporate Exercises

³ After accounting for the exercise of all the Warrants issued pursuant to the Rights Issue with Warrants at an exercise price of RM0.26 and reversal of the warrants reserve of RM1.57 million upon exercise of all the Warrants

Maximum Scenario

	Audited as at 30 September 2012 RM'000	I Assuming all the treasury shares are resold and full exercise of the outstanding Warrants A RM'000	II After I and the Rights Issue with Warrants RM'000	III After II and assuming full exercise of the Warrants RM'000
Share capital	25,412	34,416	48,182	58,507
Treasury shares	(3,249)	-	-	-
Share premium	13,355	19,260 ^{*1}	23,914 ^{*2}	48,846 ^{*4}
Warrants reserve	503	-	8,412 ^{*3}	-
Retained profits	21,341	21,341	21,341	21,341
Shareholders' equity/ NA	57,362	75,017	101,849	128,694
No. of Shares outstanding (excluding treasury shares) ('000)	246,748	344,161	481,825	585,074
NA per Share (RM)	0.23	0.22	0.21	0.22
Borrowings (RM'000)	3,859	3,859	1,582 ^{*5}	1,582
Gearing ratio (times)	0.07	0.05	0.02	0.01

Notes:-

^{*1} After accounting for the exercise of all the outstanding Warrant A at an exercise price of RM0.16 and the reversal of the warrants reserve upon exercise of all the outstanding Warrant A

^{*2} After accounting for the issuance of 137,664,390 Rights Shares at an issue price of RM0.20 per Rights Share, the recognition of 103,248,292 Warrants at the theoretical fair value of RM0.0836 per Warrant and the estimated expenses of RM480,550 representing 68.65% of the total estimated expenses of RM700,000 in relation to the Corporate Exercises

^{*3} After accounting for the issuance of 103,248,292 Warrants pursuant to the Rights Issue with Warrants at the theoretical fair value of RM0.0836 per Warrant and deducting the balance of the estimated expenses of RM219,450 representing 31.35% of the total estimated expenses of RM700,000 in relation to the Corporate Exercises

^{*4} After accounting for the exercise of all the Warrants issued pursuant to the Rights Issue with Warrants at an exercise price of RM0.26 and reversal of the warrants reserve of RM8.63 million upon exercise of all the Warrants

^{*5} Based on the audited consolidated statements of financial position of Digistar Group as at 30 September 2012, the proceeds earmarked for the repayment of bank overdraft and bankers' acceptance is assumed at RM2.28 million. It should be noted that after taking into consideration the total outstanding bank overdraft and bankers' acceptance as at the LPD of RM3.12 million, the proceeds earmarked for the repayment of bank overdraft and bankers' acceptance shall be amounting to RM3.00 million.

8.3 Earnings and EPS

The Rights Issue with Warrants is not expected to have a material effect on the earnings of our Group for the FYE 30 September 2013. However, the EPS of our Group may be diluted as a result of the increase in the number of Digistar Shares in issue upon completion of the Rights Issue with Warrants and as and when the Warrants are exercised into new Digistar Shares. Notwithstanding the above, the proceeds from the Rights Issue with Warrants are expected to contribute positively to the earnings of our Group for the ensuing financial years, when the benefits of the utilisation of proceeds are realised.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that, after taking into consideration our cash flow generated from operations, current cash in hand and banking facilities available as well as proceeds from the Rights Issue with Warrants, our Group will have sufficient working capital for the next 12 months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RM4.85 million. All the borrowings are denominated in local currency, interest-bearing and comprise the following:-

	RM'000
Short term borrowings:-	
Hire purchase payables	619
Bankers' acceptances	1,500
Bank overdrafts	1,615
	<hr/> 3,734
Long term borrowings:-	
Hire purchase payables	1,117
Total	<hr/> 4,851 <hr/>

After having made all reasonable enquiries and to the best knowledge and belief of our Board, there has been no default on payments of either interest and/ or principal sums in respect of any borrowings for the FYE 30 September 2012 and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

After having made all reasonable enquiries and save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group:-

	RM'000
Secured guarantees given to financial institutions in respect of facilities extended to a subsidiary company	9,853
Unsecured guarantee given to a subsidiary company's supplier for credit facility	6,000
Unsecured guarantee given to a subsidiary company's customer for due performance of work by the subsidiary company	12,412
Total	<hr/> 28,265 <hr/>

9.4 Material commitments

After having made all reasonable enquiries, as at the LPD, our Board is not aware of any material commitments for capital expenditure incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

10. INSTRUCTIONS FOR ACCEPTANCE, EXCESS APPLICATION AND PAYMENT

10.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for such Provisional Rights Shares with Warrants, as well as to apply for the Excess Rights Shares with Warrants if you choose to do so.

10.2 NPA

The Provisional Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the Provisional Rights Shares with Warrants will be by book entries through the CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. You and/ or your renounee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

10.3 Last date and time for acceptance and payment

The last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants is **5.00 p.m. on 28 March 2013**, or such later date and time as our Board may in their absolute discretion determine and announce not less than two (2) Market Days before the stipulated date and time.

10.4 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Rights Shares with Warrants must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in these documents. Acceptances which do not strictly conform to the terms of this Abridged Prospectus or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/ OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you wish to accept all or part of your entitlement, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF together with the relevant payment must be sent to our Share Registrar in the envelope provided (at your own risk) by **ORDINARY POST, COURIER or DELIVERED BY HAND** at the following address:-

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 3883
Fax: 03- 2282 1886

so as to arrive **not later than 5.00 p.m. on 28 March 2013**, being the last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants, or such later date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated date and time.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbroker, our Share Registrar at the address stated above, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

One (1) RSF can only be used for acceptance of Provisional Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of Provisional Rights Shares with Warrants standing to the credit of more than one (1) CDS Account(s). If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this Abridged Prospectus. To facilitate the processing of the RSF(s) by our Share Registrar, you are advised to use (1) one reply envelope for each completed RSF.

The minimum number of Rights Shares that can be subscribed for or accepted is one (1) Rights Share, which will be accompanied by 0.75 Warrant. Successful applicants of the Rights Shares will be given Warrants on the basis of three (3) Warrants for every four (4) Rights Shares successfully subscribed for. However, you and/ or your renounee(s) (if applicable) should take note that the minimum number of Warrant that can be issued and allotted with the accepted Rights Shares is one (1) Warrant, while a trading board lot for the Rights Shares and the Warrants comprises of 100 Rights Shares and 100 Warrants, respectively. Fractions of Rights Shares with Warrants will be disregarded and shall be dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance of and payment for the Provisional Rights Shares with Warrants allotted to you are not received by our Share Registrar by **5.00 p.m. on 28 March 2013**, being the last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants or such later date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated date and time, you and/ or your renounee(s) (if applicable) will be deemed to have declined the provisional entitlement made to you and it will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

In the event that the Rights Shares with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants to the applicants who have applied for the Excess Rights Shares with Warrants in the manner as set out in Section 10.8 of this Abridged Prospectus. Our Board reserves the right not to accept or to accept any application in part only without assigning any reasons.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCE MADE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE RIGHTS SHARES WITH WARRANTS ACCEPTED IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "DIGISTAR RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, ADDRESS AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN ON OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS.

10.5 Procedures for part acceptance by Entitled Shareholders

You are entitled to accept part of your entitlement to the Provisional Rights Shares with Warrants provided always that the minimum of Rights Shares that can be subscribed for or accepted is one (1) Rights Share which will be accompanied by 0.75 Warrant. You and/ or your renounee(s) (if applicable) should take note that the minimum number of Warrant that can be issued and allotted with the accepted Rights Shares is one (1) Warrant.

You must complete both Part I(a) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 10.4 of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

The portion of the Provisional Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Provisional Rights Shares with Warrants.

10.6 Procedures for sale or transfer of Provisional Rights Shares with Warrants

As the Provisional Rights Shares with Warrants are prescribed securities, you may sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants to one (1) or more person(s) through your stockbroker for the period up to the last date and time for sale or transfer of such Provisional Rights Shares with Warrants, without first having to request for a split of the Provisional Rights Shares with Warrants standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository. If you have sold or transferred only part of the Provisional Rights Shares with Warrants, you may still accept the balance of the Provisional Rights Shares with Warrants by completing Parts I(a) and II of the RSF. Please refer to Section 10.4 of this Abridged Prospectus for the procedures of acceptance and payment.

In selling or transferring all or part of your Provisional Rights Shares with Warrants, you need not deliver any document including the RSF, to your stockbroker. However, you must ensure that there is sufficient Provisional Rights Shares with Warrants standing to the credit of your CDS Account that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Rights Shares with Warrants may obtain a copy of this Abridged Prospectus and the RSF from his/ her/ their stockbrokers, our Share Registrar, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

10.7 Procedures for acceptance by renounees

Renounees who wish to accept the Provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>), complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 10.4 of this Abridged Prospectus also applies to renounees who wish to accept the Provisional Rights Shares with Warrants.

RENOONEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF.

10.8 Procedures for application of Excess Rights Shares with Warrants

You and/ or your renounee(s) (if applicable) may apply for additional Rights Shares with Warrants in excess of your entitlement by completing Part I(b) of the RSF (in addition to Parts I(a) and II) and forwarding it with a **separate remittance made in RM** for the full amount payable for the Excess Rights Shares with Warrants applied for, to our Share Registrar **not later than 5.00 p.m. on 28 March 2013**, being the last date and time for application of and payment for Excess Rights Shares with Warrants or such later date and date as may be determined and announced by our Board not less than two (2) Market Days before the stipulated date and time.

PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 10.4 OF THIS ABRIDGED PROSPECTUS, AND IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "DIGISTAR EXCESS RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, ADDRESS AND CDS ACCOUNT NUMBER IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

Our Board reserves the right to allot any Excess Rights Shares with Warrants applied for under Part I(b) of the RSF, on a fair and equitable basis and in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company. It is the intention of our Board to allot the Excess Rights Shares with Warrants in the following priority, and that the intention of our Board as set out below is achieved:-

- i. firstly, to minimise the incidence of odd lots;
- ii. secondly, for all allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on their respective shareholdings in our Company as at the Entitlement Date;
- iii. thirdly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares with Warrants applied for; and
- iv. finally, for allocation to renounees who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares with Warrants applied for.

Our Board also reserves the right not to accept or to accept any application for Excess Rights Shares with Warrants in part only, without assigning any reason.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR. HOWEVER, IF YOU ARE SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

WHERE AN APPLICATION FOR THE EXCESS RIGHTS SHARES WITH WARRANTS IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN ON OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.

10.9 Form of issuance

Bursa Securities has prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares and the Warrants are prescribed securities and as such, all dealings in the Rights Shares and the Warrants will be subject to the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share or warrant certificates will be issued to you under the Rights Issue with Warrants. A notice of allotment will be despatched to you and/ or your renounee(s) (if applicable) by ordinary post to the address shown on our Record of Depositors provided by Bursa Depository at your own risk within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants.

Where the Rights Shares with Warrants are provisionally allotted to you as an Entitled Shareholder in respect of your existing Digistar Shares standing to the credit to your CDS Account on the Entitlement Date, the acceptance by you of the Provisional Rights Shares with Warrants shall mean that you consent to receive such Provisional Rights Shares with Warrants as prescribed or deposited securities which will be credited directly into your CDS Account.

Any person who has purchased the Provisional Rights Shares with Warrants or to whom the Provisional Rights Shares with Warrants has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/ her CDS Account number in the space provided in the RSF. The Rights Shares and the Warrants will be credited directly as prescribed or deposited securities into his/ her CDS Account upon allotment and issuance.

The Excess Rights Shares with Warrants, if allotted to the successful applicant who applies for the Excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the Excess Rights Shares with Warrants will be made on a fair and equitable basis as disclosed in Section 10.8 of this Abridged Prospectus.

10.10 Laws of foreign country or jurisdiction

This Abridged Prospectus, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction, and have not been (and will not be) lodged, registered or approved under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign country or jurisdiction. The Rights Issue with Warrants will not be made or offered for subscription in any foreign country or jurisdiction.

Accordingly, this Abridged Prospectus, and the accompanying NPA and RSF will not be sent to the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) who do not have a registered address in Malaysia. However, the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) may collect this Abridged Prospectus, and the accompanying NPA and RSF from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting these documents relating to the Rights Issue with Warrants.

The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so. OSK, our Company, our Directors and officers and other professional advisers would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are or may be subject to. The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) shall solely be responsible to seek advice from their legal advisers and/ or other professional advisers as to the laws of the countries or jurisdictions to which they are or may be subject to. OSK, our Company, our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/ or their renounee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such country or jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/ or their renounee(s) (if applicable) for any issue, transfer or other taxes or other requisite payments that such person may be required to pay in any country or jurisdiction. They will have no claims whatsoever against us and/ or OSK in respect of their rights and entitlements under the Rights Issue with Warrants. Such foreign Entitled Shareholders and/ or their renounee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing the RSF, the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) OSK, our Company, our Directors and officers and other professional advisers that:-

- i. we would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are or may be subject to;
- ii. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Rights Shares with Warrants;
- iii. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are not nominees or agents of a person in respect of whom we would, by acting on the acceptance or renunciation of the Provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;
- iv. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are aware that the Rights Shares and the Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

- v. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have received a copy of this Abridged Prospectus, had access to such financial and other information and have been provided the opportunity to ask such questions to our representatives and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares and the Warrants; and
- vi. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares and the Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares and the Warrants.

Persons receiving this Abridged Prospectus, and the accompanying NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any country or jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, and the accompanying NPA and RSF are received by any persons in such country or jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant country or jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, and the accompanying NPA and RSF to any foreign country or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/ or their renounee(s) (if applicable) in any foreign country or jurisdiction.

We reserve the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

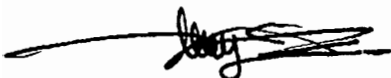
11. TERMS AND CONDITIONS

The issuance of the Rights Shares and the Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions set out in this Abridged Prospectus, and the accompanying NPA and RSF.

12. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
DIGISTAR CORPORATION BERHAD



DATUK WIRA LEE WAH CHONG
Managing Director

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES PASSED AT OUR EGM HELD ON 19 FEBRUARY 2013

DIGISTAR CORPORATION BERHAD (Company No: 603652-K)
(Incorporated In Malaysia)

EXTRACT OF THE MINUTES OF EXTRAORDINARY GENERAL MEETING OF DIGISTAR CORPORATION BERHAD ("DIGISTAR") HELD ON 19 FEBRUARY 2013

1.0 SPECIAL RESOLUTION 1 - PROPOSED AMENDMENT TO THE MEMORANDUM OF ASSOCIATION OF DIGISTAR ("PROPOSED AMENDMENT")

1.1 It was unanimously RESOLVED:

"**THAT** subject to and conditional upon the passing of Ordinary Resolutions 1 and 2, and the approvals of all relevant regulatory authorities being obtained, where required, approval be and is hereby given to the Company to alter, modify, vary and delete the Memorandum of Association of Digistar in the following manner:-

	Existing	Proposed amendment
First sentence of Clause 5 of the Memorandum of Association	The capital of the Company is RM50,000,000/- Malaysian Currency divided into 500,000,000 shares of RM0.10 each.	The capital of the Company is RM100,000,000/- Malaysian Currency divided into 1,000,000,000 shares of RM0.10 each.

AND THAT the Board of Directors of Digistar ("Board") be and is hereby authorised to give effect to the Proposed Amendment and to take all such steps and do all acts and things in any manner as they may deem necessary to complete, finalise, implement and give full effect to the Proposed Amendment."

2.0 ORDINARY RESOLUTION 1 - PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 137,664,390 NEW ORDINARY SHARES OF RM0.10 EACH IN DIGISTAR ("DIGISTAR SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING DIGISTAR SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER TOGETHER WITH UP TO 103,248,292 FREE DETACHABLE WARRANTS ("WARRANT(S)") ON THE BASIS OF THREE (3) FREE WARRANTS FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

2.1 it was unanimously RESOLVED:

"**THAT** subject to and conditional upon the passing of Special Resolution 1 and Ordinary Resolution 2, and the approvals of all relevant regulatory authorities being obtained, where required, approval be and is hereby given to the Board for the following:-

Digistar Corporation Berhad (603652-K)
- Extract of Minutes of Extraordinary General Meeting held on 19 February 2013

- i. to provisionally allot and issue by way of a renounceable rights issue of up to 137,664,390 Rights Shares at an issue price to be determined and announced later, but in any case, not lower than the par value of the existing ordinary shares of RM0.10 each in Digistar on the basis of two (2) Rights Shares for every five (5) existing Digistar Shares held on an entitlement date to be determined and announced later by the Board ("Entitlement Date") together with up to 103,248,292 free detachable Warrants on the basis of three (3) free Warrants for every four (4) Rights Shares subscribed for by the entitled shareholders of Digistar on the Entitlement Date;
- ii. wherein each of the Warrants will carry the right to subscribe, subject to any adjustment in accordance with a deed poll ("Deed Poll") to be executed, at any time during the exercise period, for one (1) new Digistar Share at an exercise price to be determined later by the Board, but in any case the exercise price will not be lower than the par value of the existing ordinary shares of RM0.10 each;
- iii. to allot and issue such number of new Digistar Shares pursuant to the exercise of the Warrants, from time to time during the tenure of the Warrants, in accordance with the provisions of the Deed Poll;
- iv. to allot and issue such further Warrants and new Digistar Shares arising from the subscription of further Warrants as a consequence of any adjustment in accordance with the provisions of the Deed Poll and/ or as may be required by the relevant authorities; and
- v. to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad for the listing of and quotation for the new Digistar Shares which may from time to time be allotted and issued upon exercise of the Warrants;

THAT any fractional entitlements of the Rights Shares and the Warrants arising from the Proposed Rights Issue with Warrants shall be disregarded and dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of the Company;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in the circular to shareholders of the Company dated 25 January 2013 ("Circular"), and the Directors be authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary and/ or expedient, subject to the approval of the relevant authorities, where required;

Digistar Corporation Berhad (603652-K)
- Extract of Minutes of Extraordinary General Meeting held on 19 February 2013

THAT the Rights Shares and the new Digistar Shares arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with the existing Digistar Shares, save and except that the new Digistar Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the said new Digistar Shares;

AND THAT the Board be and is hereby authorised to sign and execute all documents, including but not limited to the Deed Poll, do all things and acts as may be required to give effect to the aforesaid Proposed Rights Issue with Warrants with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants."

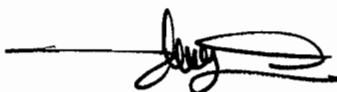
3.0 ORDINARY RESOLUTION 2 - PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF DIGISTAR FROM RM50,000,000 COMPRISING 500,000,000 DIGISTAR SHARES TO RM100,000,000 COMPRISING 1,000,000,000 DIGISTAR SHARES ("PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL")

3.1 it was unanimously RESOLVED:

"**THAT** subject to the passing of Special Resolution 1 and Ordinary Resolution 2, and the approvals of all relevant regulatory authorities being obtained, where required, the authorised share capital of the Company be increased from RM50,000,000 comprising 500,000,000 Digistar Shares to RM100,000,000 comprising 1,000,000,000 Digistar Shares by creation of an additional 500,000,000 Digistar Shares;

AND THAT the Board be and is hereby authorised to do all such acts and things and to take such steps that are deemed necessary to give full effect to the Proposed Increase in Authorised Share Capital."

CERTIFIED TRUE COPY



DIRECTOR
DATUK WIRA LEE WAH
CHONG

Date : 19 February 2013



SECRETARY
TAN BEE HWEE
(MAICSA NO. 7021024)

INFORMATION ON OUR COMPANY

1. HISTORY AND PRINCIPAL ACTIVITIES

Our Company was incorporated in Malaysia on 15 January 2003 under the Act as a public limited company. On 7 November 2003, our Company was listed on the former MESDAQ Market (now known as ACE Market) of Bursa Securities was subsequently transferred from the ACE Market to the Main Market of Bursa Securities on 28 June 2012.

We are an investment holding company. Through our subsidiary companies, we are principally involved in the provision of design, supply, installation and integration of audio-visual systems, broadcasting systems and security systems. We are also engaged in the supply of hardware and maintenance services which complement our core business in systems engineering and integration business. Our other business involves the provision of e-commerce and interactive pay TV services, property development, property holding and management operations.

2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital are set out below:-

	No. of Shares	Par value RM	Total RM
Authorised	1,000,000,000	0.10	100,000,000
Issued and paid-up	254,120,650 ^{*1}	0.10	25,412,065

Note:-

^{*1} Including 7,372,808 treasury shares

The changes in our issued and paid-up share capital for the past three (3) years preceding the LPD are set out below:-

Date of allotment	No. of Shares allotted	Par value RM	Consideration/ issue	Type of	Cumulative issued and paid- up share capital RM
23.02.2011	19,140,000	0.10	Cash/ Private placement		21,072,065
24.08.2011	21,000,000	0.10	Cash/ Bumiputera issue		23,172,065
13.09.2012	22,400,000	0.10	Cash/ Private placement		25,412,065

3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The shareholdings of our substantial shareholders as at the LPD and after the Rights Issue with Warrants are set out below:-

Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD		I After the Rights Issue with Warrants		II After I and assuming full exercise of the Warrants ²							
	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares						
Kenangan Lampiran Sdn Bhd	45,316,733	18.37	-	63,443,426	23.34	-	77,038,445	26.50				
Datuk Wira Lee Wah Chong	15,946,607	6.46	45,316,733 ¹	18.37	22,325,249	8.21	63,443,426 ¹	23.34	77,038,445 ¹	26.50		
Ong Fee Chong	1,520,115	0.62	45,316,733 ¹	18.37	2,128,161	0.78	63,443,426 ¹	23.34	2,584,195	0.89	77,038,445 ¹	26.50

Notes:-

¹ Deemed interest through shares held in Kenangan Lampiran Sdn Bhd

² Pursuant to the Code, a person and any person(s) acting in concert with him ("PAC(s)") will be obliged under Part III of the Code to make a mandatory general offer ("MGO") for the remaining ordinary shares of the company not already owned by him/ them if:-

- He and his PAC hold less than 33% of the voting shares of the company and has inadvertently increased his/ their shareholdings beyond 33%; or
- He and his PAC hold more than 33% but less than 50% of the voting shares of the company and has inadvertently increased his/ their shareholdings by two percent (2%) or more in any six (6)-month period.

Notwithstanding the above, such person and his PAC may make an application to the SC for an exemption from the obligation to undertake the said MGO under Practice Note 9 of the Code.

As at the date of this Abridged Prospectus, Kenangan Lampiran Sdn Bhd and its PACs, namely Datuk Wira Lee Wah Chong and Ong Fee Chong have yet to decide on the exercise of their Warrants pursuant to the Rights Issue with Warrants. In any case, it is not their intention to trigger an obligation to undertake a MGO under the Code and they will be mindful of the above implications of the Code in exercising their Warrants.

Maximum Scenario

Substantial shareholders	Shareholdings as at the LPD		I Assuming all the treasury shares are resold and full exercise of the Warrants A			
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Kenangan Lampiran Sdn Bhd	45,316,733	-	18.37	66,916,733	-	19.44
Datuk Wira Lee Wah Chong	15,946,607	45,316,733 ^{*1}	6.46	20,759,007	66,916,733 ^{*1}	19.44
Ong Fee Chong	1,520,115	45,316,733 ^{*1}	0.62	2,720,170	66,916,733 ^{*1}	19.44
Substantial shareholders	II After I and the Rights Issue with Warrants		III After II and assuming full exercise of the Warrants			
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Kenangan Lampiran Sdn Bhd	93,683,426	-	19.44	113,758,445	-	19.44
Datuk Wira Lee Wah Chong	29,062,609	93,683,426 ^{*1}	6.03	35,290,310	113,758,445 ^{*1}	19.44
Ong Fee Chong	3,808,238	93,683,426 ^{*1}	0.79	4,624,289	113,758,445 ^{*1}	19.44

Note:-

^{*1} Deemed interest through shares held in Kenangan Lampiran Sdn Bhd

4. DIRECTORS

The particulars of our Directors as at the LPD are set out below:-

Name	Address	Age	Nationality	Profession	Designation
YB Datuk Md. Sirat Bin Abu	No.11A, Jalan MP12 Melaka Perdana Resort Homes 75450 Ayer Keroh Melaka	54	Malaysian	Member of Parliament Malaysia	Independent Non- Executive Chairman
Datuk Wira Lee Wah Chong	No. 28, Jalan Satu Taman Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan	55	Malaysian	Company Director	Managing Director
Datin Wira Wa Siew Yam	No. 28, Jalan Satu Taman Tun Abdul Razak 68000 Ampang Selangor Darul Ehsan	54	Malaysian	Company Director	Executive Director
Ong Fee Chong	No. 122, Jalan UP3/2 Ukay Perdana 68000 Ampang Selangor Darul Ehsan	42	Malaysian	Company Director	Executive Director
Lee Mely	No. 1, Jalan USJ 2/4K 47600 Subang Jaya Selangor Darul Ehsan	52	Malaysian	Company Director	Executive Director
Lye Siang Long	No. 53, Villa Laman Tasik Bandar Sri Permaisuri 56000 Cheras Kuala Lumpur	43	Malaysian	Company Director	Executive Director
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	Lot 574, Jalan Enam Taman Ampang Utama 68000 Ampang Selangor Darul Ehsan	71	Malaysian	Company Director	Independent Non- Executive Director
Dato' Haji Ishak Bin Haji Mohamed	No. 11, Jalan Pulai Height 14, Pulai Heights Simpang Pulai 31300 Ipoh Perak Darul Ridzuan	60	Malaysian	Company Director	Independent Non- Executive Director
Cheong Yee Kiong	Block A-20-05 Kiaramas Sutera Jalan Desa Kiara 50480 Kuala Lumpur	52	Malaysian	Company Director	Independent Non- Executive Director

The shareholdings of our Directors as at the LPD and after the Rights Issue with Warrants are set out below:-

Minimum Scenario

Directors	Shareholdings as at the LPD			I After the Rights Issue with Warrants			II After I and assuming full exercise of the Warrants ²		
	Direct No. of Shares	%	Indirect No. of Shares	Direct No. of Shares	%	Indirect No. of Shares	Direct No. of Shares	%	Indirect No. of Shares
YB Datuk Md. Sirat Bin Abu	25,000	0.01	-	35,000	0.01	-	42,500	0.01	-
Datuk Wira Lee Wah Chong	15,946,607	6.46	45,316,733 ¹	22,325,249	8.21	63,443,426 ¹	27,109,230	9.33	77,038,445 ¹
Datin Wira Wa Siew Yam	33,891	0.01	-	47,447	0.02	-	57,614	0.02	-
Ong Fee Chong	1,520,115	0.62	45,316,733 ¹	2,128,161	0.78	63,443,426 ¹	2,584,195	0.89	77,038,445 ¹
Lee Mely	-	-	-	-	-	-	-	-	-
Lye Siang Long	-	-	-	-	-	-	-	-	-
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	-	-	-	-	-	-	-	-	-
Dato' Haji Ishak Bin Haji Mohamed	-	-	-	-	-	-	-	-	-
Cheong Yee Kiong	-	-	-	-	-	-	-	-	-

Notes:-

¹ Deemed interest through shares held in Kenangan Lampiran Sdn Bhd

² Pursuant to the Code, a person and any PAC(s) will be obliged under Part III of the Code to make a MGO for the remaining ordinary shares of the company not already owned by him/ them if:-

i. He and his PAC hold less than 33% of the voting shares of the company and has inadvertently increased his/ their shareholdings beyond 33%; or

ii. He and his PAC hold more than 33% but less than 50% of the voting shares of the company and has inadvertently increased his/ their shareholdings by two percent (2%) or more in any six (6)-month period.

Notwithstanding the above, such person and his PAC may make an application to the SC for an exemption from the obligation to undertake the said MGO under Practice Note 9 of the Code.

As at the date of this Abridged Prospectus, Kenangan Lampiran Sdn Bhd and its PACs, namely Datuk Wira Lee Wah Chong and Ong Fee Chong have yet to decide on the exercise of their Warrants pursuant to the Rights Issue with Warrants. In any case, it is not their intention to trigger an obligation to undertake a MGO under the Code and they will be mindful of the above implications of the Code in exercising their Warrants.

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Maximum Scenario

Directors	Shareholdings as at the LPD		Shareholdings as at the LPD Assuming all the treasury shares are resold and full exercise of the Warrants A	
	Direct No. of Shares	Indirect % No. of Shares	Direct No. of Shares	Indirect % No. of Shares
YB Datuk Md. Sirat Bin Abu	25,000	0.01	25,000	0.01
Datuk Wira Lee Wah Chong	15,946,607	6.46	20,759,007	6.03
Datin Wira Wa Siew Yam	33,891	0.01	1,243,891	0.36
Ong Fee Chong	1,520,115	0.62	2,720,170	0.79
Lee Mely	-	-	-	-
Lye Siang Long	-	-	-	-
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	-	-	-	-
Dato' Haji Ishak Bin Haji Mohamed	-	-	-	-
Cheong Yee Kiong	-	-	-	-
			66,916,733 ^{*1}	19.44

Directors	II After I and the Rights Issue with Warrants			III After II and assuming full exercise of the Warrants		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
YB Datuk Md. Sirat Bin Abu	35,000	-	0.01	42,500	-	0.01
Datuk Wira Lee Wah Chong	29,062,609	93,683,426 ^{*1}	6.03	35,290,310	113,758,445 ^{*1}	6.03
Datin Wira Wa Siew Yam	1,741,447	-	0.36	2,114,614	-	0.36
Ong Fee Chong	3,808,238	93,683,426 ^{*1}	0.79	4,624,289	113,758,445 ^{*1}	0.79
Lee Mely	-	-	-	-	-	-
Lye Siang Long	-	-	-	-	-	-
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	-	-	-	-	-	-
Dato' Haji Ishak Bin Haji Mohamed	-	-	-	-	-	-
Cheong Yee Kiong	-	-	-	-	-	-

Note:-

*1 Deemed interest through shares held in Kenangan Lampiran Sch Bhd

5. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, our subsidiary companies are set out below:-

Name of company	Date and place of incorporation	Issued and paid-up share capital RM	Effective equity interest %	Principal activities
DHSB	08.09.1984 Malaysia	2,037,264	100	Design, supply, installation and integration of IT infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and TV news automation, telecommunication systems, integrated audio and visual systems, and other related electronic systems
Digistar Rauland MSC Sdn Bhd	26.06.2003 Malaysia	10,000	80	Health TV operator
Rauland Asia Sdn Bhd	11.06.2004 Malaysia	100	100	Dormant
Nielsen Ward Sdn Bhd	08.06.2004 Malaysia	100	100	Provision of e-commerce services through retailing a variety of products and services via the internet
Seni Pujaan Sdn Bhd	21.04.2008 Malaysia	250,000	100	Property development
Matang Makmur Holdings Sdn Bhd	30.03.2010 Malaysia	2	100	Dormant. It is intended to develop and manage a car park complex
Subsidiary companies of DHSB				
Digistar Properties Sdn Bhd	18.09.1996 Malaysia	100,000	100	Renting, maintaining and upkeep of properties

As at the LPD, we do not have any associate company.

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6. PROFIT AND DIVIDEND RECORDS

The following table sets out a summary of our audited consolidated financial statements for the past three (3) financial years up to the FYE 30 September 2012 and the latest unaudited consolidated financial statements for the three (3)-month FPE 31 December 2012:-

	<-----Audited-----> <-----FYE 30 September----->			Unaudited Three (3)- month FPE 31 December 2012
	2010 RM'000	2011 RM'000	2012 RM'000	RM'000
Revenue	73,289	97,830	69,515	18,565
Cost of sales	(52,498)	(58,842)	(42,088)	(11,505)
Gross profit	20,791	38,988	27,427	7,060
Other income	2,905	1,681	1,110	397
Administrative expenses	(10,311)	(10,040)	(14,493)	(3,177)
Marketing expenses	(1,456)	(1,469)	(1,776)	-
Other expenses	(4,347)	(2,559)	(2,120)	(503)
Finance costs	(340)	(609)	(160)	(76)
PBT	7,242	25,992	9,988	3,701
Taxation	(2,948)	(6,543)	(3,826)	(535)
PAT	4,294	19,449	6,162	3,166
PAT attributable to:-				
Owners of the Company	4,294	19,528	5,951	3,195
Non-controlling interest	-	(79)	211	(29)
	4,294	19,449	6,162	3,166
Earnings before interests, taxes, depreciation and amortisation	8,281	26,863	11,326	4,138
Weighted average number of Shares in issue ('000)	181,639	201,906	225,540	246,748
Gross profit margin (%)	28.37	39.85	39.45	38.03
PBT margin (%)	9.88	26.57	14.37	19.94
Net profit margin (%)	5.86	19.88	8.86	17.05
EPS (sen)				
- Basic ^{*1}	2.36	9.67	2.64	1.29
- Diluted ^{*2}	n.a. ^{*3}	7.98	2.10	1.09

Notes:-

^{*1} Computed by dividing the PAT attributable to our shareholders by the weighted average number of Shares in issue

^{*2} Computed by dividing the PAT attributable to our shareholders by the assumed weighted average number of Shares in issue, adjusted on the assumption that the Warrants A granted are exercised at the end of the respective financial year

^{*3} Not applicable. The Warrants A would be anti-dilutive as the exercise price is higher than the fair value of the Shares.

Commentary on past performance:-**FYE 30 September 2010**

For the FYE 30 September 2010, our Group recorded revenue of RM73.29 million representing an increase of RM28.59 million or approximately 63.94% as compared to the revenue for the FYE 30 September 2009. This was mainly due to the increase in the number of high value systems engineering and integration contracts secured and recognised during the FYE 30 September 2010, amongst others, contracts secured from a broadcasting media operator in Malaysia for the supply and commissioning of high definition base band system in August 2009 and April 2010 which were required to be completed within a six (6)-month period. Approximately RM37.37 million of the value of the said contracts was recognised during the financial year under review, out of the total contract value of RM45.55 million.

Our Group recorded a PBT of RM7.24 million representing a significant increase of RM6.05 million or approximately 509.08% as compared to the PBT for the FYE 30 September 2009. Correspondingly, our PBT margin improved to 9.88%. These improvements in our Group's PBT and PBT margin were mainly due to the improvement in our gross profit margin as well as the increase in the write-back of allowance for doubtful debts of approximately RM2.03 million. The higher gross profit margin was attributable to our ability to secure fast-track systems integration projects with higher margin and our continuous efforts in maintaining our overhead costs at a minimal level.

FYE 30 September 2011

For the FYE 30 September 2011, our Group recorded revenue of RM97.83 million representing an increase of RM24.54 million or approximately 33.49% as compared to the revenue of the previous financial year. The increase in revenue was again due to the increase in the number of high value systems engineering and integration contracts secured and recognised as more delivery and certification of work done during the financial year under review. Amongst the major contracts are projects secured from an ICT infrastructure provider for the installation of audio, visual and security systems integration at a hospital with the total contract value amounting to approximately RM26.43 million, of which approximately RM21.19 million was recognised during the financial year under review, and several other broadcast engineering projects (except for trading and maintenance services) secured from a broadcasting media operator in Malaysia, of which approximately RM22.67 million was recognised during the financial year under review. Additionally, the increase in revenue was also partly contributed by the higher sales contribution of our broadcast equipments, which directly increase the revenue of our trading activities.

Our Group recorded a PBT of RM25.99 million representing a significant increase of RM18.75 million or approximately 258.91% as compared to the PBT for the previous financial year. Correspondingly, our PBT margin improved to 26.57%. The higher PBT and PBT margin were in tandem with the substantial improvement in our gross profit margin. Our gross profit margin had increased from 28.37% for the previous financial years to 39.85% for the FYE 30 September 2011. This improvement was mainly attributable to our ability to continually source for high value systems engineering and integration contracts, increase in sales of our broadcast equipments which yielded higher profit margin due to the favourable currencies movement, as well as our ability to maintain our overall cost of sales at a minimal level.

FYE 30 September 2012

For the FYE 30 September 2012, our Group recorded revenue of RM69.52 million representing a decrease of RM28.31 million or approximately 28.94% as compared to the revenue of the previous financial year. This was mainly due to the lower revenue contribution from system engineering and integration segment following the completion of certain fast-track during the last financial year while some of the new projects are still at the preliminary stage of implementation, hence the revenue arising from the said projects had yet been recognised during the financial year under review.

On the back of the lower revenue, our Group's recorded a PBT of RM9.99 million representing a decrease of RM16.00 million or approximately 61.57% as compared to the PBT for the previous financial year. Correspondingly, our PBT margin declined to 14.37%. These declines in our PBT and PBT margin were also due to a higher operating cost incurred during the financial year under review.

Unaudited three (3)-month FPE 31 December 2012

For the three (3)-month FPE 31 December 2012, our Group recorded revenue of RM18.57 million representing a decrease of RM3.38 million or approximately 15.41% as compared to the revenue for the corresponding quarter in the preceding year. The decrease in revenue was mainly due to the lower revenue contribution from system engineering and integration segment following the completion of certain fast-track projects while some of the new projects are still at the preliminary stage of implementation. Nevertheless, it should be noted that this segment has recorded a steady pre-tax margin of 17.68% due to the current lock-in project value which will be recognised progressively as their development percentage of completion progresses.

Our Group recorded a PBT of RM3.70 million for the current financial period representing a decrease of RM1.77 million or 32.38% as compared to the PBT for the corresponding quarter in previous financial year. Correspondingly, our PBT margin also declined to 19.94%. The decrease in our PBT and PBT margin were in tandem with the lower revenue and also due to a higher operating cost incurred during the current financial period as compared to the corresponding quarter in previous financial year.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of our Shares as traded on Bursa Securities for the past 12 months from March 2012 to February 2013 are set out below:-

	High RM	Low RM
2012		
March	0.55	0.49
April	0.51	0.46
May	0.52	0.41
June	0.48	0.40
July	0.47	0.41
August	0.42	0.35
September	0.44	0.34
October	0.43	0.35
November	0.39	0.32
December	0.35	0.28
2013		
January	0.34	0.29
February	0.32	0.28

Last transacted market price on 3 December 2012
(being the date prior to the announcement on the Corporate Exercises) RM0.34

Last transacted market price on 8 March 2013
(being the date prior to the ex-date for the Rights Issue with Warrants and the latest practicable date prior to the issuance of this Abridged Prospectus) RM0.31

(Source: Bloomberg)

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 SEPTEMBER 2012 TOGETHER WITH THE NOTES



Date: 5 March 2013

The Board of Directors
Digistar Corporation Berhad
Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

Kuala Lumpur Office
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
www.crowehorwath.com.my
info@crowehorwath.com.my

Strictly Private and Confidential

Dear Sirs/Madam

**DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

We report on the proforma consolidated statements of financial position of Digistar and its subsidiaries ("Digistar Group") as at 30 September 2012 together with the accompanying notes thereto, which have been prepared by the Board of Directors of Digistar ("Board"), as set out in the accompanying statements (initialled by us for the purpose of identification only) for illustrative purposes in relation to the renounceable rights issue of up to 137,664,390 new ordinary shares of RM0.10 each in Digistar ("Digistar Share(s)" or "Share(s)") ("Rights Share(s)") on the basis of two (2) Rights Shares for every five (5) existing Digistar Shares held as at 5.00 p.m. on 13 March 2013 ("Entitlement Date") together with up to 103,248,292 free detachable warrants ("Warrant(s)") on the basis of three (3) free Warrants for every four (4) Rights Shares subscribed ("Rights Issue with Warrants") at an issue price of RM0.20 per Rights Share.

The above exercises shall be collectively referred to as the "Corporate Exercises".

Responsibility

It is solely the responsibility of the Board to prepare the proforma consolidated statements of financial position in accordance with Appendix 4, Division 5 of Part 1 of the Prospectus Guidelines issued by the Securities Commission Malaysia to reflect the effects of the Corporate Exercises.

It is our responsibility to form an opinion, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented in their original form, considering the adjustments and discussing the proforma consolidated statements of financial position with the responsible officers of Digistar. Our work involved no independent examination of any of the underlying financial information other than our audit of the consolidated statements of financial position as at 30 September 2012, on which we reported to the members of Digistar as of the date of our report.

Page 1 of 2

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bharu • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan



Our Opinion

In our opinion,

- (i) the proforma consolidated statements of financial position, which are prepared for illustrative purposes only, have been properly prepared on the bases set out in the accompanying notes thereon and such bases are consistent with the accounting policies of Digistar unless otherwise stated;
- (ii) the financial statements used in the preparation of the proforma consolidated statements of financial position were prepared in accordance with the applicable approved Financial Reporting Standards in Malaysia; and
- (iii) the adjustments made are appropriate for the purposes of preparing the proforma consolidated statements of financial position.

We understand that this letter will be used solely for inclusion in the Abridged Prospectus in connection with the aforementioned Corporate Exercises. As such, this letter should not be used for any other purpose without our prior written consent. Neither the Company nor any member or employee of the Company undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A handwritten signature in black ink, appearing to be a stylized 'C' followed by a flourish.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Ooi Song Wan'.

Ooi Song Wan
Approval No: 2901/10/14 (J)
Chartered Accountant

DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

Initialed For Identification Purposes Only

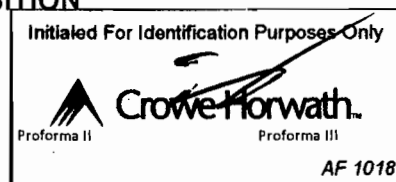


Proforma II AF 1018

Minimum Scenario

	Note	Audited as at 30 September 2012 RM'000	Adjustment RM'000	Proforma I After the Rights Issue with Warrants RM'000	Adjustment RM'000	Proforma II After Proforma I and assuming full exercise of the Warrants RM'000
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment		15,543	-	15,543	-	15,543
Investment in property		45	-	45	-	45
		<u>15,588</u>		<u>15,588</u>		<u>15,588</u>
CURRENT ASSETS						
Inventories held for resale		2,605	-	2,605	-	2,605
Property development costs		5,476	-	5,476	-	5,476
Accrued billings		560	-	560	-	560
Trade receivables		11,882	-	11,882	-	11,882
Other receivables, deposits and prepayments		4,258	-	4,258	-	4,258
Amount owing by contract customers		11,170	-	11,170	-	11,170
Tax refundable		190	-	190	-	190
Fixed deposits with licensed banks		15,960	-	15,960	-	15,960
Cash and bank balances	4	665	2,322	2,987	4,898	7,885
		<u>52,766</u>		<u>55,088</u>		<u>59,986</u>
TOTAL ASSETS		<u>68,354</u>		<u>70,676</u>		<u>75,574</u>
EQUITY AND LIABILITIES						
EQUITY						
Share capital	5	25,412	2,511	27,923	1,884	29,807
Treasury shares	6	(3,249)	-	(3,249)	-	(3,249)
Share premium	7	13,355	456	13,811	4,369	18,180
Warrants reserve	8	503	1,355	1,858	(1,355)	503
Retained profits		21,341	-	21,341	-	21,341
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		<u>57,362</u>		<u>61,684</u>		<u>66,582</u>
Non-controlling interest		29	-	29	-	29
TOTAL EQUITY		<u>57,391</u>		<u>61,713</u>		<u>66,611</u>
NON-CURRENT LIABILITY						
Hire purchase payables		1,021	-	1,021	-	1,021
CURRENT LIABILITIES						
Trade payables		2,431	-	2,431	-	2,431
Other payables, deposits received and accruals		1,649	-	1,649	-	1,649
Amount owing to contract customers		675	-	675	-	675
Amount owing to a related party		13	-	13	-	13
Provision for taxation		2,336	-	2,336	-	2,336
Hire purchase payables		561	-	561	-	561
Bankers' acceptances	9	911	(634)	277	-	277
Bank overdrafts	10	1,366	(1,366)	-	-	-
TOTAL LIABILITIES		<u>10,963</u>		<u>8,963</u>		<u>8,963</u>
TOTAL EQUITY AND LIABILITIES		<u>68,354</u>		<u>70,676</u>		<u>75,574</u>
Ratios						
Number of Digistar Shares (excluding treasury shares) ('000)		246,748		271,861		290,696
Net assets per Share (RM)		0.23		0.23		0.23
Total borrowings (RM'000)		3,859		1,859		1,859
Gearing (times)		0.07		0.03		0.03

DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012



Maximum Scenario

		Proforma I		Proforma II		Proforma III	
		Assuming all the treasury shares are resold and full exercise of the outstanding Warrants A		After Proforma I and Rights Issue with Warrants		After Proforma II and assuming full exercise of the Warrants	
	Audited as at 30 September 2012	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
NON-CURRENT ASSETS							
Property, plant and equipment	15,543	-	15,543	-	15,543	-	15,543
Investment in property	45	-	45	-	45	-	45
	<u>15,588</u>		<u>15,588</u>		<u>15,588</u>		<u>15,588</u>
CURRENT ASSETS							
Inventories held for resale	2,605	-	2,605	-	2,605	-	2,605
Property development costs	5,476	-	5,476	-	5,476	-	5,476
Accrued billings	560	-	560	-	560	-	560
Trade receivables	11,882	-	11,882	-	11,882	-	11,882
Other receivables, deposits and prepayments	4,258	-	4,258	-	4,258	-	4,258
Amount owing by contract customers	11,170	-	11,170	-	11,170	-	11,170
Tax refundable	190	-	190	-	190	-	190
Fixed deposits with licensed banks	15,960	-	15,960	-	15,960	-	15,960
Cash and bank balances	665	17,655	18,320	24,555	42,875	26,845	69,720
	<u>52,766</u>		<u>70,421</u>		<u>94,976</u>		<u>121,821</u>
TOTAL ASSETS	68,354		86,009		110,564		137,409
EQUITY AND LIABILITIES							
EQUITY							
Share capital	25,412	9,004	34,416	13,766	48,182	10,325	58,507
Treasury shares	(3,249)	3,249	-	-	-	-	-
Share premium	13,355	5,905	19,260	4,654	23,914	24,932	48,846
Warrants reserve	503	(503)	-	8,412	8,412	(8,412)	-
Retained profits	21,341	-	21,341	-	21,341	-	21,341
	<u>57,362</u>		<u>75,017</u>		<u>101,849</u>		<u>128,694</u>
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	57,362		75,017		101,849		128,694
Non-controlling interest	29	-	29	-	29	-	29
	<u>57,391</u>		<u>75,046</u>		<u>101,878</u>		<u>128,723</u>
TOTAL EQUITY	57,391		75,046		101,878		128,723
NON-CURRENT LIABILITY							
Hire purchase payables	1,021	-	1,021	-	1,021	-	1,021
CURRENT LIABILITIES							
Trade payables	2,431	-	2,431	-	2,431	-	2,431
Other payables, deposits received and accruals	1,649	-	1,649	-	1,649	-	1,649
Amount owing to contract customers	675	-	675	-	675	-	675
Amount owing to a related party	13	-	13	-	13	-	13
Provision for taxation	2,336	-	2,336	-	2,336	-	2,336
Hire purchase payables	561	-	561	-	561	-	561
Bankers' acceptances	911	-	911	(911)	-	-	-
Bank overdrafts	1,366	-	1,366	(1,366)	-	-	-
	<u>10,963</u>		<u>10,963</u>		<u>8,686</u>		<u>8,686</u>
TOTAL LIABILITIES	10,963		10,963		8,686		8,686
TOTAL EQUITY AND LIABILITIES	68,354		86,009		110,564		137,409
Ratios							
Number of Digistar Shares (excluding treasury shares) ('000)	246,748		344,161		481,825		585,074
Net assets per Share (RM)	0.23		0.22		0.21		0.22
Total borrowings (RM'000)	3,859		3,859		1,582		1,582
Gearing (times)	0.07		0.05		0.02		0.01

DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

Initialed For Identification Purposes Only



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1. BASIS OF PREPARATION

The proforma consolidated statements of financial position of Digistar have been prepared based on the audited consolidated statements of financial position of Digistar as at 30 September 2012. The proforma consolidated statements of financial position have been prepared solely for illustrative purpose, to show the effects of the renounceable rights issue of up to 137,664,390 new ordinary shares of RM0.10 each in Digistar ("Digistar Share(s)" or "Share(s)") ("Rights Share(s)") on the basis of two (2) Rights Shares for every five (5) existing Digistar Shares held as at 5.00 p.m. on 13 March 2013 ("Entitlement Date") together with up to 103,248,292 free detachable Warrants ("Warrant(s)") on the basis of three (3) free Warrants for every four (4) Rights Shares subscribed at an issue price of RM0.20 per Rights Share ("Rights Issue with Warrants").

The financial statements used in the preparation of the proforma consolidated statements of financial position have been prepared in accordance with the applicable approved Financial Reporting Standards in Malaysia and the auditors' report on the said financial statements was not qualified.

The proforma consolidated statements of financial position have been prepared based on the accounting policies and bases consistent with those adopted by Digistar in the preparation of its audited consolidated financial statements.

The proceeds arising from the Rights Issue with Warrants are expected to be utilised in the manner as set out below:-

Details of utilisation	Timeframe for utilisation	Minimum Scenario* ¹ RM'000	Maximum Scenario* ² RM'000
Business expansion	within 24 months	1,000	5,000
General working capital	within 24 months	1,323	18,833
Repayment of bank borrowings	within six (6) months	2,000	3,000
Estimated expenses in relation to the corporate exercises* ³	upon completion	700	700
Total		5,023	27,533

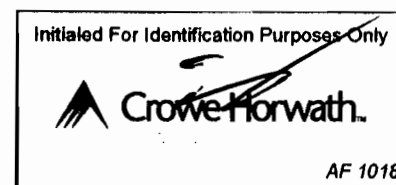
Notes:-

¹ Assuming all the existing treasury shares are retained by the Company, none of the outstanding 200712017 warrants ("Warrants A") are exercised prior to the Entitlement Date and the Rights Issue with Warrants is undertaken on the minimum subscription level basis.

² Assuming all the existing treasury shares have been resold in the open market at the respective acquisition prices, all the outstanding Warrants A are exercised prior to the Entitlement Date and the Rights Issue with Warrants is undertaken on a full subscription basis.

³ The corporate exercises comprise Rights Issue with Warrants, increase in authorised share capital and amendment to the Memorandum of Association of Digistar (collectively referred to as "Corporate Exercises")

DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012



2. Minimum Scenario

The minimum scenario incorporates the effects of the following:-

2.1 Proforma I

Proforma I assumes the following:-

- a. all the outstanding 7,372,808 treasury shares are retained by Digistar; and
- b. none of the outstanding 90,040,325 Warrants A are exercised prior to the Entitlement Date.

The subscription and issuance of 25,113,381 Rights Shares together with 18,835,034 Warrants at an issue price of RM0.20 per Rights Share will raise gross proceed of approximately RM5.02 million.

For illustrative purposes only, the gross proceeds arising therefrom of RM5.02 million are expected to be utilised in the following manners:-

- (i) RM2.00 million to repay the bank borrowings as follows:

	RM'000
Bank overdrafts	1,366
Bankers' acceptances	634
Total	<u><u>2,000</u></u>

- (ii) RM2.32 million is retained in cash and bank balances for business expansion and working capital; and
- (iii) RM0.70 million for estimated expenses in relation to the Corporate Exercises.

The warrants reserve assumes a theoretical fair value of RM0.0836 per Warrant.

2.2 Proforma II

Proforma II incorporates the effects of Proforma I and assumes full exercise of all the 18,835,034 free Warrants at an exercise price of RM0.26 per Warrant.

**DIGISTAR CORPORATION BERHAD (“DIGISTAR” OR “THE COMPANY”)
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**



3. Maximum Scenario

The maximum scenario incorporates the effects of the following:-

3.1 Proforma I

Proforma I assumes the following:-

- a. all the outstanding 7,372,808 treasury shares have been resold in the open market at the respective acquisition prices; and
- b. all the outstanding 90,040,325 Warrants A are exercised prior to the Entitlement Date.

3.2 Proforma II

Proforma II incorporates the effects of Proforma I and the effects of the subscription and issuance of 137,664,390 Rights Shares together with 103,248,292 Warrants at an issue price of RM0.20 per Rights Share to raise gross proceeds of approximately RM27.53 million.

For illustrative purposes only, the gross proceeds arising therefrom of RM27.53 million are expected to be utilised in the following manners:-

- (i) RM2.28 million to repay the bank borrowings as follows:

	RM'000
Bank overdrafts	1,366
Bankers' acceptances	911
Total	<u>2,277^{*1}</u>

Note:-

^{*1} Based on the audited consolidated statements of financial position of Digistar Group as at 30 September 2012, the proceeds earmarked for the repayment of bank borrowings is assumed at RM2.28 million while the remaining proceeds will be utilised for general working capital and to defray estimated expenses in relation to the Corporate Exercises. It should be noted that after taking into consideration the outstanding total bank overdrafts and bankers' acceptances of approximately RM3.12 million as at 20 February 2013, the proceeds earmarked for the repayment of bank borrowings shall be amounting to RM3.00 million.

- (ii) RM24.56 million is retained in cash and bank balances for business expansion and working capital; and
- (iii) RM0.70 million for estimated expenses in relation to the Corporate Exercises.

The warrants reserve assumes a theoretical fair value of RM0.0836 per Warrant.

3.3 Proforma III

Proforma III incorporates the effects of Proforma II and assumes full exercise of all the 103,248,292 free Warrants at an exercise price of RM0.26 per Warrant.

**DIGISTAR CORPORATION BERHAD (“DIGISTAR” OR “THE COMPANY”)
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

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4. Cash and Bank Balances

The movements in cash and bank balances are as follow:-

4.1 Minimum Scenario

	RM'000
As at 30 September 2012	665
- Arising from Rights Issue with Warrants	5,022
- Estimated expenses relating to the Corporate Exercises	(700)
- Repayment of bank borrowings	(2,000)
	<hr/>
As per Proforma I	2,987
Arising upon full exercise of the Warrants	4,898
	<hr/>
As per Proforma I	<u>7,885</u>

4.2 Maximum Scenario

	RM'000
As at 30 September 2012	665
Arising upon all treasury shares are resold and full exercise of the outstanding Warrants A	17,655
	<hr/>
As per Proforma I	18,320
- Arising from Rights Issue with Warrants	27,532
- Estimated expenses relating to the Corporate Exercises	(700)
- Repayment of bank borrowings	(2,277)
	<hr/>
As per Proforma II	42,875
Arising upon full exercise of the Warrants	26,845
	<hr/>
As per Proforma III	<u>69,720</u>

**DIGISTAR CORPORATION BERHAD (“DIGISTAR” OR “THE COMPANY”)
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

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5. Share Capital

The movements in the issued and paid-up share capital of Digistar are as follow:- AF 1018

5.1 Minimum Scenario

	Number of Ordinary Shares '000	RM'000
Ordinary share capital of RM0.10 each		
As at 30 September 2012 (excluding treasury shares)	246,748	22,163
Arising from the Rights Issue with Warrants	25,113	2,511
As per Proforma I	271,861	24,674
Arising upon full exercise of the Warrants	18,835	1,884
As per Proforma II	290,696	26,558

5.2 Maximum Scenario

	Number of Ordinary Shares '000	RM'000
Ordinary share capital of RM0.10 each		
As at 30 September 2012 (excluding treasury shares)	246,748	22,163
Arising upon all treasury shares are resold and full exercise of the outstanding Warrants A	97,413	12,253
As per Proforma I	344,161	34,416
Arising from the Rights Issue with Warrants	137,664	13,766
As per Proforma II	481,825	48,182
Arising upon full exercise of the Warrants	103,249	10,325
As per Proforma III	585,074	58,507

DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
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6. Treasury Shares

The movements in the treasure shares of Digistar are as follows:-

6.1 Minimum Scenario

RM'000

As at 30 September 2012/As per Proforma I/II

(3,249)

6.2 Maximum Scenario

RM'000

As at 30 September 2012

(3,249)

Arising upon all treasury shares are resold

3,249

As per Proforma I/II/III

-

7. Share Premium

The movements in the share premium of Digistar are as follows:-

7.1 Minimum Scenario

RM'000

As at 30 September 2012

13,355

- Arising from the Rights Issue with Warrants

937

- Estimated expenses relating to the Corporate Exercises*

(481)

As per Proforma I

13,811

Arising upon full exercise of the Warrants

4,369

As per Proforma II

18,180

Note:-

* Represents 68.65% of the total estimated expenses of RM700,000 in relation to the Corporate Exercises. The basis of 68.65% is derived by way of applying weighted average method according to the proportion of the fair value of one (1) ordinary share in Digistar of approximately RM0.137 over the issue price of RM0.20 per Rights Share, which is based on the recommended practice stated in Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 9.

DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

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7. Share Premium (Cont'd)**7.2 Maximum Scenario**

	RM'000
As at 30 September 2012	13,355
Arising upon all treasury shares are resold and full exercise of the outstanding Warrants A	5,905
As per Proforma I	19,260
- Arising from the Rights Issue with Warrants	5,135
- Estimated expenses relating to the Corporate Exercises *	(481)
As per Proforma II	23,914
Arising upon full exercise of the Warrants	24,932
As per Proforma III	48,846

Note:-

* Represents 68.65% of the total estimated expenses of RM700,000 in relation to the Corporate Exercises. The basis of 68.65% is derived by way of applying weighted average method according to the proportion of the fair value of one (1) ordinary share in Digistar of approximately RM0.137 over the issue price of RM0.20 per Rights Share, which is based on the recommended practice stated in Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 9.

8. Warrants Reserve

The movements in the warrants reserve of Digistar are as follows:-

8.1 Minimum Scenario

	RM'000
As at 30 September 2012	503
- Arising from the Rights Issue with Warrants	1,575
- Estimated expenses relating to the Corporate Exercises*	(220)
As per Proforma I	1,858
Transfer to share premium upon full exercise of the Warrants	(1,355)
As per Proforma II	503

Note:-

* Represents 31.35% of the total estimated expenses of RM700,000 in relation to the Corporate Exercises. The basis of 31.35% is derived by way of applying weighted average method according to the proportion of the fair value of the Warrant attached to one (1) Rights Share of approximately RM0.063 over the issue price of RM0.20 per Rights Share, which is based on the recommended practice stated in FRSIC Consensus 9.

DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
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8. Warrants Reserve (Cont'd)**8.2 Maximum Scenario**

	RM'000
As at 30 September 2012	503
Arising from full exercise of the outstanding Warrants A	(503)
As per Proforma I	-
- Arising from Rights Issue with Warrants	8,632
- Estimated expenses relating to the Corporate Exercises*	(220)
As per Proforma II	8,412
Transfer to share premium upon full exercise of the Warrants	(8,412)
As per Proforma III	-

Note:-

* Represents 31.35% of the total estimated expenses of RM700,000 in relation to the Corporate Exercises. The basis of 31.35% is derived by way of applying weighted average method according to the proportion of the fair value of the Warrant attached to one (1) Rights Share of approximately RM0.063 over the issue price of RM0.20 per Rights Share, which is based on the recommended practice stated in FRSIC Consensus 9.

The allocated fair value of free Warrants are credited to a warrants reserve which is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of Warrants.

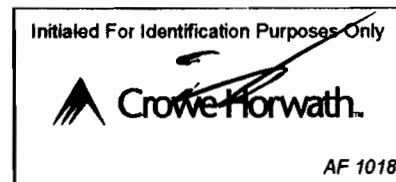
9. Bankers' Acceptances

The movements of bankers' acceptances of Digistar are as follows:-

9.1 Minimum Scenario

	RM'000
As at 30 September 2012	911
Repayment of bankers' acceptances	(634)
As per Proforma I/Proforma II	277

DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012



9. Bankers' Acceptances (Cont'd)

9.2 Maximum Scenario

	RM'000
As at 30 September 2012/As per Proforma I	911
Repayment of bankers' acceptances	(911)
	<hr/>
As per Proforma II/Proforma III	-
	<hr/>

10. Bank Overdrafts

The movements of bank overdrafts of Digistar are as follows:-

10.1 Minimum Scenario

	RM'000
As at 30 September 2012	1,366
Repayment of bank overdrafts	(1,366)
	<hr/>
As per Proforma I/Proforma II	-
	<hr/>

10.2 Maximum Scenario

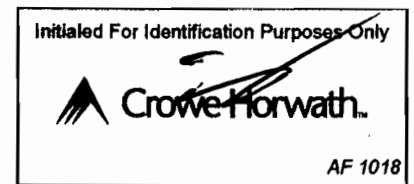
	RM'000
As at 30 September 2012/As per Proforma I	1,366
Repayment of bank overdrafts	(1,366)
	<hr/>
As per Proforma II/Proforma III	-
	<hr/>

**DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

The Directors have allocated a theoretical fair value of RM0.0836 per Warrant to the free Warrants. The fair value of the Warrants is determined using Black Scholes options pricing model based on the following critical assumptions:-

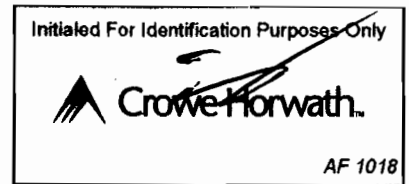
Underlying share price	: RM0.26 (being the theoretical ex-rights price of Digistar Shares calculated based on five (5) day-weighted average market price of Digistar Shares up to 25 February 2013, being the last trading day of Digistar Shares immediately preceding the date of fixing the exercise price of the Warrants, of RM0.29)
Exercise price	: RM0.26
Tenure	: 10 years
Volatility	: 8.740% (being the 10-day historical volatility of Digistar Shares for the past one (1) year up to 25 February 2013)
Expected dividend yield	: Nil

(Source: Bloomberg)



Company No. 603652-K

DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR "THE COMPANY")
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012



APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of in accordance with a resolution dated **03 JAN 2013**

On behalf of the Board



Lye Siang Long
Director

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30
SEPTEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No: 603652 - K

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 September 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit after taxation for the financial year	6,161,839	1,850,499
Attributable to:-		
Owners of the Company	5,950,454	1,850,499
Non-controlling interest	211,385	-
	<u>6,161,839</u>	<u>1,850,499</u>

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any final dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

DIRECTORS' REPORT

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM23,172,065 to RM25,412,065 by the issuance of 22,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.325 per share for the purpose of working capital. The shares were issued for cash consideration.

All the new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

- (c) there were no issues of debentures by the Company.

TREASURY SHARES

During the financial year, the Company purchased a total of 2,130,700 of its treasury shares from the open market at an average purchase price of RM0.4449 per share under the Company's share buy-back scheme. These shares were held as treasury shares, and the total consideration paid for the purchase of these shares including transaction costs amounted to RM948,022.

As at 30 September 2012, the Company held as treasury shares a total of 7,372,808 of its 254,120,650 issued and fully paid-up ordinary shares, at a carrying amount of RM3,248,747. None of the treasury shares held were cancelled during the financial year.

The detailed movements of the treasury shares during the financial year are disclosed in Note 17 to the financial statements.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

DIRECTORS' REPORT**WARRANTS 2007/2017**

At the end of the reporting period, the Company has 90,040,325 Warrants 2007/2017 in issue. The salient features of the Warrants 2007/2017 as constituted in the Deed Poll dated 5 December 2006 are as follows:-

Terms	Details
Exercise Period	The Warrants shall be exercisable at any time within the period commencing from the date of issue of the Warrants and will be expiring on 7 February 2017. Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	RM0.16 payable in full upon the exercise of each Warrant.
Exercise Rights	Each Warrant entitles the holder to subscribe for one new ordinary share of RM0.10 each in the Company at the Exercise Price at any time during the Exercise Period.
Mode of Exercise	The registered holder of the Warrants shall pay cash for the Exercise Price when subscribing for the new ordinary shares in the Company.
Listing	Approval in principle from Bursa Malaysia Securities Berhad ("Bursa Securities") was obtained on 8 December 2006 for admission of the Warrants to the Official List as well as the listing of the new ordinary shares arising from the exercise of the Warrants.
Board Lots	The Warrants are tradable upon listing on Bursa Securities in board lots of 100 warrants carrying the right to subscribe for 100 new ordinary shares of the Company.
Ranking of the new ordinary shares to be issued pursuant to the exercise of the warrants	The new ordinary shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the issued and paid-up ordinary shares of the Company, save and except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date/books closure date of which precedes the date of allotment of the new ordinary shares to be issued pursuant to the exercise of the Warrants.

None of the Warrants 2007/2017 in issue was exercised during the financial year.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities of the Company are disclosed in Note 38 to the financial statements. At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

DIRECTORS' REPORT**DIRECTORS**

The directors who served since the date of the last report are as follows:-

DATUK WIRA LEE WAH CHONG
 YB DATUK MD. SIRAT BIN ABU
 DATIN WIRA WA SIEW YAM
 ONG FEE CHONG
 LYE SIANG LONG
 CHEONG YEE KIONG
 DATO' HAJI ISHAK BIN HAJI MOHAMED
 LEE MELLY
 TAN SRI DATUK MOHD ZAMAN KHAN @ HASSAN B RAHIM KHAN

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.10.2011	BOUGHT	SOLD	AT 30.9.2012
<i>DIRECT INTERESTS</i>				
DATUK WIRA LEE WAH CHONG	14,977,007	-	-	14,977,007
DATIN WIRA WA SIEW YAM	4,633,891	-	4,600,000	33,891
ONG FEE CHONG	2,520,115	-	1,000,000	1,520,115
YB DATUK MD. SIRAT BIN ABU	25,000	-	-	25,000
<i>INDIRECT INTERESTS</i>				
DATUK WIRA LEE WAH CHONG ⁽¹⁾	45,316,733	-	-	45,316,733
ONG FEE CHONG ⁽¹⁾	45,316,733	-	-	45,316,733

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

DIRECTORS' REPORT**DIRECTORS' INTERESTS (CONT'D)**

	NUMBER OF WARRANTS 2007/2017			AT 30.9.2012
	AT 1.10.2011	BOUGHT	SOLD	
<i>DIRECT INTERESTS</i>				
DATUK WIRA LEE WAH CHONG	4,812,400	-	-	4,812,400
DATIN WIRA WA SIEW YAM	1,210,000	-	-	1,210,000
ONG FEE CHONG	1,200,055	-	-	1,200,055
<i>INDIRECT INTERESTS</i>				
DATUK WIRA LEE WAH CHONG ⁽¹⁾	21,600,000	-	-	21,600,000
ONG FEE CHONG ⁽¹⁾	21,600,000	-	-	21,600,000

⁽¹⁾ Interests held through Kenangan Lampiran Sdn. Bhd. by virtue of Section 6A of the Companies Act 1965.

The other directors holding office at the end of the financial year had no interests in shares in the Company and its related corporations during the financial year.

By virtue of their interests in shares in the Company, Datuk Wira Lee Wah Chong and Ong Fee Chong are deemed to have interests in the shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 34 to the financial statements.

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 40 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The significant events subsequent to the end of the reporting period are disclosed in Note 41 to the financial statements.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No: 603652 - K

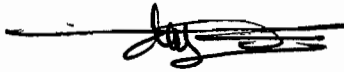
DIRECTORS' REPORT

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 30 JAN 2013



Datuk Wira Lee Wah Chong



Lye Siang Long

DIGISTAR CORPORATION BERHAD

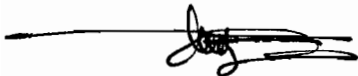
(Incorporated in Malaysia)
Company No: 603652 - K

STATEMENT BY DIRECTORS

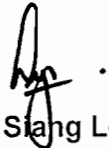
We, Datuk Wira Lee Wah Chong and Lye Siang Long, being two of the directors of Digistar Corporation Berhad, state that, in the opinion of the directors, the financial statements set out on pages 14 to 96 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 September 2012 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 42, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 30 JAN 2013**



Datuk Wira Lee Wah Chong



Lye Siang Long

STATUTORY DECLARATION

I, Lye Siang Long, I/C No. 700723-07-5143, being the director primarily responsible for the financial management of Digistar Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 14 to 96 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lye Siang Long, I/C No. 700723-07-5143
at Kuala Lumpur in the Federal Territory
on this **30 JAN 2013**



Lye Siang Long

Before me



B-16-5
Blok B, Ting. 16 Unit 5
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 012-3008300
03-27156556



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

Report on the Financial Statements

We have audited the financial statements of Digistar Corporation Berhad, which comprise the statements of financial position as at 30 September 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 14 to 96.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bharu • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIGISTAR CORPORATION BERHAD (CONT'D)

(Incorporated in Malaysia)
Company No: 603652 - K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 September 2012 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out in Note 42 on page 97 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bharu • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DIGISTAR CORPORATION BERHAD (CONT'D)**

(Incorporated in Malaysia)
Company No: 603652 - K

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A stylized, handwritten signature in black ink, likely representing a member of the Crowe Horwath firm.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

30 JAN 2013

Kuala Lumpur

A handwritten signature in black ink, belonging to Ooi Song Wan.

Ooi Song Wan
Approval No: 2901/10/14 (J)
Chartered Accountant

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bharu • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

STATEMENTS OF FINANCIAL POSITION AT 30 SEPTEMBER 2012

	NOTE	THE GROUP		THE COMPANY	
		30.9.2012 RM	30.9.2011 RM	30.9.2012 RM	30.9.2011 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	18,556,206	5,194,206
Property, plant and equipment	6	15,542,626	14,465,679	-	-
Investment property	7	45,000	45,000	-	-
		<u>15,587,626</u>	<u>14,510,679</u>	<u>18,556,206</u>	<u>5,194,206</u>
CURRENT ASSETS					
Inventories held for resale	8	2,605,332	2,984,493	-	-
Property development costs	9	5,476,384	3,965,914	-	-
Accrued billings	9	559,631	-	-	-
Trade receivables	10	11,881,546	13,065,055	-	-
Other receivables, deposits and prepayments	11	4,257,743	2,243,520	1,366,401	8,744
Amount owing by contract customers	12	11,170,092	7,233,782	-	-
Amount owing by subsidiaries	13	-	-	25,297,212	31,979,929
Tax refundable		189,918	94,626	189,918	94,626
Fixed deposits with licensed banks	14	15,960,481	28,752,591	-	-
Cash and bank balances		664,730	914,355	72,499	1,877
		<u>52,765,857</u>	<u>59,254,336</u>	<u>26,926,030</u>	<u>32,085,176</u>
Non-current asset classified as held for sale	15	-	176,677	-	-
TOTAL ASSETS		<u>68,353,483</u>	<u>73,941,692</u>	<u>45,482,236</u>	<u>37,279,382</u>

The annexed notes form an integral part of these financial statements.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

STATEMENTS OF FINANCIAL POSITION AT 30 SEPTEMBER 2012 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		30.9.2012 RM	30.9.2011 RM	30.9.2012 RM	30.9.2011 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	25,412,065	23,172,065	25,412,065	23,172,065
Treasury shares	17	(3,248,747)	(2,300,725)	(3,248,747)	(2,300,725)
Reserves	18	35,199,361	37,004,183	23,069,448	16,263,301
TOTAL EQUITY		57,362,679	57,875,523	45,232,766	37,134,641
Non-controlling interest		28,953	28,284	-	-
TOTAL EQUITY		57,391,632	57,903,807	45,232,766	37,134,641
NON-CURRENT LIABILITY					
Hire purchase payables	19	1,020,707	1,399,352	-	-
CURRENT LIABILITIES					
Trade payables	20	2,431,039	4,497,143	-	-
Other payables, deposits received and accruals	21	1,648,586	1,694,277	160,620	88,873
Amount owing to contract customers	12	674,834	4,775,348	-	-
Amount owing to subsidiaries	13	-	-	75,497	55,868
Amount owing to a related party	22	13,353	-	13,353	-
Provision for taxation		2,335,974	3,082,950	-	-
Hire purchase payables	19	560,697	498,783	-	-
Bankers' acceptances	23	911,000	-	-	-
Bank overdrafts	24	1,365,661	90,032	-	-
		9,941,144	14,638,533	249,470	144,741
TOTAL LIABILITIES		10,961,851	16,037,885	249,470	144,741
TOTAL EQUITY AND LIABILITIES		68,353,483	73,941,692	45,482,236	37,279,382
NET ASSETS PER ORDINARY SHARE	25	23 sen	26 sen		

The annexed notes form an integral part of these financial statements.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

	NOTE	THE GROUP		THE COMPANY	
		2012 RM	2011 RM	2012 RM	2011 RM
REVENUE	26	69,514,936	97,829,712	4,074,528	9,575,141
COST OF SALES		(42,087,560)	(58,841,771)	-	-
GROSS PROFIT		27,427,376	38,987,941	4,074,528	9,575,141
OTHER INCOME		1,109,842	1,681,156	4,118	3,845
		28,537,218	40,669,097	4,078,646	9,578,986
ADMINISTRATIVE EXPENSES		(14,492,892)	(10,039,824)	(1,304,554)	(320,569)
MARKETING EXPENSES		(1,775,930)	(1,469,211)	-	-
OTHER EXPENSES		(2,120,174)	(2,558,596)	-	-
FINANCE COSTS		(160,536)	(609,206)	(253)	(134)
		(18,549,532)	(14,676,837)	(1,304,807)	(320,703)
PROFIT BEFORE TAXATION	27	9,987,686	25,992,260	2,773,839	9,258,283
INCOME TAX EXPENSE	28	(3,825,847)	(6,543,631)	(923,340)	(2,348,612)
PROFIT AFTER TAXATION		6,161,839	19,448,629	1,850,499	6,909,671
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		6,161,839	19,448,629	1,850,499	6,909,671

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012 (CONT'D)**

	NOTE	THE GROUP		THE COMPANY	
		2012 RM	2011 RM	2012 RM	2011 RM
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		5,950,454	19,527,590	1,850,499	6,909,671
Non-controlling interest		211,385	(78,961)	-	-
		<u>6,161,839</u>	<u>19,448,629</u>	<u>1,850,499</u>	<u>6,909,671</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		5,950,454	19,527,590	1,850,499	6,909,671
Non-controlling interest		211,385	(78,961)	-	-
		<u>6,161,839</u>	<u>19,448,629</u>	<u>1,850,499</u>	<u>6,909,671</u>
Earnings per ordinary share	29				
- basic		2.64 sen	9.67 sen		
- diluted		2.10 sen	7.98 sen		

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
Company No. 603652 - K**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

THE GROUP	NOTE	SHARE CAPITAL RM	NON-DISTRIBUTABLE RESERVE				DISTRIBUTABLE RESERVE		NON- CONTROLLING INTEREST RM	TOTAL EQUITY RM
			SHARE PREMIUM RM	WARRANTS RESERVE RM	TREASURY SHARES RM	RETAINED PROFITS RM	TOTAL RM			
Balance at 1.10.2011		19,158,065	1,630,187	503,064	(693,391)	8,574,319	29,172,244	-	29,172,244	
Issuance of shares	16 & 18(a)	4,014,000	7,028,400	-	-	-	11,042,400	-	11,042,400	
Share issuance expenses	18(a)	-	(259,377)	-	-	-	(259,377)	-	(259,377)	
Purchase of shares	17	-	-	-	(2,274,780)	-	(2,274,780)	-	(2,274,780)	
Sale of shares	17	-	-	-	667,446	-	667,446	-	667,446	
Issuance of share capital of subsidiaries to non-controlling interest		-	-	-	-	-	-	19,960	19,960	
Acquisition of a subsidiary		-	-	-	-	-	-	87,285	87,285	
Total comprehensive income for the financial year		-	-	-	-	19,527,590	19,527,590	(78,961)	19,448,629	
Balance at 30.9.2011		23,172,065	8,399,210	503,064	(2,300,725)	28,101,909	57,875,523	28,284	57,903,807	
Issuance of shares	16 & 18(a)	2,240,000	5,040,000	-	-	-	7,280,000	-	7,280,000	
Share issuance expenses	18(a)	-	(84,352)	-	-	-	(84,352)	-	(84,352)	
Purchase of shares	17	-	-	-	(948,022)	-	(948,022)	-	(948,022)	
Issuance of share capital of subsidiaries to non-controlling interest		-	-	-	-	-	-	98,000	98,000	
Additional acquisition of interest from non-controlling shareholders		-	-	-	-	(12,710,924)	(12,710,924)	(289,076)	(13,000,000)	
Disposal of a subsidiary	30	-	-	-	-	-	-	(19,640)	(19,640)	
Total comprehensive income for the financial year		-	-	-	-	5,950,454	5,950,454	211,385	6,161,839	
Balance at 30.9.2012		25,412,065	13,354,858	503,064	(3,248,747)	21,341,439	57,362,679	28,953	57,391,632	

The annexed notes form an integral part of these financial statements.

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
Company No: 603652 - K**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012 (CONT'D)**

THE COMPANY	NOTE	NON-DISTRIBUTABLE RESERVE				DISTRIBUTABLE RESERVE		TOTAL RM
		SHARE CAPITAL RM	SHARE PREMIUM RM	WARRANTS RESERVE RM	TREASURY SHARES RM	RETAINED PROFITS RM		
Balance at 1.10.2010		19,158,065	1,630,187	503,064	(693,391)	451,356	21,049,281	
Issuance of shares	16 & 18(a)	4,014,000	7,028,400	-	-	-	11,042,400	
Share issuance expenses	18(a)	-	(259,377)	-	-	-	(259,377)	
Purchase of shares	17	-	-	-	(2,274,780)	-	(2,274,780)	
Sale of shares	17	-	-	-	667,446	-	667,446	
Total comprehensive income for the financial year		-	-	-	-	6,909,671	6,909,671	
Balance at 30.9.2011/1.10.2011		23,172,065	8,399,210	503,064	(2,300,725)	7,361,027	37,134,641	
Issuance of shares	16 & 18(a)	2,240,000	5,040,000	-	-	-	7,280,000	
Share issuance expenses	18(a)	-	(84,352)	-	-	-	(84,352)	
Purchase of shares	17	-	-	-	(948,022)	-	(948,022)	
Total comprehensive income for the financial year		-	-	-	-	1,850,499	1,850,499	
Balance at 30.9.2012		25,412,065	13,354,858	503,064	(3,248,747)	9,211,526	45,232,766	

The annexed notes form an integral part of these financial statements.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 603652 - K

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

	NOTE	THE GROUP		THE COMPANY	
		2012 RM	2011 RM	2012 RM	2011 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before taxation		9,987,686	25,992,260	2,773,839	9,258,283
Adjustments for:-					
Accretion of payables		(67,682)	(44,551)	-	-
Accretion of receivables		(96,056)	342,356	-	-
Bad debts written off		1,450	-	-	-
Depreciation of property, plant and equipment		1,862,877	1,703,273	-	-
Impairment losses on receivables		255,055	873,153	-	-
Interest expense		144,231	152,293	-	-
Inventories written off		-	134,621	-	-
Equipment written off		792	-	-	-
Gain on disposal of a subsidiary	30	(9,306)	-	-	-
Dividend income		-	-	(4,074,528)	(9,575,141)
Gain on disposal of property, plant and equipment		-	(3,837)	-	-
Gain on disposal of property, plant and equipment held for sale		(8,886)	-	-	-
Interest income		(669,113)	(984,463)	(4,118)	-
Write-back of impairment losses on receivables		(328,064)	(612,250)	-	-
Operating profit/(loss) before working capital changes		11,072,984	27,552,855	(1,304,807)	(316,858)
Decrease/(Increase) in inventories		379,161	(154,034)	-	-
Increase in property development costs		(1,510,470)	(647,121)	-	-
Net decrease in amount owing to contract customers		(8,036,824)	(8,225,980)	-	-
(Increase)/Decrease in trade and other receivables		(663,214)	(3,248,332)	(1,357,657)	75
(Decrease)/Increase in trade and other payables		(2,027,225)	(3,398,001)	71,747	(37,021)
Increase in accrued billings		(559,631)	-	-	-
CASH FLOWS (FOR)/FROM OPERATIONS		(1,345,219)	11,879,387	(2,590,717)	(353,804)
Interest paid		(144,231)	(152,293)	-	-
Tax refunded		-	96,155	-	96,155
Tax paid		(4,668,115)	(6,109,059)	-	-
NET CASH (FOR)/FROM OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD		(6,157,565)	5,714,190	(2,590,717)	(257,649)

The annexed notes form an integral part of these financial statements.

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DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)

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STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012 (CONT'D)**

	NOTE	THE GROUP		THE COMPANY	
		2012 RM	2011 RM	2012 RM	2011 RM
BALANCE BROUGHT FORWARD		(6,157,565)	5,714,190	(2,590,717)	(257,649)
CASH FLOWS FOR INVESTING ACTIVITIES					
Subscription of additional investment in a subsidiary		-	-	(392,000)	(29,940)
Dividend received		-	-	-	7,181,356
Net cash outflow from acquisition of a subsidiary		-	(149,000)	-	(150,000)
Net cash outflow from additional acquisition of interest from non-controlling shareholders		(13,000,000)	-	(13,000,000)	-
Interest received		669,113	984,463	4,118	-
Purchase of property, plant and equipment	31	(2,741,616)	(3,400,312)	-	-
Proceeds from disposal of property, plant and equipment		185,563	325,000	-	-
Proceeds from issuance of shares to non-controlling interests		98,000	19,960	-	-
Net cash (outflow)/inflow from disposal of a subsidiary	30	(1,239)	-	30,000	-
Repayment from/(Advances to) subsidiaries		-	-	9,814,110	(15,918,742)
NET CASH FOR INVESTING ACTIVITIES		(14,790,179)	(2,219,889)	(3,543,772)	(8,917,326)
CASH FLOWS FROM FINANCING ACTIVITIES					
(Repayment to)/Advances from a related party		(12,515)	-	13,353	-
Proceeds from issuance of shares		7,195,648	10,783,023	7,195,648	10,783,023
Sale of treasury shares		-	667,446	-	667,446
Treasury shares acquired		(948,022)	(2,274,780)	(948,022)	(2,274,780)
Repayment of hire purchase obligations		(515,731)	(425,385)	-	-
Repayment to subsidiaries		-	-	(55,868)	-
Net drawdown/(repayment) of bills payable		911,000	(354,000)	-	-
NET CASH FROM FINANCING ACTIVITIES		6,630,380	8,396,304	6,205,111	9,175,689
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(14,317,364)	11,890,605	70,622	714
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		29,576,914	17,686,309	1,877	1,163
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32	15,259,550	29,576,914	72,499	1,877

The annexed notes form an integral part of these financial statements.

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DIGISTAR CORPORATION BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office : Level 18, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.

Principal place of business : B5/5/5, 4th Floor, One Ampang Business Avenue,
Jalan Ampang Utama 1/2, 68000 Ampang,
Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 30 January 2013.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

3. BASIS OF PREPARATION (CONT'D)

- (a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1 (Revised): Additional Exemptions for First-time Adopters

Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions

Amendments to FRS 7: Improving Disclosures about Financial Instruments

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

IC Interpretation 18 Transfers of Assets from Customers

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

Annual Improvement to FRSs (2010)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

3. BASIS OF PREPARATION (CONT'D)

(a) The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-

- (i) Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy, as shown in Note 39(e) to the financial statements. Comparatives are not presented by virtue of the exemption given in the amendments.
- (ii) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes. These amendments have no material impact on the financial statements of the Group upon their initial application, notwithstanding the fact that the Group could be required by the counterparty to settle in shares at any time.

Furthermore, the amendments to FRS 101 (Revised) also clarify that an entity may choose to present the analysis of the items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present the items of other comprehensive income in the statement of changes in equity.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****3. BASIS OF PREPARATION (CONT'D)**

- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 1 (Revised): Government Loans	1 January 2013
Amendments to FRS 7: Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****3. BASIS OF PREPARATION (CONT'D)**

(b) FRSs and IC Interpretations (including the Consequential Amendments) (Cont'd)	Effective Date
Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance	1 January 2013
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements to FRSs (2012)	1 January 2013

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

- (i) FRS 9 replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments. FRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the FRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. The effective date of this standard has been deferred from 1 January 2013 to 1 January 2014. Transitional provisions in FRS 9 were also amended to provide certain relief from retrospective adjustments. The amendment is expected to have no material impact on the financial statement of the Group upon initial application.
- (ii) FRS 10 replaces the consolidation guidance in FRS 127 and IC Interpretation 112. Under FRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control. The amendment is expected to have no material impact on the financial statements of the Group upon initial application.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

3. BASIS OF PREPARATION (CONT'D)

- (b) (iii) FRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. FRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (iv) FRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of FRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in FRS 13 are more extensive than those required in the current standards and therefore there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (v) The amendments to FRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (c) On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs") that are equivalent to International Financial Reporting Standards.

The MFRSs are to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "Transitioning Entities").

On 30 June 2012, MASB announced that the Transitioning Entities are allowed to defer the adoption of the MFRSs to annual periods beginning on or after 1 January 2014 after which the MFRSs will become mandatory. The Group falls within the definition of Transitioning Entities and has opted to prepare its first MFRSs financial statements for the financial year ending 30 September 2015.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

3. BASIS OF PREPARATION (CONT'D)

- (c) In representing its first MFRSs financial statements, the Group will quantify the financial effects of the differences between the current FRSs and MFRSs. The Group has commenced transitioning its accounting policies and financial reporting from the current FRSs to MFRSs. However, the Group has not completed its quantification of the financial effects of the differences between FRSs and MFRSs due to the ongoing assessment by the management. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group expects to be in a position to fully comply with the requirements of MFRSs for the financial year ending 30 September 2015.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) *Depreciation of Property, Plant and Equipment*

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual value of its property, plant and equipment will be insignificant. As a result, the residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(a) Critical Accounting Estimates and Judgements (Cont'd)****(ii) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

- **Contract Revenue**

Construction contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

- **Contract Costs**

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(v) *Classification Between Investment Properties and Owner-Occupied Properties*

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(vi) *Impairment of Trade and Other Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(vii) *Write-down for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(viii) *Fair Value Estimates for Certain Financial Assets and Liabilities*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(ix) *Classification of Leasehold Land*

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(x) *Property Development*

The Group recognised property development revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by surveys of work performed.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 127.

Business combinations from 1 July 2010 onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

The Group has applied the FRS 3 (Revised) in accounting for business combination from 1 October 2011 onwards. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

Business combinations before 1 July 2010

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at date of acquisition.

(c) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations from 1 July 2010 onwards

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

Business combinations before 1 July 2010

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Functional and Foreign Currencies

(i) *Functional and Presentation Currency*

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(ii) *Transactions and Balances*

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(e) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(e) Financial Instruments (Cont'd)***(i) Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

- *Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(i) *Financial Assets (Cont'd)*

- *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) *Financial Liabilities*

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(iii) *Equity Instruments*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iv) *Treasury Shares*

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

(f) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(g) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Office units	2%
Office lot	2%
Shophouse	2%
Computers and printers	25%
Site office cabins	20%
Plant and machinery	20%
Furniture and fittings	20%
Office equipment	20%
Renovation	20%
Motor vehicles	20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits are embodied in the items of the property, plant and equipment.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of each reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property, Plant and Equipment (Cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

(h) Impairment

(i) *Impairment of Financial Assets*

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(i) *Impairment of Financial Assets (Cont'd)*

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) *Impairment of Non-Financial Assets*

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(ii) *Impairment of Non-Financial Assets (Cont'd)*

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

(i) **Assets Under Hire Purchase**

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the profit or loss over the period of the respective hire purchase agreements.

(j) **Investment Properties**

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 4(g) to the financial statements.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is charged to the profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidental expenses incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale. Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(l) Property Development Costs

(i) *Non-Current Property Development*

Non-current property development costs consist of land and development costs where no development activities are carried out or where development activities are not expected to be completed within the normal operating cycle. Such land and development costs are carried at cost less any accumulated impairment losses.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Pre-acquisition costs are charged to profit or loss as incurred unless such costs are directly identifiable to the consequent property development activity.

Non-current property development costs are transferred to current asset when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Property Development Costs (Cont'd)

(ii) *Current Property Development*

Current property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs that are not recognised as an expense are recognised as an asset and carried at the lower of cost and net realisable value.

When the financial outcome of a development activity can be reliably estimated, the amount of property revenue and expenses recognised in profit or loss are determined by reference to the stage of completion of development activities at the end of the reporting period. The stage of completion is determined based on survey of work performed.

When the financial outcome of a development activity cannot be reliably estimated, the property development revenue is recognised only to the extent of property development costs incurred that will be recoverable. The property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Where it is probable that property development costs will exceed property development revenue, any expected loss is recognised as an expense in profit or loss immediately, including costs to be incurred over the defects liability period.

(m) **Progress Billings/Accrued Billings**

In respect of progress billings:-

- (i) where revenue recognised in profit or loss exceeds the billings to purchasers, the balance is shown as accrued billings under current assets; and
- (ii) where billings to purchasers exceed the revenue recognised in profit or loss, the balance is shown as progress billings under current liabilities.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) **Amounts Owing By/(To) Contract Customers**

The amounts owing by/(to) contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

(o) **Borrowing Costs**

Borrowing costs, directly attributable to the acquisition and construction of development properties, property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(p) **Income Taxes**

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Income Taxes (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(s) Related Parties

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
 - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent liability or contingent asset is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision or as an asset.

(u) Revenue Recognition

(i) Contract Revenue

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

Previously, the stage of completion is determined based on surveys of work performed.

The stage of completion is now determined based on the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs. The change is based on a review and re-assessment performed by the directors and management over the nature of the transactions involved. The directors and management are of the view that the change is more relevant and reliable to reflect the economic substance of the transactions involved.

This represents a change in accounting estimate and has been applied prospectively. The change has the effect of increasing the profit after taxation by approximately RM988,000 for the current financial year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revenue Recognition (Cont'd)

(ii) *Sale of Goods and Services*

Revenue is recognised upon delivery of goods and customers' acceptance or performance of services.

(iii) *Rental Income*

Rental income is recognised on an accrual basis.

(iv) *Interest Income*

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(v) *Dividend Income*

Dividend income from investment is recognised when the right to receive dividend payment is established.

(v) Non-Current Assets Held for Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Upon classification as held for sale, non-current assets or components of a disposal group are not depreciated and are measured at the lower of their carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

(w) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****5. INVESTMENTS IN SUBSIDIARIES**

	THE COMPANY	
	2012 RM	2011 RM
Unquoted shares, at cost	18,556,206	5,194,206

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:-

Name of Company	Equity Interest		Principal Activities
	2012	2011	
Digistar Holdings Sdn. Bhd.	100%	100%	Design, supply, installation and integration of information technology infrastructure, teleconferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.
Digistar Properties Sdn. Bhd. *	100%	100%	Renting, maintaining and upkeep of properties.
Digistar Rauland MSC Sdn. Bhd.	80%	80%	Health television operator.
Rauland Asia Sdn. Bhd.	100%	100%	Dormant.
Nielsen Ward Sdn. Bhd.	100%	100%	Provision of e-commerce services through retailing a variety of products and services via the internet.
Digistar Vision Sdn. Bhd. #	-	60%	Health television operator.
Seni Pujaan Sdn. Bhd.	100%	60%	Property development.

* Subsidiary held through Digistar Holdings Sdn. Bhd.

Subsidiary disposed during the current financial year (Note 30)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****6. PROPERTY, PLANT AND EQUIPMENT**

	AT 1.10.2011 RM	WRITTEN OFF RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 30.9.2012 RM
THE GROUP					
NET BOOK VALUE					
Office lot, shophouse and office units	4,768,194	-	-	(114,619)	4,653,575
Leasehold land	4,910,839	-	-	(74,953)	4,835,886
Computers and printers	173,168	-	188,320	(72,336)	289,152
Site office cabins, plant and machinery, furniture and fittings	126,618	-	91,664	(44,868)	173,414
Office equipment and renovation	2,148,190	(792)	724,960	(880,498)	1,991,860
Motor vehicles	2,243,087	-	275,507	(675,603)	1,842,991
Capital work-in-progress	95,583	-	1,660,165	-	1,755,748
	14,465,679	(792)	2,940,616	(1,862,877)	15,542,626

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

THE GROUP	AS PREVIOUSLY REPORTED AT 1.10.2010 RM	EFFECTS OF FRS 117 RM	RESTATE AT 1.10.2010 RM	RECLASSIFICATION RM	RECLASSIFIED TO TRADE RECEIVABLES RM	NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 30.9.2011 RM
Office lot, shophouse and office units	4,882,810	-	4,882,810	-	-	-	-	(114,616)	4,768,194
Leasehold land	-	2,585,468	2,585,468	-	-	(176,677)	2,579,209	(77,161)	4,910,839
Computers and printers	86,683	-	86,683	-	-	-	148,212	(61,727)	173,168
Site office cabins, plant and machinery, furniture and fittings	50,380	-	50,380	-	-	-	113,037	(36,799)	126,618
Office equipment and renovation	2,326,251	-	2,326,251	170,248	-	-	469,040	(817,349)	2,148,190
Motor vehicles	2,297,894	-	2,297,894	-	-	-	540,814	(595,621)	2,243,087
Capital work-in-progress	286,601	-	286,601	(170,248)	(20,770)	-	-	-	95,583
	9,930,619	2,585,468	12,516,087	-	(20,770)	(176,677)	3,850,312	(1,703,273)	14,465,679

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
THE GROUP			
At 30.9.2012			
Office lot, shophouse and office units	5,730,760	(1,077,185)	4,653,575
Leasehold land	5,018,187	(182,301)	4,835,886
Computers and printers	1,015,305	(726,153)	289,152
Site office cabins, plant and machinery, furniture and fittings	547,281	(373,867)	173,414
Office equipment and renovation	5,595,445	(3,603,585)	1,991,860
Motor vehicles	3,851,393	(2,008,402)	1,842,991
Capital work-in-progress	1,755,748	-	1,755,748
	<u>23,514,119</u>	<u>(7,971,493)</u>	<u>15,542,626</u>
At 30.9.2011			
Office lot, shophouse and office units	5,730,760	(962,566)	4,768,194
Leasehold land	5,018,187	(107,348)	4,910,839
Computers and printers	826,985	(653,817)	173,168
Site office cabins, plant and machinery, furniture and fittings	455,617	(328,999)	126,618
Office equipment and renovation	4,872,465	(2,724,275)	2,148,190
Motor vehicles	3,575,886	(1,332,799)	2,243,087
Capital work-in-progress	95,583	-	95,583
	<u>20,575,483</u>	<u>(6,109,804)</u>	<u>14,465,679</u>

Included in property, plant and equipment of the Group are motor vehicles with a total net book value of RM1,791,648 (2011 - RM2,223,072) acquired under hire purchase terms.

Certain property, plant and equipment of the Group with a total net book value of RM9,337,730 (2011 - RM9,523,823) were pledged as security for banking facilities granted to the Group.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****7. INVESTMENT PROPERTY**

	THE GROUP	
	2012	2011
	RM	RM
Freehold shophouse, at cost:-	45,000	45,000

The carrying amount of the property approximated its fair value.

8. INVENTORIES HELD FOR RESALE

	THE GROUP	
	2012	2011
	RM	RM
At cost:-		
Equipment and parts held for resale	2,561,802	2,717,251
Finished goods	17,287	2,257
Goods-in-transit	26,243	264,985
	<u>2,605,332</u>	<u>2,984,493</u>

None of the inventories is carried at net realisable value.

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****9. PROPERTY DEVELOPMENT COSTS**

	THE GROUP	
	2012 RM	2011 RM
At 1 October 2011/2010		
- land	2,714,700	-
- development costs	1,251,214	129,918
	<u>3,965,914</u>	<u>129,918</u>
Costs incurred during the year:		
- land	-	2,714,700
- development costs	4,794,032	1,121,296
	<u>8,759,946</u>	<u>3,965,914</u>
Costs recognised as expenses in profit or loss	(3,283,562)	-
At 30 September 2012/2011	<u>5,476,384</u>	<u>3,965,914</u>
Cumulative revenue recognised in profit or loss	4,790,003	-
Cumulative billings to purchasers	(4,230,372)	-
Net accrued billings	<u>559,631</u>	<u>-</u>

A subsidiary entered into a joint venture agreement with a third party in 2010 to undertake the entire development of a development project in the state of Melaka.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****10. TRADE RECEIVABLES**

	THE GROUP	
	2012 RM	2011 RM
Trade receivables	11,291,116	13,961,278
Retention receivables	6,419,020	5,005,376
Total trade receivables	17,710,136	18,966,654
Allowance for impairment losses:-		
At 1 October 2011/2010	(5,901,599)	(5,640,696)
Addition during the financial year	(255,055)	(873,153)
Write-back during the financial year	328,064	612,250
At 30 September 2012/2011	(5,828,590)	(5,901,599)
	11,881,546	13,065,055

The Group's normal credit terms for trade receivables range from 7 to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Other receivables	3,775,392	1,748,442	1,362,501	4,844
Deposits	276,472	159,312	1,500	1,500
Prepayments	205,879	335,766	2,400	2,400
	4,257,743	2,243,520	1,366,401	8,744

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****12. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS**

	THE GROUP	
	2012 RM	2011 RM
Contract costs incurred to date	119,197,261	83,601,745
Attributable profits	69,081,651	34,589,696
Progress billings	188,278,912 (177,783,654)	118,191,441 (115,733,007)
Net amount owing by/(to) contract customers	<u>10,495,258</u>	<u>2,458,434</u>
The net amount owing by/(to) contract customers comprises the following:-		
Amount owing by contract customers	11,170,092	7,233,782
Amount owing to contract customers	(674,834)	(4,775,348)
	<u>10,495,258</u>	<u>2,458,434</u>

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

14. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits amounting to RM1,819,651 (2011 - RM1,801,660) have been pledged to licensed banks as security for banking facilities granted to a subsidiary.

Fixed deposits at the end of the reporting period bore a weighted average interest of 3.13% (2011 - 2.98%) per annum. The maturity periods of the fixed deposits at the end of the reporting period ranged from 30 to 365 days (2011 - 30 to 365 days).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE**

	THE GROUP	
	2012 RM	2011 RM
At carrying amount:-		
At 1 October 2011/2010	176,677	321,163
Transfer from property	-	176,677
Disposal of property	(176,677)	(321,163)
At 30 September 2012/2011	<u>-</u>	<u>176,677</u>

16. SHARE CAPITAL

	THE COMPANY			
	2012 NUMBER OF SHARES	2011	2012 RM	2011 RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	<u>500,000,000</u>	<u>500,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
ISSUED AND FULLY PAID UP				
At 1 October	231,720,650	191,580,650	23,172,065	19,158,065
Issuance of shares	22,400,000	40,140,000	2,240,000	4,014,000
At 30 September	<u>254,120,650</u>	<u>231,720,650</u>	<u>25,412,065</u>	<u>23,172,065</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****17. TREASURY SHARES**

	THE GROUP/THE COMPANY		2012 RM	2011 RM
	2012 NUMBER OF SHARES	2011 NUMBER OF SHARES		
At 1 October 2011/2010	5,242,108	4,674,408	2,300,725	693,391
Resold during the financial year	-	(4,499,500)	-	(667,446)
Purchases during the financial year	2,130,700	5,067,200	948,022	2,274,780
At 30 September 2012/2011	<u>7,372,808</u>	<u>5,242,108</u>	<u>3,248,747</u>	<u>2,300,725</u>

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 22 March 2012, renewed their approval of the Company's plan to purchase its own shares under a share buy-back scheme.

Below are the detailed movements of the treasury shares during the financial year:-

	NUMBER OF SHARES	AVERAGE UNIT PRICE RM	TOTAL CONSIDERATION RM
At 1 October 2011	5,242,108	0.4389	2,300,725
Purchases during the financial year:	<u>2,130,700</u>	0.4449	<u>948,022</u>
At 30 September 2012	<u>7,372,808</u>	0.4406	<u>3,248,747</u>

Of the total 254,120,650 (2011 - 231,720,650) issued and fully paid ordinary shares as at the end of the reporting period, 7,372,808 (2011 - 5,242,108) are held as treasury shares by the Company. None of the treasury shares were cancelled during the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****18. RESERVES**

	NOTE	THE GROUP		THE COMPANY	
		2012 RM	2011 RM	2012 RM	2011 RM
Share premium	(a)	13,354,858	8,399,210	13,354,858	8,399,210
Warrant reserve	(b)	503,064	503,064	503,064	503,064
Retained profits	(c)	21,341,439	28,101,909	9,211,526	7,361,027
		<u>35,199,361</u>	<u>37,004,183</u>	<u>23,069,448</u>	<u>16,263,301</u>

(a) Share Premium

The movements in the share premium of the Group and the Company are as follows:-

	THE GROUP/THE COMPANY	
	2012 RM	2011 RM
At 1 October 2011/2010	8,399,210	1,630,187
Issuance of new shares	5,040,000	7,028,400
Share issuance expenses	(84,352)	(259,377)
At 30 September 2012/2011	<u>13,354,858</u>	<u>8,399,210</u>

The share premium is not distributable by way of cash dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

(b) Warrant Reserve

The Company has a total of 90,040,325 Warrants 2007/2017 in issue during the financial year. Each Warrant 2007/2017 entitles the holder to subscribe for one new ordinary share of RM0.10 each in the Company at the exercise price of RM0.16. The Warrants 2007/2017 are exercisable over a period of 10 years from 8 February 2007 to 7 February 2017. None of the Warrants 2007/2017 in issue was exercised during the financial year.

DIGISTAR CORPORATION BERHAD

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****18. RESERVES (CONT'D)****(c) Retained Profits**

Subject to the agreement of the tax authorities, at the end of the reporting period, the Company has tax credits under Section 108 of the Income Tax Act 1967 to frank the payment dividends of approximately RM4,271,000 (2011 - RM4,910,000) out of its retained profits.

At the end of the reporting period, the Company has not elected for the single tier tax system. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, the Company will automatically move to the single tier tax system. Under the single tier tax system, tax on the Company's profits is a final tax, and dividends distributed to the shareholders will be exempted from tax.

19. HIRE PURCHASE PAYABLES

	THE GROUP	
	2012	2011
	RM	RM
Minimum hire purchase payments:		
- not later than one year	628,992	583,981
- later than one year and not later than five years	1,075,846	1,507,260
	1,704,838	2,091,241
Future finance charges	(123,434)	(193,106)
	1,581,404	1,898,135
Present value of hire purchase payables		
Current:		
- not later than one year	560,697	498,783
Non-current:		
- later than one year and not later than five years	1,020,707	1,399,352
	1,581,404	1,898,135

The hire purchase payables at the end of the reporting period bore effective interest rates ranging from 4.72% to 7.16% (2011 - 4.73% to 7.16%) per annum.

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****20. TRADE PAYABLES**

The Group's normal credit terms of the trade payables range from 30 to 60 days.

The foreign currency exposure profile of the trade payables is as follows:-

	THE GROUP	
	2012 RM	2011 RM
United States Dollar	812,248	51,360
Pound Sterling	-	272,993

21. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables	527,563	183,892	2,320	373
Deposits received	103,570	114,692	-	-
Accruals	1,017,453	1,395,693	158,300	88,500
	1,648,586	1,694,277	160,620	88,873

22. AMOUNT OWING TO A RELATED PARTY

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

23. BANKERS' ACCEPTANCES

The bankers' acceptances bore an effective interest rate of 4.42% per annum and were secured by:-

- (i) legal charges over certain properties belonging to certain subsidiaries;
- (ii) a pledge of fixed deposits belonging to one of the subsidiaries; and
- (iii) a corporate guarantee of the Company.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****24. BANK OVERDRAFTS**

The bank overdrafts bear an effective interest rate of 7.85% (2011 - 7.85%) per annum and are secured in the same manner as the bankers' acceptances as disclosed in Note 23 to the financial statements.

25. NET ASSETS PER ORDINARY SHARE

The net assets per share is calculated based on the net assets value attributable to shareholders of RM57,362,679 (2011 - RM57,875,523) divided by the number of ordinary shares in issue (excluding treasury shares) at the end of the reporting period of 246,747,842 shares (2011 - 226,478,542 shares).

26. REVENUE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Contract revenue	56,601,223	85,701,886	-	-
Maintenance income	2,620,437	2,113,617	-	-
Sale of goods	3,898,636	8,529,867	-	-
Rental income	1,604,637	1,484,342	-	-
Proportionate sale value of development properties	4,790,003	-	-	-
Dividend income	-	-	4,074,528	9,575,141
	<u>69,514,936</u>	<u>97,829,712</u>	<u>4,074,528</u>	<u>9,575,141</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****27. PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging/(crediting) the following:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Audit fee:				
- for the financial year	113,000	89,000	38,000	28,000
- under/(over)provision in the previous financial year	26,000	718	10,000	(2,000)
Bad debts written off	1,450	-	-	-
Depreciation of property, plant and equipment	1,862,877	1,703,273	-	-
Directors' remuneration:				
- fees	250,000	180,000	190,000	120,000
- non-fee emoluments	3,846,326	3,422,900	142,900	62,400
- defined contribution plans	418,308	200,280	-	-
Interest expense:				
- bank overdrafts	39,898	31,569	-	-
- bankers' acceptances	8,953	312	-	-
- hire purchase	94,595	105,356	-	-
- trust receipts	785	15,056	-	-
Accretion of receivables	(96,056)	342,356	-	-
Impairment losses on receivables	255,055	873,153	-	-
Inventories written off	-	134,621	-	-
Gain on disposal of a subsidiary	(9,306)	-	-	-
Rental of equipment	24,224	17,729	-	-
Rental of motor vehicle	8,913	9,854	-	-
Rental of premises	161,822	99,234	-	-
Staff costs:				
- salaries, wages, bonuses and allowances	8,066,558	5,619,374	-	-
- defined contribution plans	857,535	756,001	-	-
- other benefits	478,284	390,318	-	-
Equipment written off	792	-	-	-
Accretion of payables	(67,682)	(44,551)	-	-
Loss/(Gain) on foreign exchange - realised	8,902	(12,441)	-	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****27. PROFIT BEFORE TAXATION (CONT'D)**

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Write-back of impairment losses on receivables	(328,064)	(612,250)	-	-
Gain on disposal of property, plant and equipment	-	(3,837)	-	-
Gain on disposal of property, plant and equipment held for sale	(8,886)	-	-	-
Deposit forfeited	-	(3,850)	-	-
Dividend income	-	-	(4,074,528)	(9,575,141)
Interest income	(669,113)	(984,463)	(4,118)	-
Rental income	(1,506,470)	(1,342,381)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

28. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax:				
- for the financial year	4,022,868	7,188,596	924,000	2,347,000
- (over)/underprovision in the previous financial years	(197,021)	(644,965)	(660)	1,612
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,825,847	6,543,631	923,340	2,348,612

A subsidiary of the Company has been granted the MSC Malaysia Status, which qualifies the subsidiary for the Pioneer Status incentive under the Promotion of Investments Act 1986. The subsidiary will enjoy full exemption from income tax on its statutory income from pioneer activities for five years from 6 July 2006 to 5 July 2011. The pioneer status had expired in the previous financial year and the subsidiary is currently appealing for the renewal of the pioneer status.

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****28. INCOME TAX EXPENSE (CONT'D)**

The reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before taxation	9,987,686	25,992,260	2,773,839	9,258,283
Tax at the statutory tax rate of 25%	2,496,922	6,498,065	694,000	2,315,000
Tax effects of:-				
Non-deductible expenses	1,594,672	700,531	230,000	32,000
Deferred tax assets not recognised during the financial year	24,274	6,000	-	-
Utilisation of previously unrecognised deferred tax assets	(93,000)	(16,000)	-	-
(Over)/Underprovision of current tax in the previous financial year	(197,021)	(644,965)	(660)	1,612
Income tax expense for the financial year	3,825,847	6,543,631	923,340	2,348,612

No deferred tax assets are recognised on the following items:-

	THE GROUP	
	2012 RM	2011 RM
Impairment losses on receivables	3,336,000	3,524,000
Unutilised tax losses	37,000	70,300
	3,373,000	3,594,300

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****29. EARNINGS PER SHARE**

The basic earnings per share is arrived at by dividing the profit attributable to the shareholders of RM5,950,454 (2011 - RM19,527,590) by the weighted average number of ordinary shares in issue at the end of the reporting period of 225,540,013 (2011 - 201,905,825).

The fully diluted earnings per ordinary share is arrived at by dividing the profit attributable to the shareholders of RM5,950,454 (2011 - RM19,527,590) by the assumed weighted average number of ordinary shares in issue, adjusted on the assumption that warrants granted are exercised at the end of the reporting period of 282,869,403 (2011 - 244,776,321).

30. DISPOSAL OF A SUBSIDIARY

The effects of the disposal of a subsidiary on the financial results of the Group during the current financial year were as follows:-

	THE GROUP	
	2012 RM	2011 RM
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Other income	-	-
Less: Administrative expenses	(800)	-
Loss before taxation	(800)	-
Income tax expense	-	-
	(800)	-
Non-controlling interest	320	-
Loss attributable to shareholders	(480)	-

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****30. DISPOSAL OF A SUBSIDIARY (CONT'D)**

Details of the net assets disposed of and cash flow arising from the disposal of a subsidiary during the current financial year were as follows:-

	THE GROUP	
	2012 RM	2011 RM
Current assets	31,354	-
Current liabilities	8,980	-
Non-controlling interests	(19,640)	-
Fair value of net assets disposed	20,694	-
Gain on disposal of a subsidiary	9,306	-
Proceeds from disposal of a subsidiary	30,000	-
Cash and cash equivalents of a subsidiary disposed	(31,239)	-
Net cash outflow from disposal of a subsidiary	(1,239)	-

31. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP	
	2012 RM	2011 RM
Cost of property, plant and equipment purchased	2,940,616	3,850,312
Amount financed through hire purchase	(199,000)	(450,000)
Cash disbursed for purchase of property, plant and equipment	2,741,616	3,400,312

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****32. CASH AND CASH EQUIVALENTS**

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Fixed deposits with licensed banks (Note 14)	15,960,481	28,752,591	-	-
Cash and bank balances	664,730	914,355	72,499	1,877
Bank overdrafts (Note 24)	(1,365,661)	(90,032)	-	-
	<u>15,259,550</u>	<u>29,576,914</u>	<u>72,499</u>	<u>1,877</u>

33. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by the directors of the Group and of the Company during the financial year in bands of RM50,000 are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive directors' remuneration:				
- Fees	100,000	80,000	40,000	20,000
- Non-fee emoluments	3,710,926	3,289,000	7,500	-
- Defined contribution plan	418,308	200,280	-	-
	<u>4,229,234</u>	<u>3,569,280</u>	<u>47,500</u>	<u>20,000</u>
Non-executive directors' remuneration:				
- Fees	150,000	100,000	150,000	100,000
- Non-fee emoluments	135,400	133,900	135,400	62,400
	<u>285,400</u>	<u>233,900</u>	<u>285,400</u>	<u>162,400</u>
Total directors' remuneration	<u>4,514,634</u>	<u>3,803,180</u>	<u>332,900</u>	<u>182,400</u>
Directors' fee	250,000	180,000	190,000	120,000
Directors' non-fee emoluments	3,846,326	3,422,900	142,900	62,400
Defined contribution plan	418,308	200,280	-	-
	<u>4,514,634</u>	<u>3,803,180</u>	<u>332,900</u>	<u>182,400</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****33. DIRECTORS' REMUNERATION (CONT'D)**

The details of Directors' remuneration received and receivable for the financial year in bands of RM50,000 are as follows:-

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
THE GROUP				
Executive directors				
- Below RM50,000	-	-	5	1
- RM100,001 to RM150,000	1	-	-	-
- RM300,001 to RM350,000	-	1	-	-
- RM400,001 to RM450,000	1	1	-	-
- RM600,001 to RM650,000	1	-	-	-
- RM900,001 to RM950,000	-	1	-	-
- RM1,000,001 to RM1,050,000	1	-	-	-
- RM1,850,001 to RM1,900,000	-	1	-	-
- RM1,900,001 to RM1,950,000	1	-	-	-
Non-Executive directors				
- Below RM50,000	1	4	1	5
- RM50,001 to RM100,000	2	2	2	1
- RM100,001 to RM150,000	1	-	1	-
	<u>9</u>	<u>10</u>	<u>9</u>	<u>7</u>

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****34. RELATED PARTY DISCLOSURES**

(a) Identities of related parties

The Company has related party relationships with:-

- (i) its subsidiaries as disclosed in Note 5 to the financial statements;
- (ii) the key management personnel including the directors; and
- (iii) entity in which certain directors have financial interests.

(b) In addition to the information disclosed elsewhere in the financial statements, the Group and the Company carried out the following transactions with its related parties during the financial year:

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
(i) Subsidiaries				
Dividend income receivable	-	-	4,074,528	9,575,141
(ii) Directors				
Directors' fee	250,000	180,000	190,000	120,000
(iii) Key management personnel				
Short-term employee benefits	4,264,634	3,623,180	142,900	62,400
(iv) Related parties				
Sale of 5 units of suites	1,144,320	-	-	-
Purchase of a motor vehicle	40,000	-	-	-

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35. OPERATING SEGMENTS

BUSINESS SEGMENTS

The following are the Group's main business segments:

- (i) Systems integration segment - involved in design, supply, installation and integration of information technology infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.
- (ii) Trading segment - involved in the trading of all kinds of specialised electronic and electrical components and products throughout Malaysia.
- (iv) Maintenance segment - involved in providing electronic systems maintenance and support services.
- (v) Investment holding segment - investment holding.
- (vi) Rental segment - involved in renting, maintaining and upkeep of properties and health television operator.
- (vii) Property development segment - involved in development of properties.

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2012 THE GROUP	SYSTEMS INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	PROPERTY DEVELOPMENT RM	ELIMINATION RM	GROUP RM
REVENUE								
External revenue	56,601,223	3,898,636	2,620,437	-	1,604,637	4,790,003	-	69,514,936
Intersegment revenue	-	-	-	4,074,528	312,000	-	(4,386,528)	-
Total revenue	56,601,223	3,898,636	2,620,437	4,074,528	1,916,637	4,790,003	(4,386,528)	69,514,936
RESULTS								
Segment results (external)	9,208,871	871,730	596,198	2,768,772	37,158	740,715	(4,075,222)	10,148,222
Finance costs								(160,536)
Profit from ordinary activities before taxation								9,987,686
Income tax expense								(3,825,847)
Profit after taxation								6,161,839
Non-controlling interest								(211,385)
Net profit attributable to the owners of the Company								5,950,454

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	SYSTEMS INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	PROPERTY DEVELOPMENT RM	TOTAL RM
Segment assets	40,980,570	808,982	853,070	1,439,470	13,961,806	10,119,667	68,163,565
Unallocated assets							189,918
							<u>68,353,483</u>
Segment liabilities	7,151,917	51,151	146,530	176,896	325,463	773,920	8,625,877
Unallocated liabilities							2,335,974
							<u>10,961,851</u>
Capital expenditure	597,301	-	-	-	2,190,573	152,742	2,940,616
Depreciation	896,779	-	-	-	927,879	38,219	1,862,877
Impairment losses on receivables	255,055	-	-	-	-	-	255,055
Write-back of impairment losses on receivables	(328,064)	-	-	-	-	-	(328,064)

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2011 THE GROUP	SYSTEMS INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	PROPERTY DEVELOPMENT RM	ELIMINATION RM	GROUP RM
REVENUE								
External revenue	85,701,886	8,529,867	2,113,617	-	1,484,342	-	-	97,829,712
Intersegment revenue	-	-	-	9,575,141	416,500	-	(9,991,641)	-
Total revenue	85,701,886	8,529,867	2,113,617	9,575,141	1,900,842	-	(9,991,641)	97,829,712
RESULTS								
Segment results (external)	20,615,270	4,989,189	1,351,068	9,249,964	119,082	(147,966)	(9,575,141)	26,601,466
Finance costs	(608,305)	(252)	(139)	(134)	(329)	(47)	-	(609,206)
Profit from ordinary activities before taxation								25,992,260
Income tax expense								(6,543,631)
Profit after taxation								19,448,629
Non-controlling interest								78,961
Net profit attributable to the owners of the Company								19,527,590

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	SYSTEMS INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	PROPERTY DEVELOPMENT RM	TOTAL RM
Segment assets	56,258,264	534,132	291,885	12,550	12,358,350	4,391,885	73,847,066
Unallocated assets							94,626
							<u>73,941,692</u>
Segment liabilities	12,598,888	14,503	12,398	92,873	156,400	79,873	12,954,935
Unallocated liabilities							3,082,950
							<u>16,037,885</u>
Capital expenditure	1,171,706	-	-	-	2,632,516	46,090	3,850,312
Depreciation	795,933	-	-	-	905,042	2,298	1,703,273
Impairment losses on receivables	873,153	-	-	-	-	-	873,153
Write-back of impairment losses on receivables	(612,250)	-	-	-	-	-	(612,250)

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The following are revenue by segments from one (2011 - two) major customer with total revenue more than 10% of the Group's revenue:-

	THE GROUP	
	2012 RM	2011 RM
Systems integration segment	17,037,181	43,861,852
Trading segment	2,013,988	7,473,325
Maintenance segment	2,347,983	1,983,548
	<u>21,399,152</u>	<u>53,318,725</u>

36. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the reporting period are as follows:-

	2012 RM	2011 RM
United States Dollar	3.06	3.19
Pound Sterling	-	4.97
	<u>-</u>	<u>4.97</u>

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	THE GROUP	
	2012	2011
	RM	RM
Approved and contracted for:		
- Purchase of property and equipment	752,879	-
	<u>752,879</u>	<u>-</u>
Approved but not contracted for:		
- Purchase of property and equipment	160,000	-
	<u>160,000</u>	<u>-</u>

38. CONTINGENT LIABILITIES

	THE COMPANY	
	2012	2011
	RM	RM
Unsecured:		
- Guarantees given to financial institutions in respect of facilities extended to a subsidiary	9,394,033	10,255,124
- Guarantee given to a subsidiary's supplier for credit facility	6,000,000	6,000,000
- Guarantee given to a subsidiary's customer for due performance of works by a subsidiary	12,462,320	50,000
	<u>27,856,353</u>	<u>16,305,124</u>

39. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk*(i) Foreign Currency Risk*

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are United States Dollar and Pound Sterling. Foreign currency risk is monitored closely and managed to an acceptable level.

The Group's exposure to foreign currency is as follows:-

THE GROUP	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
2012			
Financial assets			
Trade receivables	-	11,881,546	11,881,546
Other receivables and deposits	-	4,051,864	4,051,864
Fixed deposits with licensed banks	-	15,960,481	15,960,481
Cash and bank balances	-	664,730	664,730
	-	32,558,621	32,558,621

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THE GROUP	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
2012			
Financial liabilities			
Trade payables	812,248	1,618,791	2,431,039
Other payables, deposits received and accruals	-	1,648,586	1,648,586
Amount owing to a related party	-	13,353	13,353
Bankers' acceptances	-	911,000	911,000
Hire purchase payables	-	1,581,404	1,581,404
Bank overdrafts	-	1,365,661	1,365,661
	812,248	7,138,795	7,951,043
Net financial (liabilities)/assets	(812,248)	25,419,826	24,607,578
Less: Net financial assets denominated in the entity's functional currency	-	(25,419,826)	(25,419,826)
Currency exposure	(812,248)	-	(812,248)

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THE GROUP 2011	UNITED STATES DOLLAR RM	POUND STERLING RM	RINGGIT MALAYSIA RM	TOTAL RM
Financial assets				
Trade receivables	-	-	13,065,055	13,065,055
Other receivables and deposits	-	-	1,907,754	1,907,754
Fixed deposits with licensed banks	-	-	28,752,591	28,752,591
Cash and bank balances	-	-	914,355	914,355
	-	-	44,639,755	44,639,755
Financial liabilities				
Trade payables	51,360	272,993	4,172,790	4,497,143
Other payables, deposits received and accruals	-	-	1,694,277	1,694,277
Hire purchase payables	-	-	1,898,135	1,898,135
Bank overdrafts	-	-	90,032	90,032
	51,360	272,993	7,855,234	8,179,587
Net financial (liabilities)/assets	(51,360)	(272,993)	36,784,521	36,460,168
Less: Net financial assets denominated in the entity's functional currency	-	-	(36,784,521)	(36,784,521)
Currency exposure	(51,360)	(272,993)	-	(324,353)

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THE COMPANY	RINGGIT MALAYSIA RM	TOTAL RM
2012		
Financial assets		
Other receivables and deposits	1,364,001	1,364,001
Amount owing by subsidiaries	25,297,212	25,297,212
Cash and bank balances	72,499	72,499
	<u>26,733,712</u>	<u>26,733,712</u>
Financial liabilities		
Other payables and accruals	160,620	160,620
Amount owing to subsidiaries	75,497	75,497
Amount owing to a related party	13,353	13,353
	<u>249,470</u>	<u>249,470</u>
Net financial assets	<u>26,484,242</u>	<u>26,484,242</u>

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	Ringgit Malaysia RM	Total RM
THE COMPANY		
2011		
Financial assets		
Other receivables and deposits	6,344	6,344
Amount owing by subsidiaries	31,979,929	31,979,929
Cash and bank balances	1,877	1,877
	<u>31,988,150</u>	<u>31,988,150</u>
Financial liabilities		
Other payables and accruals	88,873	88,873
Amount owing to subsidiaries	55,868	55,868
	<u>144,741</u>	<u>144,741</u>
Net financial assets	<u>31,843,409</u>	<u>31,843,409</u>

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The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM
Effects on profit after taxation/equity		
United States Dollar:		
- strengthened by 5%	(30,459)	(2,568)
- weakened by 5%	30,459	2,568
Pound Sterling:		
- strengthened by 5%	-	(13,650)
- weakened by 5%	-	13,650

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Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 39(a)(iii) to the financial statements.

Exposure to interest rate risk

	THE GROUP	
	2012 RM	2011 RM
Fixed rate instrument		
Bankers' acceptances	(911,000)	-
Hire purchase payables	(1,581,404)	(1,898,135)
	<u>(2,492,404)</u>	<u>(1,898,135)</u>
Floating rate instrument		
Short-term deposits with licensed banks	15,960,481	28,752,591
Bank overdrafts	(1,365,661)	(90,032)
	<u>14,594,820</u>	<u>28,662,559</u>

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The interest rate risk sensitivity analysis on the fixed rate instrument is not disclosed as this financial instrument is measured at amortised cost.

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM
Effects on profit after taxation/ equity		
Increase of 100 basis points	109,461	286,625
Decrease of 100 basis points	(109,461)	(286,625)

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

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39. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by one (1) customer which constituted approximately 22% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

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The Group does not have exposure to international credit risk as the entire trade receivables are concentrated in Malaysia.

Ageing analysis

The ageing analysis of the Group's trade receivables as at 30 September 2012 is as follows:-

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	COLLECTIVE IMPAIRMENT RM	CARRYING VALUE RM
2012				
Not past due	5,424,966	-	-	5,424,966
Past due:-				
- less than 3 months	2,482,228	-	-	2,482,228
- 3 to 6 months	388,410	-	-	388,410
- over 6 months	9,414,532	(5,828,590)	-	3,585,942
	17,710,136	(5,828,590)	-	11,881,546
2011				
Not past due	9,942,882	-	-	9,942,882
Past due:-				
- less than 3 months	1,790,763	-	-	1,790,763
- 3 to 6 months	1,066,542	-	-	1,066,542
- over 6 months	6,166,467	(5,901,599)	-	264,868
	18,966,654	(5,901,599)	-	13,065,055

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39. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 120 days, which are deemed to have higher credit risk, are monitored individually.

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Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	WEIGHTED	CARRYING	CONTRACTUAL			OVER
	AVERAGE		UNDISCOUNTED	WITHIN	1-5	
	EFFECTIVE	AMOUNT	CASH FLOWS	1 YEAR	YEARS	YEARS
	RATE	RM	RM	RM	RM	RM
	%					
2012						
Trade payables	-	2,431,039	2,431,039	2,431,039	-	-
Other payables, deposits received and accruals	-	1,648,586	1,648,586	1,648,586	-	-
Amount owing to a related party	-	13,353	13,353	13,353	-	-
Hire purchase payables	4.72 - 7.16	1,581,404	1,704,838	628,992	1,075,846	-
Bank overdrafts	7.85	1,365,661	1,365,661	1,365,661	-	-
Bankers' acceptances	4.42	911,000	911,000	911,000	-	-
			7,951,043	8,074,477	6,998,631	1,075,846
						-

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THE GROUP	WEIGHTED	CARRYING	CONTRACTUAL		1 – 5	OVER
	AVERAGE		UNDISCOUNTED	WITHIN		
	EFFECTIVE	AMOUNT	CASH FLOWS	1 YEAR	YEARS	YEARS
	RATE	RM	RM	RM	RM	RM
	%					
2011						
Trade payables	-	4,497,143	4,497,143	4,497,143	-	-
Other payables, deposits received and accruals	-	1,694,277	1,694,277	1,694,277	-	-
Hire purchase payables	4.73 - 7.16	1,898,135	2,091,241	583,981	1,507,260	-
Bank overdrafts	7.85	90,032	90,032	90,032	-	-
		8,179,587	8,372,693	6,865,433	1,507,260	-
THE COMPANY						
2012						
Other payables and accruals	-	160,620	160,620	160,620	-	-
Amount owing to subsidiaries	-	75,497	75,497	75,497	-	-
Amount owing to a related party	-	13,353	13,353	13,353	-	-
		249,470	249,470	249,470	-	-
2011						
Other payables and accruals	-	88,873	88,873	88,873	-	-
Amount owing to subsidiaries	-	55,868	55,868	55,868	-	-
		144,741	144,741	144,741	-	-

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The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP	
	2012 RM	2011 RM
Trade payables	2,431,039	4,497,143
Other payables and accruals	1,648,586	1,694,277
Amount owing to a related party	13,353	-
Hire purchase payables	1,581,404	1,898,135
Bankers' acceptances	911,000	-
Bank overdrafts	1,365,661	90,032
	<u>7,951,043</u>	<u>8,179,587</u>
Less: Fixed deposits with licensed banks	(15,960,481)	(28,752,591)
Less: Cash and bank balances	(664,730)	(914,355)
	<u>(8,674,168)</u>	<u>(21,487,359)</u>
Total equity	<u>57,362,679</u>	<u>57,875,523</u>
Debt-to-equity ratio	Not applicable	Not applicable

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****39. FINANCIAL INSTRUMENTS (CONT'D)****(b) Capital Risk Management (Cont'd)**

The debt-to-equity ratio of the Group as at the end of the reporting period is not presented as the cash and cash equivalents exceeded the total debt.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

(c) Classification of Financial Instruments

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Financial assets				
<u>Loans and receivables</u>				
<u>financial assets</u>				
Trade receivables	11,881,546	13,065,055	-	-
Other receivables and deposits	4,051,864	1,907,754	1,364,001	6,344
Amount owing by subsidiaries	-	-	25,297,212	31,979,929
Fixed deposits with licensed banks	15,960,481	28,752,591	-	-
Cash and bank balances	664,730	914,355	72,499	1,877
	32,558,621	44,639,755	26,733,712	31,988,150
Financial liabilities				
<u>Other financial liabilities</u>				
Trade payables	2,431,039	4,497,143	-	-
Other payables and accruals	1,648,586	1,694,277	160,620	88,873
Amount owing to subsidiaries	-	-	75,497	55,868
Amount owing to a related party	13,353	-	13,353	-
Hire purchase payables	1,581,404	1,898,135	-	-
Bank overdrafts	1,365,661	90,032	-	-
Bankers' acceptances	911,000	-	-	-
	7,951,043	8,179,587	249,470	144,741

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

39. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments. There is no material difference between the fair values and the carrying values of these liabilities as at the end of the reporting period.

(e) Fair Value Hierarchy

As at 30 September 2012, there were no financial instruments carried at fair values.

DIGISTAR CORPORATION BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

- (i) On 24 October 2011, the Company disposed of the entire 30,000 ordinary shares of RM1.00 each in Digistar Vision Sdn. Bhd., representing 60% of the issued and paid-up share capital, for a cash consideration of RM30,000.
- (ii) During the current financial year, the Company bought back 2,130,700 ordinary shares RM0.10 each representing approximately 3% of the issued and paid-up share capital of the Company for a total cash consideration of RM948,022.
- (iii) On 8 March 2012, the Company entered into a Sale and Purchase Agreement with persons connected with the directors of the Company ("Related parties"), for the sale of 5 units of suites for a total cash consideration of RM1,144,320 ("Sale of properties").
- (iv) On 20 July 2012, the Company purchased 100,000 ordinary shares of RM1.00 each in Seni Pujaan Sdn. Bhd., representing the remaining 40% of the issued and paid-up share capital, for a cash consideration of RM13,000,000 from the non-controlling shareholders.
- (v) On 19 September 2012, the Company increased its issued and paid-up share capital from RM21,072,065 to RM25,412,065 by the allotment of 22,400,000 new ordinary shares at an issue price of RM0.325 per share.
- (vi) On 28 September 2012, the Company subscribed for the additional 392,000 new ordinary shares of RM1.00 each in Digistar Rauland MSC Sdn. Bhd., for a total cash consideration of RM392,000 to retain its equity interest of 80%.

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

41. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The significant events subsequent to the end of the reporting period are as follows:-

- (i) On 21 November 2012, the Company entered into two separate Share Sale Agreements to acquire a total of 2 ordinary shares of RM1.00 each representing a 100% of the equity interest in Matang Makmur Holdings Sdn. Bhd. ("MMHSB") for a total cash consideration of RM1,500,000.

Upon the completion of the proposed acquisition, MMHSB will become a wholly-owned subsidiary of the Company.
- (ii) On 4 December 2012, the Company:-
 - (a) proposed a renounceable rights issue of up to 137,664,390 new ordinary shares of RM0.10 each on the basis of two (2) rights shares for every five (5) existing shares held on an entitlement date to be determined later together with up to 103,248,292 free detachable warrants on the basis of three (3) free warrants for every four rights shares subscribed;
 - (b) proposed to increase its authorised share capital from RM50,000,000 comprising 500,000,000 ordinary shares to RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each; and
 - (c) proposed amendments to its Memorandum of Association.
- (iii) On 21 January 2013, Digistar Rauland MSC Sdn. Bhd., the 80% owned subsidiary of the Company has been awarded three (3) Individual Licenses namely Network Facilities Providers, Network Services Providers and Content Applications Services Providers from the Malaysian Communication and Multimedia Commission ("MCMC").

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****42. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES**

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits - realised	37,051,900	30,889,701	9,211,526	7,361,027
Less: Consolidation adjustments	(15,710,461)	(2,787,792)	-	-
At 30 September	<u>21,341,439</u>	<u>28,101,909</u>	<u>9,211,526</u>	<u>7,361,027</u>

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE THREE
(3)-MONTH FPE 31 DECEMBER 2012



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
31 DECEMBER 2012 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000	Current Year To Date 31/12/2012 RM'000	Preceding Year Corresponding Period 31/12/2011 RM'000
Revenue	18,565	21,946	18,565	21,946
Cost of sales	(11,505)	(13,065)	(11,505)	(13,065)
Gross profit	7,060	8,881	7,060	8,881
Other income	397	215	397	215
Administrative expenses	(3,177)	(3,070)	(3,177)	(3,070)
Other expenses	(503)	(463)	(503)	(463)
Finance costs	(76)	(90)	(76)	(90)
Profit/(Loss) before taxation	3,701	5,473	3,701	5,473
Income tax expense	(535)	(1,532)	(535)	(1,532)
Profit/(Loss) for the period	3,166	3,941	3,166	3,941
Attributable to:				
Equity holders of the parent	3,195	4,011	3,195	4,011
Minority interest	(29)	(70)	(29)	(70)
	3,166	3,941	3,166	3,941
Other Comprehensive income:				
Changes in fair value of available-for-sale investments	-	-	-	-
Effects of foreign exchange differences	-	-	-	-
Total for the quarter / cumulative quarter	3,166	3,941	3,166	3,941
Total comprehensive income attributable to:				
Equity holders of the parent	3,195	4,011	3,195	4,011
Minority interest	(29)	(70)	(29)	(70)
	3,166	3,941	3,166	3,941
Earnings per share attributable to equity holders of the parent:				
- basic (sen)	1.29	1.77	1.29	1.77
- fully diluted (sen)	1.09	1.42	1.09	1.42

The Condensed Consolidated Income Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2012.



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

QUARTERLY REPORT ON CONSOLIDATED FINANCIAL POSITION AS AT 31 DECEMBER 2012 (The figures have not been audited)

CONDENSED CONSOLIDATED FINANCIAL POSITION

	As At End of Current Quarter 31/12/2012 (Unaudited) RM'000	As At Preceding Financial Year Ended 30/09/2012 (Audited) RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	17,558	15,543
Investment Property	45	45
Investment in Quoted Securities	291	-
Goodwill	1,256	-
	19,150	15,588
CURRENT ASSETS		
Inventories held for resale	1,848	2,605
Trade receivables	11,292	11,881
Property Development Costs	6,142	5,476
Accrued Billings	2,542	559
Other receivables, deposit and prepayment	2,807	4,258
Amount owing by contract customers	17,960	11,170
Fixed deposits with licensed banks	12,868	15,960
Cash and bank balances	768	665
	56,227	52,574
Non-current asset classified as held for sale	-	-
TOTAL ASSETS	75,377	68,162
EQUITY AND LIABILITIES		
EQUITY		
Share capital	25,412	25,412
Share premium	13,355	13,355
Warrant reserve	503	503
Treasury Shares, at cost	(3,249)	(3,249)
Retained profits	24,536	21,341
SHAREHOLDERS' EQUITY	60,557	57,362
Non-Controlling Interest	-	29
TOTAL EQUITY	60,557	57,391
NON-CURRENT LIABILITIES		
Hire purchase payables	1,300	1,021
TOTAL NON-CURRENT LIABILITIES	1,300	1,021
CURRENT LIABILITIES		
Trade payables	1,916	2,431
Amount owing to contract customers	2,874	674
Other payables and accruals	1,376	1,648
Amount owing to a related party	13	13
Provision for taxation	2,225	2,146
Bank overdraft	2,772	1,366
Short term borrowings	2,344	1,472
TOTAL CURRENT LIABILITIES	13,520	9,750
TOTAL LIABILITIES	14,820	10,771
TOTAL EQUITY AND LIABILITIES	75,377	68,162
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (sen)	24.54	23.00

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2012.



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 DECEMBER 2012 (The figures have not been audited)

	Non-Distributable Reserve			Distributable Reserve		Total	Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	Warrant Reserve	Treasury Shares	Retained Profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2012	25,412	13,355	503	(3,249)	21,341	57,362	29	57,391
Total comprehensive income for the financial year	-	-	-	-	3,195	3,195	(29)	3,166
Share Repurchased	-	-	-	-	-	-	-	-
At 31 December 2012	25,412	13,355	503	(3,249)	24,536	60,557	-	60,557
At 1 October 2011 (as restated)	23,172	8,399	503	(2,301)	28,102	57,875	28	57,903
Total comprehensive income for the financial year	-	-	-	-	4,011	4,011	(70)	3,941
Share Repurchased	-	-	-	(948)	-	(948)	-	(948)
At 31 December 2011	23,172	8,399	503	(3,249)	32,113	60,938	(42)	60,896

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2012.



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE QUARTER ENDED 31 DECEMBER 2012 (The figures have not been audited)

	31/12/2012 RM'000	31/12/2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,701	5,473
Adjustments for:-		
Non cash items	248	463
Non operating items	(66)	(157)
Operating profit before working capital changes	3,883	5,779
Net changes in current assets	(6,393)	(9,779)
Net changes in current liabilities	1,941	997
Cash from operations	(569)	(3,003)
Interest paid	(48)	(43)
Income tax paid	(456)	(2,291)
Net cash (for)/ from operating activities	(1,073)	(5,337)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow from acquisition of a subsidiary	(1,250)	-
Interest received	114	192
Purchase of property, plant and equipment	(2,518)	(413)
Net cash outflow of Investment in Quoted Securities	(291)	-
Proceed from disposal of non-current assets held for resale	-	191
Proceed from disposal of a subsidiary	-	30
Net cash for investing activities	(3,945)	-
CASH FLOWS FOR FINANCING ACTIVITIES		
Net repurchased and resold of treasury shares	-	(948)
Repayment of hire purchase obligations	(147)	(121)
Net increased/(decreased) of bills payable	770	461
Net cash for financing activities	623	(608)
Net (decrease)/ increase in cash and cash equivalents	(4,395)	(5,945)
Cash and cash equivalents at beginning of the period	15,259	29,577
Cash and cash equivalents at end of the period	10,864	23,632
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	11,048	22,065
- restricted	1,820	1,802
Cash and bank balances	768	593
Bank overdraft	(2,772)	(828)
	10,864	23,632

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2012.



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

UNAUDITED QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2012

A. EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the Financial Reporting Standard (FRS) 134 Interim Financial Reporting and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2012.

A2. Changes in Accounting Policies

The significant accounting policies, methods of computations, new accounting standards and interpretation (including the consequential amendments) adopted by Digistar Corporation Berhad ("Digistar") and its subsidiary companies ("Group") in the interim financial report are consistent with those adopted for the financial statements for the financial year ended 30 September 2012. The following are the new accounting standards and interpretations (including the consequential amendments) has been adopted by the Group :-

- ✓ Amendments to FRS 1 (Revised) Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- ✓ Amendments FRS 1 (Revised) Additional Exemptions for First-time Adopters
- ✓ Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions
- ✓ Amendments to FRS 7 Improving Disclosures about Financial Instruments
- ✓ IC Interpretation 4 Determining Whether An Arrangement Contains a Lease
- ✓ IC Interpretation 18 Transfers of Assets from Customers
- ✓ IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- ✓ Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement
- ✓ Annual Improvement to FRSs (2010)

The adoption of the above FRSs, Amendments to FRS, Interpretations and Technical Releases upon their effective dates which have been adopted since the last audited financial statement as at 30 September 2012, are not expected to have any significant impact on the financial statements of the Group.

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs") that are equivalent to International Financial Reporting Standards.

The MFRSs are to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "Transitioning Entities").



DIGISTAR CORPORATION BERHAD

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A2. Changes in Accounting Policies (Cont'd)

On 30 June 2012, MASB announced that the Transitioning Entities are allowed to defer the adoption of the MFRSs to annual periods beginning on or after 1 January 2014 after which the MFRSs will become mandatory. The Group falls within the definition of Transitioning Entities and has opted to prepare its first MFRSs financial statements for the financial year ending 30 September 2015.

In representing its first MFRSs financial statements, the Group will quantify the financial effects of the differences between the current FRSs and MFRSs. The Group has commenced transitioning its accounting policies and financial reporting from the current FRSs to MFRSs. However, the Group has not completed its quantification of the financial effects of the differences between FRSs and MFRSs due to the ongoing assessment by the management. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group expects to be in a position to fully comply with the requirements of MFRSs for the financial year ending 30 September 2015.

A3. Seasonal or Cyclical Factors

Save as disclosed in Note B1 and B2, the results of the Group were not materially affected by any significant seasonal or cyclical factors during the quarter under review.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

A5. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior interim periods, which have a material effect in the current quarter under review.

A6. Debts and Equity Securities

Save as disclosed in Note B8 and below, there was no repurchase and repayment of debt and equity securities, for the current period and financial period-to-date.

There were no share buy-back or treasury shares cancelled by the Company in the current financial quarter. As at 30 September 2012, the number of treasury shares repurchased and held are as follow:

	Price per share (RM)	Number of shares	31/12/2012 RM'000
Balance as at 1 October 2012		7,372,808	3,249
Repurchased		-	-
Total treasury shares held		<u>7,372,808</u>	<u>3,249</u>

A7. Dividend Paid

No dividend was paid during the quarter under review.



DIGISTAR CORPORATION BERHAD

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A8. Segmental Information

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

31.12.2012 RM'000 The Group	System		Maintenance	Investment		Property		Group RM
	<u>Integration</u>	<u>Trading</u>	<u>Income</u>	<u>Holding</u>	<u>Rental</u>	<u>Development</u>	<u>Elimination</u>	
	RM	RM	RM	RM	RM	RM	RM	
REVENUE								
External revenue	10,323	413	184	-	404	7,241	-	18,565
Intersegment revenue	-	-	-	-	78	-	(78)	-
Total revenue	10,323	413	184	-	482	7,241	(78)	18,565
RESULTS								
Segment results (external)	1,826	13	(153)	(169)	(113)	2,373	-	3,777
Finance costs	(76)	-	-	-	-	-	-	(76)
Profit from ordinary activities before taxation								3,701
Income tax expense								(535)
Profit after taxation								3,166
Non-controlling interest								29
Net profit attributable to the owners of the Company								3,195

31.12.2011 RM'000 The Group	System		Maintenance	Investment		Property		Group RM
	<u>Integration</u>	<u>Trading</u>	<u>Income</u>	<u>Holding</u>	<u>Rental</u>	<u>Development</u>	<u>Elimination</u>	
	RM	RM	RM	RM	RM	RM	RM	
REVENUE								
External revenue	19,550	1,216	790	-	390	-	-	21,946
Intersegment revenue	-	-	-	-	78	-	(78)	-
Total revenue	19,550	1,216	790	-	468	-	(78)	21,946
RESULTS								
Segment results (external)	5,122	319	207	(55)	146	(176)	-	5,563
Finance costs	(90)	-	-	-	-	-	-	(90)
Profit from ordinary activities before taxation								5,473
Income tax expense								(1,532)
Profit after taxation								3,941
Non-controlling interest								70
Net profit attributable to the owners of the Company								4,011



DIGISTAR CORPORATION BERHAD

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A9. Material Events Subsequent to the End of the Quarter

There were no material events subsequent to the current quarter under review up to the date of this report which is likely to substantially affect the results of the operations of the Company (being the latest practicable date not earlier than seven (7) days from the date of issue of this report).

A10. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review and financial period to-date except for:

- a) Acquisition of 2 ordinary shares of RM1.00 each in Matang Makmur Holdings Sdn Bhd ("MMHSB") comprising 100% equity interest for a total cash consideration of RM1.5 million. The acquisition was completed on 29 November 2012 and MMHSB has become a wholly owned subsidiary of Digistar.

A11. Contingent Liabilities

Save as disclosed in below, there were no material contingent liabilities up to the date of this report (being the latest practicable date not earlier than seven (7) days from the date of issue of this report).

	As at 31/12/2012 RM'000
Corporate guarantee granted to a subsidiary:	
Guarantee given to financial institutions for facilities (secured)	11,702
Guarantee given to customer for due performance	12,462
Guarantee given to suppliers for credit limit	6,000
Total	<u>30,164</u>

A12. Significant Related Party Transactions

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



DIGISTAR CORPORATION BERHAD

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of the Performance

The Group registered a revenue of RM18.57 million for the first quarter ended 31 December 2012 as compared to RM21.95 million in the preceding year corresponding quarter. The cumulative revenue to-date for the Group also at RM18.57 million as compare to RM21.95 million in the preceding year. Decreased in the revenue generation for current year was mainly due to deliver of fast-track in system integration and broadcast engineering projects in the preceding year.

The Group registered a profit before taxation of RM3.70 million for the first quarter ended 31 December 2012 as compared to profit before taxation of RM5.47 million in the preceding year corresponding quarter. The cumulative profit before taxation to-date also at RM3.70 million and RM5.47 million in the preceding year. There was slight decreased of RM1.77 million in the profit before taxation which were mainly contributed by a higher operating cost and also cause by the commencement of the new projects still at its preliminary stage whereby the revenue yet to be recognised as at to-date in the System Integration, Broadcasting and Pay TV business segment. The cumulative profit after taxation achieved by the Group to-date is RM3.17 million as compared to RM3.94 million in the preceding year.

The business segment in the system integration generated RM10.32 million which is approximately 55.60% of the total Group revenue but shown a decreased of RM9.23 million from RM19.55 million as compared to previous year quarter. The decreased in the revenue generation for current quarter ended was mainly due to deliver of fast-track in system integration and broadcast engineering projects in the preceding year corresponding quarter. However, this segment has been recorded a steady pre-tax margin of 17.68% as compared to 26.19% preceding year corresponding quarter due to the current locked-in project and consistent development progress.

The business segment from trading, maintenance and rental shown a slight decreased of revenue and profit margin as compared to previous year quarter. In overall, these three (3) segments generated revenue of RM1.00 million and loss before taxation of (RM0.25 million) / (-18.97%) respectively for current year quarter as compared to revenue of RM2.39 million with RM0.67 million profit before taxation or (53.26%) pre tax margin in previous year quarter. There was no dividend income generated from the investment holding segment for current and preceding year corresponding quarter.

The property development sector has made an improvement for the Group result during the current quarter. The total development completion stage for the current quarter is at 30% and this division has contributed RM7.24 million in revenue with a pre-tax profit of RM2.37 million for the Group.

Save as disclosed above, there are no material factors which have affected the earnings and revenue of the Group for the current quarter and financial period to date.



DIGISTAR CORPORATION BERHAD

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B2. Variation of Results against Preceding Quarter

	Current Quarter	Preceding Quarter	Difference	
	Ended 31/12/2012 RM'000	Ended 30/09/2012 RM'000	RM'000	%
Revenue	18,565	16,431	2,134	12.99
Profit/(Loss) before taxation	<u>3,701</u>	<u>(486)</u>	<u>4,187</u>	<u>(861.52)</u>

The Group's revenue in the current quarter of RM18.56 million is slightly better as compared to RM16.43 million recorded in the immediate preceding quarter. The improvement of 12.99% in the current quarter revenue was mainly due to the favourable result achieved from the property development segment. "The Heritage" project undertaken by the Group contributed a pre-tax result and margin of RM2.37 million or 32.73% margin.

B3. Industry Overview and Future Prospects for the Financial Year Ending 30 September 2013

We are primarily a provider of systems engineering and integration. Through our subsidiary companies, our Group is principally engaged in the provision of design, supply, installation and integration of IT infrastructure, tele-conferencing, local area networks ("LANs"), interactive media management systems, radio and TV news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems. In addition, our Group is also involved in the provision of e-commerce, interactive Pay TV services, property development, property holding and management operations. Due to nature of our business, our Group's performance is closely dependant on the future prospects of the related industries, namely construction, communication particularly in broadcasting, and ICT industries.

B3.1 Overview and outlook of the Malaysian economy

For the year 2013, the Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5-5.5%. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners.

Domestic demand, which is expected to grow 5.6% (2012: 9.4%), will remain the main driver of growth in 2013 underpinned by strong private sector expenditure. Private consumption is projected to expand 5.7% (2012: 7%) on account of higher disposable income arising from better employment outlook, firm commodity prices and the wealth effect from the stable performance of the stock market following strong domestic economic activities.



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B3.1 Overview and outlook of the Malaysian economy (Cont'd)

On the supply side, growth in 2013 is expected to be broad-based supported by expansion in all sectors of the economy. Of significance, external trade-related industries are envisaged to benefit from stronger global growth, particularly during the second half of 2013. The services and manufacturing sectors are expected to contribute 4.2% points to the gross domestic product ("GDP") growth. The services sector is expected to benefit from the recovery in external trade-related activities while strong domestic economic activities will provide further impetus for wholesale and retail trade and financial activities to grow.

(Source: Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

B3.2 Overview and outlook of the construction industry

The construction sector consists of four (4) subsectors, namely residential, non-residential, civil engineering and special trade works. During a period of rapid economic expansion, the sector generally outperforms the GDP growth. However, during an economic downturn, the sector tends to undergo a sharper correction. During the previous cycle of construction boom in Malaysia between 1989 and 1997, the construction sector recorded an average growth of 14.3% vis-a-vis economic growth of 9.2%. The implementation of several large-scale projects such as Kuala Lumpur International Airport, Petronas Twin Towers, Sepang International Circuit and the development of Putrajaya and Cyberjaya contributed to the construction boom during this period.

The construction sector posted a strong growth of 18.9% during the first half of 2012, the fastest pace since 1995. This impressive performance was underpinned by robust construction activity in the civil engineering and residential subsectors. Reflecting the buoyant construction activities, the total value of construction works rose 24.6% to RM38.1 billion. The private sector contributed 69.8% of the total value of construction works. The non-residential and civil engineering subsectors were the main contributors constituting 36.5% and 31.2% respectively, followed by the residential subsector. For 2012, the sector is expected to grow 15.5%, contributing 0.5% to the overall GDP growth.

The residential subsector expanded significantly by 22% during the first half of 2012 supported by strong demand for housing and investment purposes arising from higher household disposable income. Additionally, improved accessibility following the development of infrastructure projects further stimulated the demand for houses, especially in the suburban areas.

The non-residential subsector grew 12.8% during the first half of 2012 largely driven by construction of industrial buildings, particularly in the Samalaju Industrial Park, Sarawak and shophouses. Industrial building starts increased 47.8% to 501 units. Meanwhile, construction starts for purpose-built office decreased substantially to 22,758 square metres due to higher supply following the completion of several office buildings and shopping malls in 2011.



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B3.2 Overview and outlook of the construction industry (Cont'd)

For 2013, the construction sector is envisaged to expand strongly by 11.2%, with all subsectors registering steady growth. The sector is expected to benefit from the acceleration of ongoing construction activities, particularly from the Economic Transformation Programme and second rolling plan for construction-related projects under the Tenth Malaysia Plan. Of significance, exploration activities in oil and gas industries and major projects such as the electrified double-tracking between Ipoh-Padang Besar, Jabur-Kuala Terengganu of East Coast Expressway Phase 2, MY Rapid Transit and the River of Life are expected to drive the growth of the civil engineering subsector. The non-residential subsector is expected to expand spurred by the industrial building segment and the commencement of construction of the Tun Razak Exchange. The residential subsector is also projected to expand, albeit at a moderate pace, after recording several years of strong growth. Key housing development projects, particularly in Sungai Buloh and Bandar Malaysia in Sungai Besi, which are expected to commence in 2013, will support residential construction activities.

(Source: Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

B3.3 Overview and outlook of the communication industry

Communication industry is part of the overall umbrella of the services sector. For 2013, the communication subsector is expected to grow 8.2%.

In the broadcasting industry, the subscription-based satellite TV, namely Astro Malaysia Holdings Berhad ("Astro"), has 3.2 million subscribers with a household penetration rate of 50.4% as at end July 2012. This was largely attributed to a wide range of content offerings with 156 channels, including 22 high-definition channels and increased subscriptions to sports packages. In addition, Astro can now be accessed through smartphones, tablets, laptops and personal computers with internet connection. The performance of the industry in 2012 is expected to remain favourable with the offerings of more high-definition channels and introduction of prepaid packages to targeted groups.

Prospects for the services sector are expected to remain upbeat in 2013, with the accelerated implementation of major initiatives under the National Key Result Areas and continued investment in the seven (7) services subsectors under the National Key Economic Areas. These initiatives are expected to drive the wholesale and retail trade, finance and insurance, and communication subsectors, which are expected to grow 6.8%, 5.2% and 8.2% respectively. Overall, the sector is estimated to remain strong at 5.6% supported by domestic consumption, investment and travel-related activities.

(Source: Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)



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B3.4 Overview and outlook of the ICT industry

The National ICT Association of Malaysia (Pikom) has forecast a growth of between 8% and 10% for the ICT industry in 2012. Its president, Shaifubahrim Saleh, said the projection was in line with the country's economic growth forecast of between 4% and 5%.

(Source: The Sun Daily, 28 May 2012. "Pikom Sees 8-10% ICT Sector Growth This Year")

In IT services, 83 companies were granted the Multimedia Super Corridor Malaysia ("MSC") status with total estimated investment of RM1,465.3 million and 7,891 employment opportunities during the first eight (8) months of 2012. As at end August 2012, the total number of MSC Malaysia companies stood at 3,037, of which 2,273 or 74.8% are Malaysian-owned, 677 or 22.3% are foreign-owned, and the remaining 87 or 2.9% are joint ventures. These companies are clustered into infotech (75.8%), creative multimedia (11.6%), global sourcing (8.8%), and institutions of higher learning and incubators (3.8%). In addition, there were 26 cyber cities and cyber centres as at end August 2012 including three (3) new cyber centres approved in 2012, namely Jaya 33 in Petaling Jaya, Puchong Financial and Corporate Centre, and Menara Worldwide in Bukit Bintang. Furthermore, three (3) new premises are in the pipeline for consideration as cyber city and cyber centre status by end 2012.

Under the nation's programme, namely, Digital Malaysia, the government aims to create an ecosystem which promotes the pervasive use of digital technology in all aspects of the economy to connect communities globally and interact in real time resulting in increased economic activity, productivity and standard of living. While Malaysia has built a strong ICT foundation, Digital Malaysia will focus on driving value-added services through digital technologies. One of the goals to be achieved under Digital Malaysia is to raising Malaysia's ICT contribution from 9.8% of GDP in 2010 to 17% by 2020.

Digital Malaysia also aims to create 160,000 high-income job opportunities, particularly in areas such as cloud enterprise applications, gamification, embedded systems, micro-sourcing, social media, e-commerce and green technology. The Tenth Malaysia Plan shows that the bulk of government investment in ICT is on supply-centric or infrastructure-based projects such as high-speed broadband, development of IT centres, and purchase of computer hardware and software. Digital Malaysia aims to create demand-side activities such as the development of digital entrepreneurs to tap into the total domestic ICT spending of RM175 billion by 2020.

(Source: Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)



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B3.5 Overview and outlook of the electrical and electronics ("E&E") industry

Output of E&E rebounded 1.6% during the first seven months of 2012 (January-July 2011: -4.8%) mainly driven by the higher production of semiconductor devices as well as audio, visual and communication apparatus. The improved performance of E&E was partly due to chip vendors and storage producers taking advantage of stable prices and supply of parts to replenish inventories as well as the launching of new products which was delayed by massive floods in Thailand during the fourth quarter of 2011.

On the back of a slowdown in global demand, E&E manufacturers continued to invest in new technology and product development to upscale the value chain. Approved capital spending in the E&E subsector amounted to RM1.72 billion in 46 projects, of which RM1.35 billion were from foreign investors. This further reaffirms Malaysia as an attractive and cost-efficient E&E manufacturing base in the region. The continued strong investments will further strengthen growth in the E&E subsector and create more skilled jobs.

For 2013, The E&E subsector is expected to grow further driven by higher demand for electronic equipment and parts as well as semiconductors in line with the economic recovery in advanced economies.

(Source: Ministry of Finance Malaysia, 2012. Economic Report 2012/ 2013 – Chapter 3: Economic Performance and Prospects)

B3.6 Future prospects of our Group

The prospects of our Group are favourable in light of the following factors:-

- i. Our Group's business performance based on the audited consolidated financial statements of our Group for the past five (5) financial years up to the FYE 30 September 2012 and First Quarter Result as at 31 December 2012 :-
 - a) Our revenue grew from RM52.00 million to RM69.52 million between the FYE 30 September 2008 and FYE 30 September 2012, which translated to a compounded annual growth rate of 7.53%;
 - b) Our PBT grew from RM0.67 million to RM9.99 million between the FYE 30 September 2008 and FYE 30 September 2012, which translated to a compounded annual growth rate of 96.50%;
 - c) Our PBT margin grew from 1.29% to 14.37% between the FYE 30 September 2008 and FYE 30 September 2012; and
 - d) Our Revenue for the first quarter 31 December 2012 still register a fair result of RM18.56 million with a PBT margin of 19.93%

In view of the above, our Board believes that the financial performance of our Group is sustainable for the current and coming financial year in tandem with the outlook of the related industries which are closely linked to our Group's business and the development of the new projects which will provide a platform for continuing business growth of our Group.



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B3.6 Future prospects of our Group (Cont'd)

- ii. Our Group's competitive advantages and key strengths that will enable us to compete successfully as well as to provide us with growth prospects. Our competitive advantages and key strengths are set out below:-
 - a) Our track record and established reputation as a comprehensive system integrated solutions provider since the commencement of our business in 1982;
 - b) Our expertise in providing customised solutions in systems engineering and integration to meet our customers' requirements; and
 - c) The services provided to large user-industries, which is a key strength as it enables us to sustain our business and future growth; and
- iii. We have in place a business and expansion plan, which focuses on the following areas:-
 - a) Our business expansion into the broadcasting and interactive pay TV segments to drive our business growth in Malaysia and to address new markets in the Asia Pacific region; and
 - b) Our new business ventures into central monitoring systems engineering and integration, and operation of central monitoring stations to address new areas of growth and opportunities.

The aforementioned future plan would provide us with the platform to sustain and grow our business.

Furthermore, the electronic systems engineering and integration industry is closely related to construction industry. This is because many of the buildings, structures and amenities constructed are commonly fitted with various types of electronic systems, particularly for non-residential buildings and amenities. In tandem with the positive outlook of the construction industry as set out in Section B3.2, our Board anticipates wider business opportunities for our system integration segment through projects involving the installation and integration of IT infrastructure. In addition, TV networks and production facilities in the Asia Pacific region are increasingly making the transition from analogue to digital TV broadcasting. With the introduction of digitalisation, most of the broadcasters are working towards having their broadcast stations equipped with the necessary technology. This gives ample continuous opportunities for us to offer our broadcast system integration services to broadcasters in this region.

In view of the above, our Board believes that the prospect of our Group for the current and coming financial year is favourable after having considered all the relevant aspects including the outlook of the related industries which are closely linked to our business performance.



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B4. Profit Forecast, Profit Guarantee and Internal Targets

Not applicable as the Group did not provide any profit forecast, profit guarantee and internal targets in any public document or any announcements made.

B5. Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000	Current Year To Date 31/12/2012 RM'000	Preceding Year Corresponding Period 31/12/2011 RM'000
Income tax expense for the period	535	1,532	535	1,532

The effective tax rate of the Group for the financial period to date and the current quarter is lower than the statutory tax rate due to overprovision of tax in the previous financial year. The comparative quarter in the preceding year, the effective tax rate was higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

B6. Profit/ (Loss) on Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments and/or properties for the current quarter and financial period-to-date.

B7. Purchase or Disposal of Quoted Securities

(a) Acquisition of Quoted Shares

	Current Year Quarter 31/12/2012 RM'000	Current Year To Date 31/12/2012 RM'000
Total purchase consideration	291	291

(b) Total investment in quoted shares as at 31 December 2012 are as follows:-

	RM'000
At cost	291



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B8. Status of Corporate Proposals

Save as disclosed below, there were no other corporate proposals announced but not completed as at 28 February 2013 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report) :-

- a) On 13 September 2012, 22,400,000 new ordinary shares of RM0.10 each were allotted by the Company at a price of RM0.325 per share to certain identified investors, pursuant to the Company's private placement exercise. The Private Placement of 22,400,000 Placement Shares were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on 18 September 2012, marking the Completion of the Private Placement.

As of 31 December 2012, the Company has utilised the proceeds raised of RM7.28 million as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Amount Unutilise RM'000	%
Working Capital	7,196	4,035	3,161*	44
Defraying of expenses incidental to the Placement	84	84	Nil	-
Total	7,280	4,119	3,161	44

Note:

*Timeframe for utilisation is within 12 months.

- b) On 21 November 2012, the Company announced that its proposal to enter into a Share Sale Agreement ("SSA") to acquire a total of 2 ordinary shares of RM1.00 each ("Sale Shares") representing 100% of the equity interest in Matang Makmur Holdings Sdn Bhd ("MMHSB") from Lee Poh Chau and Rozilawati Binti Mustafa (collectively referred to as "the Vendors") for a cash consideration of RM750,000 each respectively or RM1,500,000 in total ("Proposed Acquisition").

The acquisition was completed on 29 November 2012 and MMHSB has become a wholly-owned subsidiary of Digistar.

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B8. Status of Corporate Proposals (Cont'd)

- c) On 4 December 2012, the Company announced to undertake a renounceable rights issue of up to 137,664,390 Rights Shares on the basis of two (2) Rights Shares for every five (5) existing Digistar Shares held, together with up to 103,248,292 free Warrants on the basis of three (3) free Warrants for every four (4) Rights Shares subscribed for, based on an entitlement date to be determined later.

On 4 January 2013, the listing application had been submitted to Bursa Malaysia Securities Berhad. In addition, an application for the issuance and allotment of the Warrants to the non-resident shareholders of Digistar, and the issuance and allotment of the additional 2007/2017 Warrants of the Company arising from the adjustments as a consequence to the Proposed Rights Issue with Warrants to the non-resident holders of the 2007/2017 Warrants had also been submitted to the Controller of Foreign Exchange (via Bank Negara Malaysia).

On 16 January 2013, Bursa Malaysia Securities Berhad had approved for the admission to the Official List and the listing and quotation pursuant to the Proposed Rights Issue with Warrants.

On 23 January 2013, the Controller of Foreign Exchange (via Bank Negara Malaysia) had approved the issuance of the Warrants to the non-resident shareholders of the Company pursuant to the Proposed Rights Issue with Warrants.

On 19 February 2013, the members of the Company had approved the Proposed Rights Issues with Warrants at the Extraordinary General Meeting.

On 26 February 2013, the Company had resolved to fix the issue price of the Rights Shares at RM0.20 per Rights Share and the exercise price of the Warrants at RM0.26 per Warrant.

On 27 February 2013, the Company had announced the Book Closure Date ("BCD") for the Rights Shares and Warrants together with relevant dates.

B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 31 December 2012 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	2,772	-	2,772
Bankers acceptance	1,681	-	1,681
Hire purchase liabilities	663	1,300	1,963
Total	5,116	1,300	6,416



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B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as of to date of this report.

B11. Material Litigation

Save as disclosed in below (being the latest practicable date not earlier than seven (7) days from the date of issue of this report), the Company and/or its subsidiaries are not engaged in any material litigation which may materially or adversely affect the financial position or business of the Digistar Group:

a. Kuala Lumpur High Court of Malaya Civil Suit No. 22NCC-1318-08/2012

On 27 August 2012, DHSB had filed a writ of summons against Kejuruteraan Bintai Kindenko Sdn Bhd ("KBKSB") for the outstanding sum of RM400,755.62 for the supply of goods and/or related services to KBKSB in relation to the projects at Hospital Sarikei at Sarawak, and Hospital Kuala Penyu and Hospital Kunak at Sabah. KBKSB had filed a counterclaim of RM1,572,537.00, being back charges of RM427,537.00 by the main contractor and RM1,100,000.00 for loss of reputation, which they alleged DHSB has failed to perform satisfactorily under the supply contract.

The matter is fixed for trial on 24 April 2013 and 30 April 2013 respectively.

The solicitors in charge are of the view that DHSB has a fair chance to succeed in the claim and to defend the counterclaim.

b. Kuala Lumpur High Court of Malaya Civil Suit No. 22NCVC-881-2011

On 3 August 2011, DHSB had filed a writ of summons and statement of claim against Metronic Engineering Sdn Bhd at Kuala Lumpur High Court of Malaya in respect of the following claims:-

a) total outstanding sum of RM1,440,711.27 as at 30 August 2007 for works done in relation to the design, construction, equipping, commissioning and maintenance of Extra Low Voltage System for the New Alor Setar Hospital (660 beds), Kedah Darul Aman, and the interest on the said sum at a rate of 8% per annum from 31 August 2007 until the date of judgment and interest at the rate of 8% per annum from the date of judgment until the date of full settlement;

b) total outstanding sum of RM207,606.00 as at 26 July 2006 for works done in relation to the Extra Low Voltage System for Nurses Training College, and the interest on the said sum at a rate of 8% per annum from 27 July 2006 until the date of judgment and interest at the rate of 8% per annum from the date of judgment until the date of full settlement;

c) the cost; and

d) other reliefs as the Kuala Lumpur High Court of Malaya deems fit.

The matter is fixed hearing on 6 May 2013 and 7 May 2013.



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B11. Material Litigation (Cont'd)

c. Kuala Lumpur High Court of Malaya Civil Suit No. 22NCVC-655-2011

On 29 July 2011, DHSB, a wholly-owned subsidiary company of Digistar, had filed a writ of summons and statement of claim against Waterside IT Solutions Sdn Bhd at Kuala Lumpur High Court of Malaya for the outstanding sum of RM2,456,886.92 in relation to the debts due and payable under two (2) separate contracts. The matter was fixed for trial in May 2012, and the hearing has since concluded.

On 9 October 2012, DHSB has obtained a High Court judgment to claim against the defendant with cost of RM10,000.

Our Board is of the view that there are valid grounds to succeed in all the aforesaid claims. Nevertheless, in the event that the claims shall fail, there will be no material impact on the financial position or business of our Group as the debts were fully provided in the accounts, save and except for the legal costs.

B12. Dividends

There was no interim dividend proposed by the Board of Directors for the current financial period under review.

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DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

B13. Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2012	Preceding Year Corresponding Quarter 31/12/2011	Current Year To Date 31/12/2012	Preceding Year Corresponding Period 31/12/2011
(a) Basic Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	3,195	4,011	3,195	4,011
Weighted average number of ordinary shares in issue	246,747,842	226,179,072	246,747,842	226,179,072
Basic earnings per share (sen)	1.29	1.77	1.29	1.77
(b) Diluted Earnings Per Share				
Net profit attributable to members of the Company (RM'000)	3,195	4,011	3,195	4,011
Weighted average number of ordinary shares in issue	246,747,842	226,179,072	246,747,842	226,179,072
Adjustment for assumed exercise of Warrants	47,248,883	56,922,045	47,248,883	56,922,045
Adjusted weighted average number of ordinary shares in issue and issuable	293,996,725	283,101,117	293,996,725	283,101,117
Diluted earnings per share (sen)	1.09	1.42	1.09	1.42

B14. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2012 was not subject to any audit qualification.

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DIGISTAR CORPORATION BERHAD

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

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

	As at 31/12/2012 RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	8,860
- Unrealised	-
	<u>8,860</u>
Total share of retained profit from associate	-
Total share of retained profit from jointly controlled entity	-
	<u>8,860</u>
Less: Consolidation adjustments	15,676
Total group retained profits as per consolidated financial statements	<u>24,536</u>

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DIGISTAR CORPORATION BERHAD

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B16. Notes to the Condensed Consolidated Statements of Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000	Current Year To Date 31/12/2012 RM'000	Preceding Year Corresponding Period 31/12/2011 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Other operation income:				
- Interest Income	(114)	(192)	(114)	(192)
- Gain on disposal of property, plant and equipment	-	(8)	-	(8)
Interest Expense	48	43	48	43
Depreciation and Amortization	503	452	503	452
Net Foreign Exchange Loss/(Gain)	(21)	-	(21)	-

B17. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 28 February 2013.

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DIRECTORS' REPORT



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

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TEL: 603-4253 4319 (Hunting Line) FAX: 603-4257 2168
E-mail: digista@digistar.com.my Website: www.digistar.com.my

Registered Office:

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Date: **05 MAR 2013**

To: The Shareholders of Digistar Corporation Berhad ("Digistar" or the "Company")

On behalf of the Board of Directors of Digistar ("Board"), I wish to report that after making due enquiries in relation to Digistar and its subsidiaries ("Group") during the period between 30 September 2012, being the date to which the latest audited financial statements have been made up, and the date of this letter, being a date not earlier than 14 days before the date of this Abridged Prospectus:-

- (a) In the opinion of the Board, the business of our Group has been satisfactorily maintained;
- (b) In the opinion of the Board, no circumstances have arisen since the latest audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (e) There has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/ or principal sums in relation to any borrowings in our Group since the latest audited financial statements of our Group; and
- (f) Save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited financial statements.

Yours faithfully
For and on behalf of the Board of
DIGISTAR CORPORATION BERHAD

.....
DATUK WIRA LEE WAH CHONG
Managing Director

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- i. Save for the Rights Shares, the Warrants and the new Digistar Shares to be issued arising from the exercise of the Warrants, no securities will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.
- ii. As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely the ordinary shares of RM0.10 each, all of which rank *pari passu* with one another.
- iii. All the Rights Shares and the new Digistar Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Digistar Shares, save and except that such Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distributions that may be declared, made or paid prior to the relevant date of allotment and issuance of such Shares.
- iv. Save as disclosed below, as at the LPD, no person has been or is entitled to be granted an option to subscribe for any of our securities:-
 - a) the holder of the Warrant A, who are entitled to subscribe for one (1) new Digistar Share for each Warrant A (including the Additional Warrants A) held during the ten (10)-year exercise period up to 7 February 2017 at the exercise price of the Warrants A (including the Additional Warrants A). As at the LPD, our Company has a total of 90,040,325 Warrants A and the exercise price of the Warrants A is RM0.16 per Warrant A. Pursuant to the Rights Issue with Warrants and under the Minimum Scenario, a total of up to 11,809,417 Additional Warrants A will be issued while the exercise price of the Warrants A will be adjusted to RM0.13 per Warrant A; and
 - b) the Entitled Shareholders, who will be entitled to the Provisional Rights Shares with Warrants under the Rights Issue with Warrants.
- v. Save as disclosed below, as at the LPD, no securities of Digistar have been issued or are proposed or intended to be issued either as fully or partly paid-up in cash or otherwise than in cash within the two (2) years immediately preceding the date of this Abridged Prospectus:-
 - a) 22,400,000 new Digistar Shares issued pursuant to the private placement, which was completed on 18 September 2012;
 - b) the Rights Shares and the Warrants pursuant to the Rights Issue with Warrants;
 - c) up to 11,809,417 Additional Warrants A to be issued pursuant to the adjustments to the Warrants A in accordance with the provision of the deed poll dated 5 December 2006 as a consequence of the Rights Issue with Warrants; and
 - d) the new Digistar Shares to be issued arising from the exercise of the Warrants and the Additional Warrants A.

2. DIRECTORS' REMUNERATION

The provisions in our Articles of Association in relation to the remuneration of our Directors are set out below:-

Article 80

The fee of the Directors shall from time to time be determined by the Company in General Meeting but the remuneration (other than fees) of the executive Directors shall from time to time be determined by the Board of Directors. The fees payable to the Directors shall not be increased except pursuant to a resolution passed at the General Meeting where notice of the proposed increase has been given in the notice convening the meeting. The fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits of turnover and the remuneration payable to executive Directors may not include a commission on or percentage of turnover. Any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration. Any Director holding office for a part of year shall be entitled to proportionate part of such remuneration.

Article 81

The Directors shall be paid by the Company such reasonable travelling, hotel and other expenses as they may incur in attending meetings of the Company or of Directors or of committees of Directors or which they may otherwise incur in or about the Company's business.

Article 82

Any Director who by request performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the board may determine.

Article 98

The remuneration of a Managing Director shall subject to any contract between him and the Company be fixed by the Directors and may be by way of fixed salary or commission or participation in profits or by all or any of these modes.

Article 108

Any Director may by writing under his hand or under the hand of his agent, duly authorised in writing appoint any person (who shall be subject to the approval of a majority of the other Directors of the Company) to be an alternate director and every such alternate director, shall be entitled to receive notices of all meetings of the Directors to attend and vote at all such meetings at which the Director appointing him is not personally present, and shall have and exercise all the powers, duties and authorities, as a Director, or his appointor in his absence. Provided always that a Director or his agent duly authorised may at any time by writing under his hand revoke the appointment of any alternate director appointed by him or his agent duly authorised, and appoint another person approved as aforesaid in his place as such Director or his agent may think fit; and if a Director shall die or otherwise cease to hold the office of Director, the appointment of his alternate director shall thereupon cease and determine. Provided further that no such alternate director shall be required to hold any share qualification or be entitled to any remuneration from the Company except that any fee paid by the Company to the alternate Director shall be deducted from that Director's remuneration.

3. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Abridged Prospectus:-

- i. On 16 July 2012, Digistar had entered into a share sale agreement with Lee Poh Chau for the acquisition by Digistar of 100,000 ordinary shares of RM1.00 each in Seni Pujaan Sdn Bhd, representing the remaining 40% equity interest in Seni Pujaan Sdn Bhd not already owned by Digistar for a total purchase consideration of RM13,000,000. The acquisition was completed on 20 July 2012. Subsequently, Seni Pujaan Sdn Bhd has become a wholly-owned subsidiary company of Digistar;
- ii. On 21 November 2012, Digistar had entered into two (2) separate share sale agreements with Lee Poh Chau and Rozilawati Binti Mustafa for the acquisition by Digistar of a total of two (2) ordinary shares of RM1.00 each in Matang Makmur Holdings Sdn Bhd, representing the entire issued and paid-up share capital of Matang Makmur Holdings Sdn Bhd for a purchase consideration of RM750,000 respectively. The acquisitions were completed on 29 November 2012. Subsequently, Matang Makmur Holdings Sdn Bhd has become a wholly-owned subsidiary company of Digistar; and
- iii. The Deed Poll for the Warrants.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and after having made all reasonable enquiries, our Board is not aware and does not have any knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of our Group:-

- i. On 29 July 2011, DHSB had filed a writ of summons and statement of claim against Waterside IT Solutions Sdn Bhd at Kuala Lumpur High Court of Malaya for the outstanding sum of RM2,456,886.92 in relation to the debts due and payable under two (2) separate contracts. The matter was fixed for trial in May 2012, and the hearing has since concluded.

On 9 October 2012, DHSB has obtained a High Court judgment to claim against the defendant with cost of RM10,000;
- ii. On 3 August 2011, DHSB had filed a writ of summons and statement of claim against Metronic Engineering Sdn Bhd at Kuala Lumpur High Court of Malaya in respect of the following claims:-
 - a) total outstanding sum of RM1,440,711.27 as at 30 August 2007 for works done in relation to the design, construction, equipping, commissioning and maintenance of Extra Low Voltage System for the New Alor Setar Hospital (660 beds), Kedah Darul Aman, and the interest on the said sum at a rate of 8% per annum from 31 August 2007 until the date of judgment and interest at the rate of 8% per annum from the date of judgment until the date of full settlement;
 - b) total outstanding sum of RM207,606.00 as at 26 July 2006 for works done in relation to the Extra Low Voltage System for Nurses Training College, and the interest on the said sum at a rate of 8% per annum from 27 July 2006 until the date of judgment and interest at the rate of 8% per annum from the date of judgment until the date of full settlement;

- c) the cost; and
- d) other reliefs as the Kuala Lumpur High Court of Malaya deems fit.

The matter is fixed for hearing on 6 May 2013 and 7 May 2013; and

- iii. On 27 August 2012, DHSB had filed a writ of summons against KBKSB for the outstanding sum of RM400,755.62 for the supply of goods and/ or related services to KBKSB in relation to the projects at Hospital Sarikei at Sarawak, and Hospital Kuala Penyu and Hospital Kunak at Sabah. KBKSB had filed a counterclaim of RM1,572,537.00, being back charges of RM427,537.00 by the main contractor and RM1,100,000.00 for loss of reputation, which they alleged DHSB has failed to perform satisfactorily under the supply contract.

The matter is fixed for trial on 24 April 2013 and 30 April 2013.

The solicitors in charge are of the view that DHSB has a fair chance to succeed in the claim and to defend the counterclaim.

Our Board is of the view that there are valid grounds to succeed in all the aforesaid claims. Nevertheless, in the event that the claims shall fail, there will be no material impact on the financial position or business of our Group as the debts were fully provided in the accounts, save and except for the legal costs.

5. GENERAL

- i. There is no existing or proposed service contract entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.
- ii. Save as disclosed in this Abridged Prospectus, after having made all reasonable enquiries and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:-
 - a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
 - b) material commitments for capital expenditure of our Group, the purpose of such commitments and the source of fundings;
 - c) unusual, infrequent events or transactions or significant economic changes which materially affected the amount of reported income from operations and the extent to which income was so affected;
 - d) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on our Group's revenue or operating income;
 - e) details on fluctuation in revenues; and
 - f) material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

6. CONSENTS

Our Principal Adviser, Company Secretaries, Share Registrar, Principal Bankers, the Solicitors for the Rights Issue with Warrants, Bloomberg LP and Sun Media Corporation Sdn Bhd have given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Auditors and Reporting Accountants has given and has not subsequently withdrawn its written consent to the inclusion in this Abridged Prospectus of its name, the letter on the proforma consolidated statements of financial position of our Group as at 30 September 2012, the audited consolidated financial statements of our Group for the FYE 30 September 2012, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

7. DECLARATIONS OF CONFLICT OF INTEREST

OSK confirms that as at the date of this Abridged Prospectus, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to our Company for the Rights Issue with Warrants.

Messrs Enolil Loo confirms that as at the date of this Abridged Prospectus, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Solicitors to our Company for the Rights Issue with Warrants.

Messrs Crowe Horwath confirms that as at the date of this Abridged Prospectus, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Reporting Accountants to our Company for the Rights Issue with Warrants.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, during normal business hours (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:-

- i. Our Memorandum and Articles of Association;
- ii. The Reporting Accountants' letter on the proforma consolidated statements of financial position of our Group as at 30 September 2012 together with the notes prepared by Messrs Crowe Horwath, as set out in Appendix III of this Abridged Prospectus;
- iii. Our audited consolidated financial statements for the past two (2) financial years up to the FYE 30 September 2012;
- iv. Our latest unaudited consolidated financial statements for the three (3)-month FPE 31 December 2012, as set out in Appendix V of this Abridged Prospectus;
- v. The Directors' Report, as set out in Appendix VI of this Abridged Prospectus;
- vi. The letters of consent referred to in Section 6 of this Appendix;
- vii. The irrevocable undertaking letters from Kenangan Lampiran Sdn Bhd, Datuk Wira Lee Wah Chong and Ong Fee Chong referred to in Section 4 of this Abridged Prospectus;
- viii. The material contracts referred to in Section 3 of this Appendix;

- ix. The relevant cause papers in respect of the material litigations referred to in Section 4 of this Appendix; and
- x. The Deed Poll.

9. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with the accompanying NPA and RSF have been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement herein false or misleading.

OSK, being our Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue with Warrants.

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