



DIGISTAR CORPORATION BERHAD
(Company No.: 603652-K)

ANNUAL REPORT

06





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Vision 2020 Aspiration

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of Digistar Corporation Berhad will be held at Embassy 1, Level 6, Holiday Villa Apartment Suites Kuala Lumpur, No. 225 Jalan Ampang, 50450 Kuala Lumpur on Friday, 30 March 2007 at 10.00 a.m. for the following purposes:

AGENDA

1. To receive the Financial Statements for the financial year ended 30 September 2006 together with the Reports of the Directors and Auditors thereon. *(Ordinary Resolution 1)*
2. To re-elect the following directors who are retiring under Article 86 of the Articles of Association of the Company:
 - 2.1 Datuk Lee Wah Chong; and *(Ordinary Resolution 2)*
 - 2.2 YB Ab Wahab Bin Ab Latip. *(Ordinary Resolution 3)*
3. To re-elect Lye Siang Long who is retiring under Article 92 of the Articles of Association of the Company. *(Ordinary Resolution 4)*
4. To approve the sum of RM60,000.00 being the directors' fees for the financial year ended 30 September 2006. *(Ordinary Resolution 5)*
5. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 6)*
6. **Special Business:**

To consider and if thought fit, pass the following resolutions:

6.1 Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965 *(Ordinary Resolution 7)*

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to allot and issue shares in the Company, at any time, at such issue price, until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares does not exceed 10% of the issued capital of the Company at the time of issue and THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary."

6.2 Proposed Renewal of Authority to Purchase the Company's Own Shares *(Ordinary Resolution 8)*

"THAT, subject to the Companies Act, 1965, the Articles of Association of the Company and the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market, the Directors of the Company, with effect from the date on which this resolution is passed, be and are hereby authorised to purchase such number of ordinary shares of RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through the MESDAQ Market of Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
- (ii) the maximum fund allocated by the Company for the Share Buy-back shall not exceed the total retained profits and share premium account of the Company as at 30 September 2006, the retained profit and share premium account of the Company were RM1,794,587 and RM1,145,416 respectively; and
- (iii) the authority conferred by this resolution shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting or upon the expiration of the period within which the next Annual General Meeting after that date is required by law to be held, whichever occurs first.

6. 6.2 Proposed Renewal of Authority to Purchase the Company's Own Shares (Cont'd)

AND THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:

- (i) cancel all the shares so purchased;
- (ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities;
- (iii) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

6.3 Proposed Amendments to the Articles of Association ("Proposed Amendments")

(Special Resolution 1)

"THAT the alteration, modifications and/or additions to the Articles of Association of the Company as set out in Appendix I of the Circular-cum-Statement to Shareholders of the Company dated 8 March 2007 be and are hereby approved."

BY ORDER OF THE BOARD

MAH LI CHEN (MAICSA 7022751)
TAN FONG SHIAN @ LIM FONG SHIAN (MAICSA 7023187)
 Company Secretaries

Kuala Lumpur
 8 March 2007

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies (but not more than two (2)) to attend and vote in his/her stead. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or if such appointor is a corporation under its common seal or the hands of its attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at C15-1, Level 15, Tower C, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting.

Explanatory Note on the Special Business

Ordinary Resolution 7

Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company, from the date of the Fourth Annual General Meeting, to issue shares (other than bonus or rights issue) of the Company up to and not exceeding in total ten percent (10%) of the issued share capital of the Company at the time of issue for such purpose as they considered would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Ordinary Resolution 8

Proposed Renewal of Authority to Purchase the Company's Own Shares

The proposed Ordinary Resolution 8, if passed, will empower the Company to purchase and/or hold up to 10% of the issued and paid-up share of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting of the Company.

Please refer to the Circular-cum-Statement to Shareholders dated 8 March 2007 for further information.

Special Resolution 1

Proposed Amendment to the Company's Articles of Association

The proposed Special Resolution 1 is to amend the Company's Articles of Association in line with the Listing Requirements of the Bursa Securities for the MESDAQ Market. The details of the Proposed Amendments to the Articles of Association are set out in the Circular-cum-Statement to Shareholders dated 8 March 2007 which is despatched together with this Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF AGM

(Pursuant to Rule 8.36 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market)

Further Details of Directors who are standing for re-election as Directors

The details of the Directors who are standing for re-election at the Fourth Annual General Meeting are set out in the Directors' Profile of this Annual Report. No individual other than the retiring Directors is seeking election as a Director at the Fourth Annual General Meeting of the Company.

No notice of nomination has been received to date from any member nominating any individual for election as a Director at the Fourth Annual General Meeting of the Company.

BOARD OF DIRECTORS

YB Dato' Hasan Bin Malek *(Non-Independent Non-Executive Chairman)*
Datuk Lee Wah Chong *(Managing Director)*
Datin Wa Siew Yam *(Executive Director)*
Ong Fee Chong *(Executive Director)*
Lye Siang Long *(Executive Director)*
Lee Mely *(Executive Director)*
YB Ab Wahab Bin Ab Latip *(Independent Non-Executive Director)*
Ir. Loh Khoon Hong *(Independent Non-Executive Director)*

AUDIT COMMITTEE

Chairman

YB Ab Wahab Bin Ab Latip
(Independent Non-Executive Director)

Members

Ir. Loh Khoon Hong *(Independent Non-Executive Director)*
Lye Siang Long *(Executive Director)*

COMPANY SECRETARIES

Mah Li Chen *(MAICSA 7022751)*
Tan Fong Shian @ Lim Fong Shian *(MAICSA 7023187)*

REGISTERED OFFICE

C15-1, Level 15, Tower C
Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03-2166 2000 Fax : 03-2166 3000

CORPORATE 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

PLACE WHERE REGISTER OF OPTIONS IS KEPT

B5/5/5, 4th Floor
One Ampang Business Avenue
Jalan Ampang Utama 1/2
68000 Ampang
Selangor Darul Ehsan
Tel : 03-4253 4319 Fax : 03-4257 2168

AUDITORS

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

SHARE REGISTRAR

PFA Registration Services Sdn Bhd
Level 13, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7725 4888 Fax : 03-7722 2311

SPONSOR

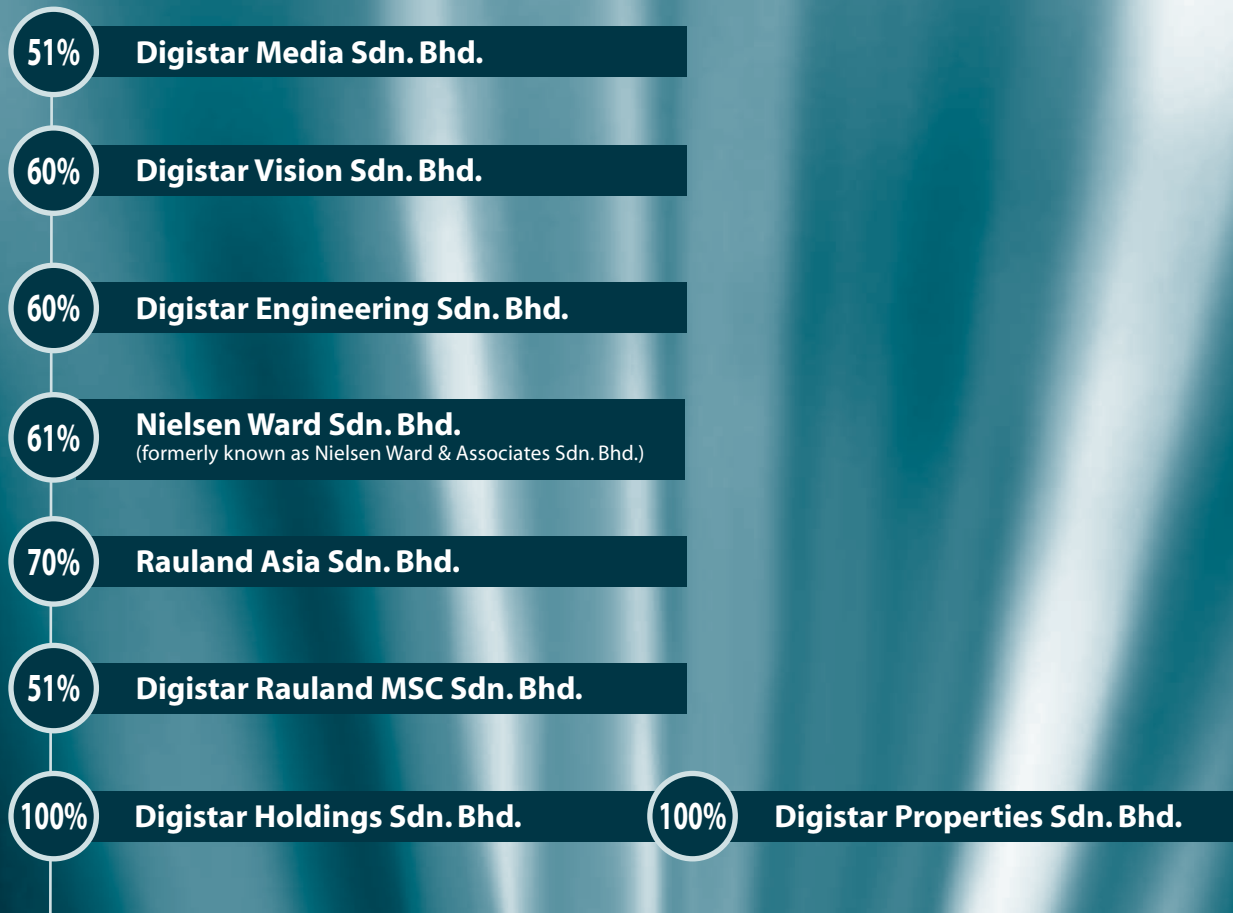
Hwang-DBS Securities Berhad
Suite 23A-01, 23A Floor
Menara Keck Seng
203, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 03-2143 7888 Fax : 03-2148 2989

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
Affin Bank Berhad

STOCK EXCHANGE LISTING

MESDAQ Market of the Bursa Malaysia Securities Berhad
("Bursa Securities")
Stock Name : DIGISTA
Stock Code : 0029



Digistar Corporation Berhad



BOARD OF DIRECTORS



1. YB Dato' Hasan Bin Malek
(Non-Independent Non-Executive Chairman)

2. Datuk Lee Wah Chong
(Managing Director)

3. Ong Fee Chong
(Executive Director)

4. Datin Wa Siew Yam
(Executive Director)

5. Lee Mely
(Executive Director)

6. YB Ab Wahab Bin Ab Latip
(Independent Non-Executive Director)

7. Ir. Loh Khoon Hong
(Independent Non-Executive Director)

8. Lye Siang Long
(Executive Director)

YB DATO' HASAN BIN MALEK

YB Dato' Hasan Bin Malek, a Malaysian aged 61, was appointed to the Board of Directors of the Company on 18 August 2003. He is a Non-Independent Non-Executive Chairman of the Company. He graduated with a Bachelor of Arts (Hons.) degree in Sociology from the University of Malaya in 1973 and obtained a Diploma in Development Administration from the University of Manchester, United Kingdom in 1978. He joined the State Economic Development Corporation, Negeri Sembilan in 1973 where he last served as a Deputy General Manager. He is currently the elected Member of Parliament of Kuala Pilah Constituency. YB Dato' Hasan is also a director of AKN Messaging Technologies Berhad.

DATUK LEE WAH CHONG

Datuk Lee Wah Chong, a Malaysian aged 49, was appointed as the Managing Director of the Company on 18 August 2003. Datuk Lee graduated with a diploma in Electronic Engineering from the Federal Institute of Technology in 1982. He continued to enhance his technical knowledge by attending courses on advanced system applications in the United States of America. He is a businessman who founded Digistar Holdings Sdn Bhd initially as an audio visual system provider in 1982 which expanded to a total solution provider 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. As the Managing Director of the Group, Datuk Lee has been the main driving force of the Group, which has recorded steady growth over the last twenty-four (24) years. His sound technical background and management skills have taken the Group to the forefront of the system integration industry.

ONG FEE CHONG

Ong Fee Chong, a Malaysian aged 36, was appointed to the Board of Directors of the Company on 18 August 2003. He is the Executive Director of the Company. Mr Ong graduated with first class honours degree in Electrical and Electronic Engineering from the University of Glamorgan, United Kingdom in 1993. He started his career as a Project Engineer in 1994 with Theatre Project Sdn Bhd, a subsidiary of Lim Kim Hai Berhad. He joined Digistar Holdings Sdn Bhd in 1996 as Project Manager and was subsequently promoted to Project Director in 1997 and is currently still holding that position in the Company. Mr Ong has more than ten (10) years of experience in the system integration industry.

DATIN WA SIEW YAM

Datin Wa Siew Yam, a Malaysian aged 48, was appointed to the Board of Directors of the Company on 18 August 2003. She is the Executive Director of the Company. As a diploma holder in Commerce from Tunku Abdul Rahman College, she began her career as Accounts Assistant with Chin Siew Fui Poultry Farm in 1978. Subsequently in 1981, she was a Leasing Executive with Lion Leasing Sdn Bhd for six (6) years. After which, she joined Umatrac Insuran Sdn Bhd as an Insurance Claim Manager in 1987 and left in 1995. In 2002, she was appointed as director of Digistar Holdings Sdn Bhd, a position she still holding currently.

LEE MELY

Lee Mely, a Malaysian aged 45, was appointed to the Board of Directors of the Company on 18 August 2003. She is the Executive Director of the Company. She graduated with a Certificate in Business Studies from the Goon Institute, Petaling Jaya in 1981. She served with Hagemeyer Industries (M) Sdn Bhd as an Assistant to an Accountant for two (2) years. She left Hagemeyer Industries (M) Sdn Bhd in 1986 to join Segabina Sdn Bhd as an Accounts Executive. She was promoted to the position of Administration Manager in 1992, a position she held for six (6) years before being promoted to the current position of General Manager. She was registered as a Licensed Company Secretary under the Malaysian Association of the Institute of Chartered Secretaries and Administrators (MAICSA) in 1997.

YB AB WAHAB BIN AB LATIP

YB Ab Wahab Bin Ab Latip, a Malaysian aged 51, was appointed as an Independent Non-Executive Director of the Company on 27 April 2004. He is also the Chairman of the Audit Committee of the Company. He graduated from Maktab Perguruan Lembah Pantai with a Certificate in Education in 1980 and later obtained his Diploma in Public Administration from Universiti Institute Teknologi Mara in 1989. He has been actively involved in government activities and was a member of the City Council of Alor Gajah, Melaka for two (2) years. He served as a primary school teacher for twenty-four (24) years and has retired on 12 March 2004. Currently, he is the elected State Assemblyman of Rembia Constituency, Melaka.

IR. LOH KHOON HONG

Ir. Loh Khoon Hong, a Malaysian aged 63, was appointed as an Independent Non-Executive Director of the Company on 18 August 2003. He is also a member of the Audit Committee. He was awarded a Bachelor of Engineering (Hons.) degree in Electrical Engineering from the University of Malaya in 1968. He is a Professional Engineer registered with the Board of Engineers, Malaysia and a Chartered Engineer, United Kingdom. He is a Fellow of The Institution of Engineers, Malaysia and The Institution of Engineering and Technology, United Kingdom. He is also a Senior Member of The Institution of Engineers, Singapore, a member of The Chartered Institution of Building Services Engineers, United Kingdom and Society of Light and Lighting, United Kingdom.

He has served the Public Works Department ("Jabatan Kerja Raya"), Malaysia for twenty-seven (27) years during which he held various senior positions as Electrical Engineer, Senior Electrical Engineer, Senior Assistant Director of Design and Senior Assistant Director of Maintenance Unit. He retired from the Public Works Department in 1996 to establish an electrical services firm, HPS Electrical Engineering.

LYE SIANG LONG

Lye Siang Long, a Malaysian aged 37, was appointed to the Board of Directors on 12 April 2006. He is the Executive Director and also a member of the Audit Committee. He is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA). He served with Messrs. KPMG, Penang for five (5) years. He left Messrs. KPMG in year 1999 as Audit Supervisor to join Planet Technology (M) Sdn Bhd as Finance and Administration Manager. He stayed with Planet Technology (M) Sdn Bhd for three (3) years before joining Digistar Holdings Sdn Bhd in year 2002 and is currently the Finance Director of the Company.

Notes to Directors' Profile

Datuk Lee Wah Chong is the husband of Datin Wa Siew Yam and the brother of Ms Lee Mely.

The other Directors do not have any family relationship with any Directors and/or substantial shareholders of the Company, except as disclosed above.

The details of the Directors' securities holdings are set out in the Analysis of Ordinary Shareholdings and Warrants as at 8 February 2007.

The details of the Directors' attendance at board meetings are set out on page 13 of the Annual Report.

None of the Directors have been convicted for any offences within the past ten (10) years other than traffic offences, if any. None of the Directors have any conflict of interest with the Company.

The composition of the Board of Directors does not comply with Rule 15.02 of the Listing Requirements whereby the number of Independent Directors is less than 1/3 of the Board. The Company undertakes to fill the vacancy by 17 April 2007.

On behalf of the Board of Directors, it gives me great pleasure to present you the Annual Report and Financial Statements of Digistar Corporation Berhad ("Digistar or Company") for the financial year ended 30 September 2006.

ECONOMIC REVIEW

The Malaysian economy continues to be resilient amidst persistent high world crude oil prices, rising inflationary pressures and monetary tightening, especially in major advanced economies. The growth momentum in Malaysia remains strong, driven by robust domestic demand and favourable export performance. Growth is supported by favourable financing and stable labour market conditions. The Government's strategic decision to move from a fixed exchange rate regime to a managed float was well-received and contributed to further boosting investor and consumer confidence. Real GDP expanded at a strong pace of 5.9% in the second quarter, following a growth of 5.5% in the first quarter of 2006, while growth in the fourth quarter of 2005 grew by 5.2%. This unabated growth is expected to continue in the coming quarters to average 5.8% for the year as a whole.

Value added of the construction sector contracted by 1.1% during the first six months of 2006 (January-June 2005: -2.2%), mainly due to continued slowdown in the civil engineering sub-sectors. However, this sub-sector is expected to recover in the second half of the year, benefiting from the implementation of the Ninth Malaysian Plan ("9MP") projects scheduled in 2006. Overall, the sector is envisaged to register a positive growth of 0.7% in 2006 (2005: -1.6%). Among the 9MP projects are the 880 new construction projects, totalling RM15 billion announced by the Government in July 2006. Implementation of some of these projects is expected to begin in the fourth quarter of the year.

To further boost the local communications and multimedia industry as well as bolster its competitiveness globally, the Government launched the Malaysian Information, Communications and Multimedia Services 886 strategy in December 2005. Spanning five years, the strategy encompasses the provision of eight services, utilizing eight essential infrastructures in six growth areas. The services range from high-speed broadband, digital multimedia broadcasting to universal service provision. The infrastructure includes among others, hard infrastructure such as third generation technology cellular networks and soft infrastructure such as information and network security. Meanwhile, the growth areas include content development, an ICT education hub as well as embedded component and devices.

(Source: Economic Report 2006/2007 from the Ministry of Finance Malaysia)

Based on the above, the expected recovery of the construction industry, as well as the strong Government support for the ICT sub-sector in Malaysia bodes well for the future of the Digistar Group.

OPERATIONAL AND FINANCIAL REVIEW

For the financial year ended 30 September 2006, the Group registered revenue of RM28.4 million as compared to RM31.4 million achieved in the previous year. After accounting for tax and minority interest, the loss attributable to shareholders of the Company was RM0.7 million for the financial year ended 30 September 2006 as compared to profit attributable to shareholders of the Company of RM2.7 million for the financial year ended 30 September 2005.

The contraction in the Group's revenue and net loss is due to further contraction in construction activities which is related to the projects in hand of the Group. The decrease is also caused by tougher operating environment and lower profit margin during the year.

The Group constantly focused on its core competency in the provision of 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.

DIVIDENDS

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

PROSPECTS

For the financial year ending 30 September 2007 and beyond, the Group expects to derive recurring income from service and maintenance of those projects completed by the Group. Besides recurring income from maintenance projects, the Group is also confident of securing maintenance contracts from its existing core businesses.

For the broadcasting industry, as a whole, the Group foresees continued business prospects, particularly in view of the upgrading of facilities by local and national broadcast stations.

As a whole, the Directors anticipate that the coming financial year will be a challenging year as the business opportunities presented by the roll-out of projects under the Ninth Malaysia Plan will only be felt towards the end of year 2007. However, the Malaysian Government had allocated RM14.4 billion for development expenditure under the 2006 National Budget. Therefore, the Company is looking forward to garner some benefit from the 2006 National Budget spending especially in the healthcare and education sectors.

As a measure to mitigate the slow market condition, the Company is focusing on boosting its recurring service and maintenance income. Barring any unforeseen circumstances, the Directors anticipate that the Group will be profitable for the financial year ending 30 September 2007.

UTILISATION OF PROCEEDS

As at 30 September 2006, the Company has fully utilised the proceeds raised from the Public Issue pursuant to the listing of the Company on the MESDAQ Market of Bursa Securities on 7 November 2003 amounting to RM12.72 million.

The Board of Directors of Digistar and the Securities Commission had, on 30 September 2005 and 6 March 2006, respectively, approved the variation for the utilisation of proceeds raised through Digistar's Initial Public Offering ("IPO") and the extension of time for the utilisation of all the remaining proceeds raised through Digistar's IPO up to one (1) year, from 1 October 2005 to 30 September 2006. The status of the utilisation of listing proceeds is as follows:-

	Original Utilisation Schedule (before variation) RM'000	Current Approved Utilisation Schedule (after variation) RM'000	Actual Utilisation RM'000	Balance RM'000
(i) <i>Investment in DRMSB</i>	1,000	1,000	1,000	-
(ii) <i>Capital expenditure for office expansion</i>	3,100	2,222	2,222	-
(iii) <i>Future business expansion</i>	1,000	1,000	1,000	-
(iv) <i>Renovation and upgrading of showroom</i>	200	72	72	-
(v) <i>Purchase of fixed assets</i>	1,000	621	621	-
(vi) <i>Repayment of term loan</i>	753	753	753	-
(vii) <i>Working capital</i>	4,472	6,064	6,064	-
(viii) <i>Listing expenses</i>	1,200	993	993	-
<i>Total</i>	12,725	12,725	12,725	-

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I wish to extend my sincere gratitude and appreciation to the management team and staff for their commitment and contribution to the Group's success; our customers, business associates and most importantly, our shareholders for their continued support of the Group.

Finally, I would like to express my sincere appreciation and gratitude to my fellow directors for their invaluable contributions and support throughout the years.

YB Dato' Hasan Bin Malek
Chairman

1. COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee currently comprises the following members:-

Chairman	:	YB Ab Wahab Bin Ab Latip	(Independent Non-Executive Director)
Members	:	Loh Khoon Hong	(Independent Non-Executive Director)
		Lye Siang Long	(Executive Director) (appointed on 23 May 2006)
		Ong Fee Chong	(Executive Director) (resigned on 23 May 2006)

2. TERMS OF REFERENCE

(a) Composition of Audit Committee

The Committee shall be appointed from amongst the Board of Directors and shall comprise at least three (3) members, a majority of whom shall be independent directors. The chief executive officer of the Company shall not be a member of the Audit Committee.

In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy must be filled within 3 months.

(b) Chairman

The Chairman, who shall be elected by the Audit Committee, must be an independent director.

(c) Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members.

(d) Meetings

The quorum for a meeting shall be two (2) members, provided that the majority of the members present at the meeting shall be independent directors.

The external auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee. The external auditors may also request a meeting if they consider it necessary.

(e) Rights

The Audit Committee shall:

- (i) have explicit authority to investigate any matter within its terms of reference;
- (ii) have the resources which it needs to perform its duties;
- (iii) have full and unrestricted access to any information which it requires in the course of performing its duties;
- (iv) have unrestricted access to the chief executive officer and the chief financial officer;
- (v) have direct communication channels with the external and internal auditors (if any); and
- (vi) be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company.

(f) Duties

The duties of the Audit Committee shall include a review of:

- (i) the nomination of external auditors;
- (ii) the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
- (iii) the effectiveness of the internal control and management information systems;
- (iv) the financial statements of the Company with both the external auditors and management;
- (v) the external auditor's audit report;
- (vi) any management letter sent by the external auditors to the Company and the management's response to such letter;
- (vii) any letter of resignation from the Company's external auditors;
- (viii) the assistance given by the Company's officers to the external auditors;
- (ix) all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
- (x) all related party transactions and potential conflict of interest situations.

3. SUMMARY OF ACTIVITIES

There were five (5) Audit Committee meetings held during the financial year ended 30 September 2006. The number of meetings attended by the Committee Members are as follows:-

NAME	ATTENDANCE
YB Ab Wahab Bin Ab Latip	5/5
Ir. Loh Khoon Hong	5/5
Lye Siang Long (appointed on 23 May 2006)	1/1
Ong Fee Chong (resigned on 23 May 2006)	4/4

During the financial year ended 30 September 2006, the following matters were deliberated at the meeting:

- (a) Reviewed the unaudited quarterly report on the consolidated results of the Group for the quarters ended 31 December 2005, 31 March 2006, 30 June 2006 and 30 September 2006;
- (b) Reviewed Statement on Internal Control and Audit Committee Report for inclusion in the 2006 Annual Report; and
- (c) Reviewed the Group's audited financial statements, external auditors' reports and their audit findings.

4. INTERNAL AUDIT FUNCTION

Presently, the Group does not have an internal audit department and the Audit Committee relied on discussions with the management and executive directors, review of quarterly financial statements and input from the external auditors to discharge its duties.

5. EMPLOYEES SHARE OPTION SCHEME

During the financial year, no allocation of share options was made by the Company pursuant to the Employees Share Option Scheme ("ESOS") and no share options was exercised under the ESOS.

1. DIRECTORS

1.1 Meetings

The Board meets regularly on a quarterly basis and as and when required. There were five (5) meetings held during the financial year and the attendance record is as follows:-

NAME	ATTENDANCE
YB Dato' Hasan Bin Malek	4/5
Datuk Lee Wah Chong	4/5
Ong Fee Chong	5/5
Datin Wa Siew Yam	5/5
Lye Siang Long (appointed on 12 April 2006)	2/2
Lee Mely	5/5
YB Ab Wahab Bin Ab Latip	5/5
Ir. Loh Khoon Hong	5/5
Dato' Seri Dr. Haji Arshad Bin Haji Hashim (appointed on 3 August 2006 and resigned on 18 January 2007)	1/1

1.2 Directors' Remuneration

Directors' remuneration for the financial year ended 30 September 2006 is as follows:-

Remuneration Components	GROUP	
	Executive Directors RM	Non-Executive Directors RM
Directors' fees	40,000	20,000
Salaries	594,000	-
Bonuses	22,000	1,250
EPF and Socso	66,000	-
Allowance	-	22,000
	722,000	43,250

The number of Directors in each remuneration band for the financial year is as follows:-

Remuneration Components	GROUP	
	Executive Directors	Non-Executive Directors
RM50,000 and below	1	4
RM50,001 to RM100,000	2	-
RM200,001 to RM250,000	1	-
RM300,001 to RM350,000	1	-

1.3 Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge.

2. SHARE BUY-BACK

During the financial year ended 30 September 2006, the Company did not enter into any share buy-back transaction.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no exercise of options, warrants or convertible securities during the financial year ended 30 September 2006.

4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year.

5. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

6. VARIATION OF RESULTS

The Company did not issue any profit estimate, forecast or projection for the financial year.

There was no significant variance between the results for the financial year ended 30 September 2006 as per the audited financial statements and the unaudited results previously announced.

7. PROFIT GUARANTEE

The Company did not give any profit guarantee during the financial year.

8. MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries, involving the directors and substantial shareholders' interests during the financial year.

9. REVALUATION POLICY ON LANDED PROPERTIES

The Company does not have any revaluation policy on landed properties.

10. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group during the financial year by a company affiliated to the Company's auditor is RM13,300.

STATEMENT OF DIRECTORS' RESPONSIBILITY

This statement is prepared pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The Directors are responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year, and of the results of their operations and cash flows for the financial year.

In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied. The Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Below is the Board of Directors' Statement on Internal Control which has been prepared with reference to the Bursa Securities' "Statement on Internal Control: Guidance for Directors of Public Listed Companies".

RESPONSIBILITIES

The Board of Directors recognises the importance of a sound system of internal control and effective risk management practises to good corporate governance. The Board affirms its overall responsibility and reviews the adequacy and integrity of the system of internal control. However, it is recognised that such system is designed to manage rather than eliminate risk and improve the governance process. Hence, it is recognised that the evaluation and implementation of the system can only provide reasonable, and not absolute, assurance against any material loss occurrence.

RISK MANAGEMENT

The Board recognises that to ensure the review process for identifying, evaluating and managing the significant risks affecting the Group, the internal control procedures with clear lines of accountability and delegated authority has to be established. Presently, the Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. Throughout the financial year, the Board has evaluated and managed the significant risks faced by the Group through monitoring of the Group's operational efficiency as well as its profitability.

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 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	<i>THE GROUP</i> RM	<i>THE COMPANY</i> RM
(Loss)/Profit after taxation for the financial year	(796,362)	1,285,030
Minority interests	4,851	-
(Loss)/Profit attributable to shareholders of the Company	<u>(791,511)</u>	<u>1,285,030</u>

DIVIDENDS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

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 except for the share options granted pursuant to the ESOS.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS" OR THE "SCHEME")

The Company's Employees' Share Option Scheme is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 15 August 2003. The ESOS was implemented on 6 November 2003 and is to be in force for a period of 5 years from the date of implementation. The movement in the options to subscribe for new ordinary shares of RM0.10 each in the Company at the respective exercise price per share is as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH UNDER OPTION AT EXERCISE PRICE OF RM0.275
At 1 October 2005	18,023,200
Exercised during the financial year	-
Lapsed due to resignations	(1,106,000)
At 30 September 2006	16,917,200

The main features of the ESOS are as follows:-

- (a) any employees (including executive directors) who are at least 18 years old, and have been confirmed and served full time in the employment and on the payroll of any company within the Group for a continuous period of at least one year shall be eligible to participate in the Scheme;
- (b) in the case of the executive directors of the Company and persons connected to them, their specific entitlements under the Scheme shall be approved by the shareholders of the Company in a General Meeting;
- (c) the total number of new ordinary shares of the Company which may be made available under the Scheme shall not exceed thirty per cent of the total issued and paid-up share capital of the Company at any time during the existence of the Scheme;
- (d) the Scheme shall expire on 6 November 2008;
- (e) not more than fifty per cent of the new ordinary shares of the Company available under the Scheme should be allocated, in aggregate, to the executive directors and senior management of the Group;
- (f) not more than twenty five per cent of the new ordinary shares of the Company available under the Scheme should be allocated to any individual eligible employee;
- (g) the price at which the option holder is entitled to subscribe for each new ordinary share of the Company may be at a discount of not more than ten per cent (if deemed appropriate by the Options Committee) from the five day weighted average market price of ordinary shares as at the offer date provided that the subscription price shall not be less than the par value of the ordinary share; and
- (h) the shares to be allotted upon any exercise of an option will upon allotment rank pari passu in all respects with the existing issued and paid-up shares of 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 doubtful debts, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for doubtful debts 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.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities 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.

DIRECTORS

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

YB DATO' HASAN BIN MALEK
 DATUK LEE WAH CHONG
 DATIN WA SIEW YAM
 ONG FEE CHONG
 LEE MELLY
 YB AB WAHAB BIN AB LATIP
 IR. LOH KHOON HONG
 LYE SIANG LONG (APPOINTED ON 12.4.2006)
 DATO' SERI DR. HAJI ARSHAD BIN HAJI HASHIM (APPOINTED ON 3.8.2006)

Pursuant to Article 86 of the Articles of Association of the Company, Datuk Lee Wah Chong and YB AB Wahab Bin AB Latip retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 92 of the Articles of Association of the Company, Lye Siang Long who was appointed since the last annual general meeting retire at the forthcoming annual general meeting and being eligible, offer himself for re-election.

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 1.10.2005	BOUGHT	SOLD	AT 30.9.2006
<i>DIRECT INTERESTS</i>				
DATUK LEE WAH CHONG	2,905,602	143,200	-	3,048,802
DATIN WA SIEW YAM	2,413,230	-	-	2,413,230
ONG FEE CHONG	2,400,110	-	-	2,400,110
<i>INDIRECT INTERESTS</i>				
DATUK LEE WAH CHONG ⁽¹⁾	67,618,794	-	(24,460,000)	43,158,794
ONG FEE CHONG ⁽¹⁾	67,618,794	-	(24,460,000)	43,158,794

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

NUMBER OF OPTIONS UNDER ESOS

	AT 1.10.2005/ DATE OF APPOINTMENT	GRANTED	EXERCISED	AT 30.9.2006
DATUK LEE WAH CHONG	4,576,000	-	-	4,576,000
DATIN WA SIEW YAM	1,368,000	-	-	1,368,000
ONG FEE CHONG	2,136,000	-	-	2,136,000
LYE SIANG LONG	600,000	-	-	600,000

DIRECTORS' INTERESTS (CONT'D)

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 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.

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.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The significant events of the Group after the balance sheet date are disclosed in Note 39 to the financial statements.

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 17 JANUARY 2007

Datuk Lee Wah Chong

Lye Siang Long

STATEMENT BY DIRECTOR

We, Datuk 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 24 to 51 are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 September 2006 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 17 JANUARY 2007

Datuk 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 24 to 51 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
17 January 2007

Lye Siang Long

Before me

Mohd Radzi Bin Yasin (No: W 327)

REPORT OF THE AUDITORS

TO THE MEMBERS OF DIGISTAR CORPORATION BERHAD

We have audited the financial statements set out on pages 24 to 51. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 30 September 2006 and their results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries for which we have not acted as auditors, as indicated in Note 6 to the financial statements.

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 purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Companies Act, 1965.

Horwath

Firm No: AF 1018
Chartered Accountants

Kuala Lumpur

17 January 2007

Lee Kok Wai

Approval No: 2760/06/08 (J)
Partner

BALANCE SHEETS

AT 30 SEPTEMBER 2006

		THE GROUP		THE COMPANY	
	NOTE	2006 RM	2005 RM	2006 RM	2005 RM
NON-CURRENT ASSETS					
Investment in subsidiaries	6	-	-	5,011,408	5,006,359
Property, plant and equipment	7	7,288,081	7,593,116	-	-
Other investment	8	1,000,000	1,000,000	-	-
		8,288,081	8,593,116	5,011,408	5,006,359
CURRENT ASSETS					
Properties held for sale	9	366,163	417,704	-	-
Inventories held for resale	10	2,417,884	2,358,243	-	-
Trade receivables	11	10,597,451	10,934,948	-	-
Amount owing by contract customers	12	7,433,230	5,941,692	-	-
Other receivables, deposits and prepayments		434,863	337,773	48,720	-
Amount owing by subsidiaries	13	-	-	15,359,923	14,201,854
Tax refundable		213,488	12,453	13,887	12,453
Fixed deposits with licensed banks	14	6,703,222	6,566,515	-	-
Cash and bank balances		568,422	104,298	528,476	557
		28,734,723	26,673,626	15,951,006	14,214,864
CURRENT LIABILITIES					
Trade payables	15	1,960,704	1,679,975	-	-
Other payables and accruals		918,375	558,011	664,346	208,185
Provision for taxation		-	20,010	-	-
Hire purchase payables	16	290,202	355,410	-	-
Short-term borrowings	17	2,103,578	655,071	-	-
Bank overdrafts	18	4,612,383	3,747,471	-	-
		9,885,242	7,015,948	664,346	208,185
NET CURRENT ASSETS		18,849,481	19,657,678	15,286,660	14,006,679
		27,137,562	28,250,794	20,298,068	19,013,038
FINANCED BY:-					
Share capital	19	17,358,065	17,358,065	17,358,065	17,358,065
Share premium	20	1,145,416	1,145,416	1,145,416	1,145,416
Negative goodwill	21	4,031,355	4,031,355	-	-
Retained profits	22	4,178,200	4,969,711	1,794,587	509,557
SHAREHOLDERS' EQUITY		26,713,036	27,504,547	20,298,068	19,013,038
NON-CURRENT LIABILITIES					
Hire purchase payables	16	382,526	675,247	-	-
Deferred taxation	23	42,000	71,000	-	-
		27,137,562	28,250,794	20,298,068	19,013,038
NET ASSETS PER SHARE		15 sen	16 sen		

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2006

		THE GROUP		THE COMPANY	
		2006	2005	2006	2005
	NOTE	RM	RM	RM	RM
REVENUE	25	28,390,780	31,416,402	2,037,264	1,833,538
COST OF SALES		(22,137,689)	(21,796,472)	-	-
GROSS PROFIT		6,253,091	9,619,930	2,037,264	1,833,538
OTHER OPERATING INCOME		282,375	547,417	-	1,891
		6,535,466	10,167,347	2,037,264	1,835,429
ADMINISTRATIVE EXPENSES		(4,379,734)	(4,025,575)	(183,234)	(297,737)
MARKETING EXPENSES		(539,398)	(703,649)	-	-
OTHER OPERATING EXPENSES		(1,699,217)	(891,518)	-	-
		(6,618,349)	(5,620,742)	(183,234)	(297,737)
(LOSS)/PROFIT FROM OPERATIONS		(82,883)	4,546,605	1,854,030	1,537,692
FINANCE COSTS		(449,907)	(423,924)	-	-
(LOSS)/PROFIT BEFORE TAXATION	26	(532,790)	4,122,681	1,854,030	1,537,692
TAXATION	27	(263,572)	(1,457,678)	(569,000)	(511,805)
(LOSS)/PROFIT AFTER TAXATION		(796,362)	2,665,003	1,285,030	1,025,887
MINORITY INTERESTS		4,851	129	-	-
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		(791,511)	2,665,132	1,285,030	1,025,887
(Loss)/Earnings per ordinary share	28				
- basic		(0.46 sen)	1.5 sen		
- fully diluted		N/A	1.5 sen		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2006

	NOTE	NON-DISTRIBUTABLE RESERVE			DISTRIBUTABLE RESERVE		TOTAL RM
		SHARE CAPITAL RM	SHARE PREMIUM RM	NEGATIVE GOODWILL RM	RETAINED PROFITS RM	PROPOSED DIVIDENDS RM	
THE GROUP							
At 1.10.2004		8,359,633	8,466,807	4,031,355	3,554,360	1,249,781	25,661,936
Shares issued pursuant to:							
- Options exercised under ESOS		319,400	1,437,300	-	-	-	1,756,700
- Bonus issue		8,679,032	(8,679,032)	-	-	-	-
Bonus issue expenses incurred		-	(79,659)	-	-	-	(79,659)
Profit attributable to shareholders of the Company		-	-	-	2,665,132	-	2,665,132
Dividend paid	29	-	-	-	(1,249,781)	(1,249,781)	(2,499,562)
Balance at 30.9.2005/1.10.2005		17,358,065	1,145,416	4,031,355	4,969,711	-	27,504,547
Loss attributable to shareholders of the Company		-	-	-	(791,511)	-	(791,511)
Balance at 30.9.2006		17,358,065	1,145,416	4,031,355	4,178,200	-	26,713,036

	NOTE	NON-DISTRIBUTABLE RESERVE		DISTRIBUTABLE RESERVE		TOTAL RM
		SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	PROPOSED DIVIDENDS RM	
THE COMPANY						
At 1.10.2004		8,359,633	8,466,807	733,451	1,249,781	18,809,672
Shares issued pursuant to:						
- Options exercised under ESOS		319,400	1,437,300	-	-	1,756,700
- Bonus issue		8,679,032	(8,679,032)	-	-	-
Bonus issue expenses incurred		-	(79,659)	-	-	(79,659)
Profit after taxation		-	-	1,025,887	-	1,025,887
Dividend paid	29	-	-	(1,249,781)	(1,249,781)	(2,499,562)
Balance at 30.9.2005/ 1.10.2005		17,358,065	1,145,416	509,557	-	19,013,038
Profit after taxation		-	-	1,285,030	-	1,285,030
Balance at 30.9.2006		17,358,065	1,145,416	1,794,587	-	20,298,068

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2006

	NOTE	THE GROUP		THE COMPANY	
		2006	2005	2006	2005
		RM	RM	RM	RM
CASH FLOWS FOR OPERATING ACTIVITIES					
(Loss)/Profit before taxation		(532,790)	4,122,681	1,854,030	1,537,692
Adjustments for:-					
Allowance for doubtful debts		749,072	-	-	-
Depreciation of property, plant and equipment		898,604	720,909	-	-
Dividend income		-	-	(2,037,264)	(1,833,538)
Interest expense		365,725	307,006	-	-
Write-down of properties held for sale		51,541	-	-	-
Interest income		(229,047)	(298,108)	-	(1,891)
Gain on disposal of plant and equipment		-	(85,827)	-	-
Write-back of allowance for doubtful debts		-	(129,785)	-	-
Operating profit/(loss) before working capital changes		1,303,105	4,636,876	(183,234)	(297,737)
Properties held for sale		-	(417,704)	-	-
Increase in inventories		(59,641)	(519,949)	-	-
Increase in amount owing by contract customers		(1,491,538)	(1,707,250)	-	-
(Increase)/Decrease in trade and other receivables		(508,665)	1,468,496	(48,720)	-
Increase/(Decrease) in trade and other payables		641,093	(2,077,781)	456,161	104,055
CASH FLOW (FOR)/FROM OPERATIONS		(115,646)	1,382,688	224,207	(193,682)
Interest paid		(365,725)	(307,006)	-	-
Tax paid		(513,617)	(2,060,452)	(570,434)	(513,390)
NET CASH FOR OPERATING ACTIVITIES		(994,988)	(984,770)	(346,227)	(707,072)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	30	(593,569)	(1,930,069)	-	-
Purchase of other investment		-	(1,000,000)	-	-
Proceeds from disposal of plant and equipment		-	219,000	-	-
Additional investment in a subsidiary		-	-	(5,049)	-
Net cash inflow/(outflow) on acquisition of subsidiaries	31	-	129	-	(171)
Advances to subsidiaries		-	-	(1,158,069)	(327,172)
Dividend received		-	-	2,037,264	1,833,538
Interest received		229,047	298,108	-	1,891
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(364,522)	(2,412,832)	874,146	1,508,086
BALANCE CARRIED FORWARD		(1,359,510)	(3,397,602)	527,919	801,014

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2006 (CONT'D)

		THE GROUP		THE COMPANY	
		2006	2005	2006	2005
	NOTE	RM	RM	RM	RM
BALANCE CARRIED FORWARD		(1,359,510)	(3,397,602)	527,919	801,014
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Proceeds from issuance of shares		-	1,756,700	-	1,756,700
Proceeds from issuance of shares to minority interests in a subsidiary		4,851	-	-	-
Payment of corporate/listing expenses		-	(79,659)	-	(79,659)
Repayment of hire purchase obligations		(357,929)	(307,262)	-	-
Increase/(Decrease) in bills payable		1,448,507	(610,801)	-	-
Dividend paid		-	(2,499,562)	-	(2,499,562)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		1,095,429	(1,740,584)	-	(822,521)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(264,081)	(5,138,186)	527,919	(21,507)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		2,923,342	8,061,528	557	22,064
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32	2,659,261	2,923,342	528,476	557

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

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Malaysian Companies Act, 1965. The Company is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office : C15-1, Level 15, Tower C, Megan Avenue II,
12 Jalan Yap Kwan Seng, 50450 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 17 January 2007.

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 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(a) Foreign Currency Risk

The Group is exposed to foreign exchange risk on purchases and sales that are denominated in foreign currencies. The Group's primary currency exposure is in United States (US) Dollar and Euro.

The foreign currency risk is managed to an acceptable level.

(b) Interest Rate Risk

The Group obtains financing through bank borrowings and hire purchase facilities. Its policy is to obtain the most favourable interest rates available.

Surplus funds are placed with licensed financial institutions at the most favourable interest rates.

(c) Market Risk

The Group does not have any quoted investments and hence is not exposed to market risks.

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Credit Risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

(e) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

4. BASIS OF PREPARATION

The financial statements of the Group and of the Company 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 applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Malaysian Accounting Standards Board standards nomenclature has been changed to Financial Reporting Standards ("FRS") nomenclature for financial periods beginning on or after 1 January 2005. This change to the new nomenclature did not result in any change in the accounting policies adopted by the Group and has no financial effects on the financial statements of the Group and of the Company for the financial year ended 30 September 2006.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group or the Company 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 expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group or the Company 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.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 30 September 2006.

A subsidiary is defined as a company in which the Group has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities. All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. 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.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests are measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interests.

(c) Investments

(i) Investments In Subsidiaries

Investments in subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

(ii) Other Investments

Other investments are held on a long-term basis and are stated at cost. Allowance for diminution in value is only made if the directors are of the opinion that the diminution is permanent.

(d) Goodwill or Negative Goodwill On Consolidation

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition. Negative goodwill represents the excess of the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition over the fair value of the purchase consideration.

Goodwill is stated net of negative goodwill. Goodwill or negative goodwill is not amortised and is retained in the consolidated balance sheet. The carrying value of the goodwill is reviewed annually and is written down for impairment where it is considered necessary. The impairment value of goodwill is taken to the consolidated income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Leasehold land	over remaining lease period of 78 years to 95 years
Leasehold office units	2%
Office lot	2%
Shophouse	2%
Computers and printers	25%
Site office cabins	10%
Plant and machinery	10%
Furniture and fittings	10%
Office equipment	10%
Renovation	10%
Motor vehicles	20%

During the financial year, the Group changed the depreciation rate for computers and printers from 10% per annum to 25% per annum. The change in depreciation rate arose from a review of the useful lives of the computers and printers. The change in the depreciation rate has an effect of increasing the loss before taxation for the financial year by RM123,321.

(f) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date 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.

An impairment loss is charged to the income statement 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.

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 the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(g) 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 5(e) above. Each hire purchase payment is allocated between the liability and finance charges as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

(h) Properties Held For Sale

Properties held for sale are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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.

In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(j) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(k) Amount Owing By Contract Customers

The amount owing by contract customers is stated at cost plus profits attributable to contracts in progress less progress billings and provision for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

(l) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(m) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

(n) Taxation

Taxation for the year comprises 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 substantially enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between 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 negative goodwill 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.

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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can 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 substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable), other investments, inventories, receivables, and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(p) 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.

(q) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(r) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling on that date. All exchange differences are taken to the income statement.

(s) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued 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 charged to the income statement 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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.

The stage of completion is determined based on surveys of work performed.

(ii) Sale of Goods and Services

Sales are 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.

6. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2006 RM	2005 RM
Unquoted shares, at cost	5,011,408	5,006,359

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

Name of Company	Equity Interest		Principal Activities
	2006	2005	
Digistar Holdings Sdn. Bhd.	100%	100%	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.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Equity Interest		Principal Activities
	2006	2005	
Digistar Properties Sdn. Bhd. *	100%	100%	Rental, maintenance and upkeep of properties.
Digistar Rauland MSC Sdn. Bhd.	51%	51%	Research and development of software and hardware to be deployed in the area relating to communication, tele-communication and information communication technology and health television operator.
Rauland Asia Sdn. Bhd.	70%	70%	Dormant.
Nielsen Ward Sdn. Bhd. (formerly known as Nielsen Ward & Associates Sdn. Bhd.)	61%	61%	Dormant.
Digistar Vision Sdn. Bhd. #	60%	60%	Health television operator.
Digistar Engineering Sdn. Bhd. #	60%	60%	Dormant.
Digistar Media Sdn. Bhd. #	51%	51%	Dormant.

* Subsidiary of Digistar Holdings Sdn. Bhd.

Not audited by Horwath.

7. PROPERTY, PLANT AND EQUIPMENT

	AT 1.10.2005 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 30.9.2006 RM
THE GROUP				
NET BOOK VALUE				
Leasehold land	617,111	-	(7,641)	609,470
Office lot, shop house and leasehold office units	4,376,026	-	(94,952)	4,281,074
Computers and printers	158,734	12,953	(137,711)	33,976
Site office cabins, plant and machinery, furniture and fittings	160,764	8,882	(26,361)	143,285
Office equipment and renovation	944,967	571,734	(164,363)	1,352,338
Motor vehicles	1,335,514	-	(467,576)	867,938
	<u>7,593,116</u>	<u>593,569</u>	<u>(898,604)</u>	<u>7,288,081</u>

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	AT COST RM	ACCUMULATED DEPRECIATION RM	TOTAL RM
At 30.9.2006			
Leasehold land	628,636	(19,166)	609,470
Office lot, shop house and leasehold office units	4,747,580	(466,506)	4,281,074
Computers and printers	291,388	(257,412)	33,976
Site office cabins, plant and machinery, furniture and fittings	310,435	(167,150)	143,285
Office equipment and renovation	1,974,729	(622,391)	1,352,338
Motor vehicles	2,942,959	(2,075,021)	867,938
	10,895,727	(3,607,646)	7,288,081
At 30.9.2005			
Leasehold land	628,636	(11,525)	617,111
Office lot, shop house and leasehold office units	4,747,580	(371,554)	4,376,026
Computers and printers	278,435	(119,701)	158,734
Site office cabins, plant and machinery, furniture and fittings	301,553	(140,789)	160,764
Office equipment and renovation	1,402,995	(458,028)	944,967
Motor vehicles	2,942,959	(1,607,445)	1,335,514
	10,302,158	(2,709,042)	7,593,116

Motor vehicles with a total net book value of RM788,291 (2005 - RM1,212,593) were acquired under hire purchase terms.

The net book value of assets pledged as security for banking facilities granted to the Group are as follows:-

	THE GROUP	
	2006 RM	2005 RM
Leasehold land	389,675	394,752
Leasehold office units	3,257,882	3,331,200
Office lot	62,160	63,840
Shophouse	820,505	837,336
	4,530,222	4,627,128

8. OTHER INVESTMENT

	THE GROUP	
	2006 RM	2005 RM
At cost:-		
Long-term structured deposits	1,000,000	1,000,000

The long-term structured deposits are in respect of a Five-Year MYR-KLIBOR Callable Range Accrual Investment placed with a licensed bank, expiring on 7 February 2010 and bore an effective interest of 3.10% (2005 - 7.25%) per annum at the balance sheet date.

9. PROPERTIES HELD FOR SALE

	<i>THE GROUP</i>	
	2006 RM	2005 RM
At cost:-		
Freehold condominium	321,163	321,163
Shophouse	-	96,541
	<hr/>	<hr/>
	321,163	417,704
At net realisable value:-		
Shophouse	45,000	-
	<hr/>	<hr/>
	366,163	417,704
	<hr/>	<hr/>

10. INVENTORIES HELD FOR RESALE

	<i>THE GROUP</i>	
	2006 RM	2005 RM
At cost:-		
Equipment and parts held for resale	2,417,884	2,358,243
	<hr/>	<hr/>

None of the inventories are carried at net realisable value.

11. TRADE RECEIVABLES

	<i>THE GROUP</i>	
	2006 RM	2005 RM
Gross trade receivables	11,405,752	10,994,177
Allowance for doubtful debts:-		
At 1 October 2005/2004	(59,229)	(189,014)
Addition during the financial year	(749,072)	-
Writeback during the financial year	-	129,785
	<hr/>	<hr/>
At 30 September 2006/2005	(808,301)	(59,229)
	<hr/>	<hr/>
	10,597,451	10,934,948
	<hr/>	<hr/>

The Group's normal credit terms for trade receivables range from 7 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

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

	<i>THE GROUP</i>	
	2006 RM	2005 RM
Pound Sterling	-	267,756
	<hr/>	<hr/>

12. AMOUNT OWING BY CONTRACT CUSTOMERS

	<i>THE GROUP</i>	
	2006 RM	2005 RM
Contract costs incurred to date	69,147,094	67,415,349
Attributable profits	15,889,499	13,725,743
	<hr/>	<hr/>
Progress billings	85,036,593 (77,603,363)	81,141,092 (75,199,400)
	<hr/>	<hr/>
	7,433,230	5,941,692
	<hr/>	<hr/>

13. AMOUNT OWING BY SUBSIDIARIES

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

14. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits amounting to RM4,546,864 (2005 - RM4,426,515) have been pledged to licensed banks as security for banking facilities granted to a subsidiary.

Fixed deposits at the balance sheet date bore an effective interest of 3.13% (2005 - 2.80%) per annum. The maturity periods of the fixed deposits at the balance sheet date ranged from 30 to 365 days (2005 - 30 to 365 days).

15. TRADE PAYABLES

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

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

	2006 RM	2005 RM
United States Dollar	333,605	337,445
Australian Dollar	2,361	14,992
Singapore Dollar	-	2,122
Euro	207,273	483,372
Pound Sterling	12,573	-
	<hr/>	<hr/>

16. HIRE PURCHASE PAYABLES

	THE GROUP	
	2006 RM	2005 RM
Minimum hire purchase payments:		
- not later than one year	297,888	436,464
- later than one year and not later than five years	425,516	691,894
	<hr/>	<hr/>
Future finance charges	723,404 (50,676)	1,128,358 (97,701)
	<hr/>	<hr/>
Present value of hire purchase payables	672,728	1,030,657
	<hr/>	<hr/>
Current:	290,202	355,410
- not later than one year		
Non-current:	382,526	675,247
- later than one year and not later than five years		
	<hr/>	<hr/>
	672,728	1,030,657
	<hr/>	<hr/>

The hire purchase payables at the balance sheet date bore effective interest at rates ranging from 4.54% to 7.95% (2005 - 4.54% to 10.72%) per annum.

17. SHORT-TERM BORROWINGS

	THE GROUP	
	2006 RM	2005 RM
Bankers' acceptances	2,023,000	622,000
Trust receipts	80,578	33,071
	<hr/>	<hr/>
	2,103,578	655,071
	<hr/>	<hr/>

The short-term borrowings bear effective interest at rates ranging from 3.83% to 5.50% (2005 - 2.98% to 7.25%) per annum and are secured as follows:-

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

18. BANK OVERDRAFTS

The bank overdrafts bear effective interest at the rate of 7.25% (2005 - 7.25%) per annum and are secured in the same manner as the short-term borrowings as disclosed in Note 17 to the financial statements.

19. SHARE CAPITAL

	THE COMPANY			
	2006 NUMBER OF SHARES	2005	2006 RM	2005 RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	250,000,000	250,000,000	25,000,000	25,000,000
ISSUED AND FULLY PAID-UP				
At 1 October 2005/2004	173,580,650	83,596,325	17,358,065	8,359,633
Allotment during the financial year:				
- Options exercised under ESOS	-	3,194,000	-	319,400
- Bonus issue	-	86,790,325	-	8,679,032
At 30 September 2006/2005	173,580,650	173,580,650	17,358,065	17,358,065

20. SHARE PREMIUM

	THE GROUP/THE COMPANY	
	2006 RM	2005 RM
At 1 October 2005/2004	1,145,416	8,466,807
Premium arising from shares issued pursuant to options exercised under ESOS	-	1,437,300
Capitalisation for bonus issue	-	(8,679,032)
Expenses incurred for corporate listing exercise	-	(79,659)
At 30 September 2006/2005	1,145,416	1,145,416

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.

21. NEGATIVE GOODWILL

The negative goodwill is not distributable by way of cash dividends.

22. RETAINED PROFITS

Based on Section 108 of the Income Tax Act, 1967 and subject to agreement with the tax authorities, at the balance sheet date, the Company has sufficient tax-exempt income and tax credits to frank the payment of dividends out of its entire retained profits without incurring any additional tax liabilities.

23. DEFERRED TAXATION

	THE GROUP	
	2006 RM	2005 RM
At 1 October 2005/2004	71,000	59,000
Transfer (to)/from income statement (Note 27)	(29,000)	12,000
At 30 September 2006/2005	42,000	71,000

The deferred taxation is in respect of temporary differences arising from accelerated capital allowances on qualifying assets.

24. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value attributable to shareholders of RM26,713,036 (2005 - RM27,504,547) divided by the number of ordinary shares in issue at the balance sheet date of 173,580,650 shares (2005 - 173,580,650 shares).

25. REVENUE

Revenue of the Group and of the Company comprise the following:-

	THE GROUP		THE COMPANY	
	2006 RM	2005 RM	2005 RM	2005 RM
Contract revenue	21,841,594	28,565,299	-	-
Maintenance income	2,564,634	1,114,911	-	-
Sale of goods	3,652,620	1,639,829	-	-
Rental income	331,932	96,363	-	-
Dividend income	-	-	2,037,264	1,833,538
	28,390,780	31,416,402	2,037,264	1,833,538

Contract revenue represents progress billings certified by the customers and/or customers' consultants. Maintenance income and sale of goods represent the invoiced value of services rendered and goods sold less discounts and returns. Revenue of the Company represents the gross dividend income from investments in subsidiaries.

26. (LOSS)/PROFIT BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Allowance for doubtful debts	749,072	-	-	-
Audit fee:				
- for the financial year	23,600	23,300	4,000	4,000
- underprovision in the previous financial year	-	1,000	-	1,000
Contract expenses	17,933,277	19,927,154	-	-
Depreciation of property, plant and equipment	898,604	720,909	-	-
Directors' fee	60,000	90,000	60,000	90,000
Directors' other emoluments	705,250	802,440	23,250	61,000
Interest expense:				
- bank overdrafts	213,712	104,350	-	-
- bankers' acceptances	64,972	30,178	-	-
- hire purchase	50,730	130,362	-	-
- letters of credit and trust receipts	36,311	42,061	-	-
- others	-	55	-	-
Loss on foreign exchange - realised	6,779	3,928	-	-
Rental of equipment	11,774	10,901	-	-
Rental of premises	52,116	48,418	-	-
Rental of motor vehicle	1,700	-	-	-
Staff costs	4,678,471	4,626,858	-	-
Write-down of properties held for sale	51,541	-	-	-
Write-back of allowance for doubtful debts	-	(129,785)	-	-
Gain on disposal of plant and equipment	-	(85,827)	-	-
Dividend income from a subsidiary	-	-	(2,037,264)	(1,833,538)
Fixed deposit interest income	(229,047)	(298,108)	-	(1,891)
Rental income	(139,055)	(102,563)	-	-

27. TAXATION

	THE GROUP		THE COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax:				
- for the financial year	323,166	1,408,109	569,000	508,000
- (over)/underprovision in the previous financial year	(30,594)	37,569	-	3,805
	292,572	1,445,678	569,000	511,805
Deferred taxation (Note 23):				
- for the financial year	(19,000)	-	-	-
- (over)/underprovision in the previous financial year	(10,000)	12,000	-	-
	263,572	1,457,678	569,000	511,805

The reconciliation of income tax expense applicable to the (loss)/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	
	2006 RM	2005 RM	2006 RM	2005 RM
(Loss)/Profit before taxation	(532,790)	4,122,681	1,854,030	1,537,692
Tax at the statutory tax rate of 28%	(149,181)	1,154,351	519,128	430,554
Tax effects of:-				
Differential in tax rates	(66,300)	(76,575)	-	-
Non-taxable gain	-	(20,833)	-	-
Non-deductible expenses	509,447	302,678	49,872	76,692
Deferred tax assets not recognised during the financial year	10,200	46,000	-	-
(Over)/Underprovision in the previous financial year:				
- current tax	(30,594)	37,569	-	3,805
- deferred tax	(10,000)	12,000	-	-
Others	-	2,488	-	754
Taxation for the financial year	263,572	1,457,678	569,000	511,805

28. (LOSS)/EARNINGS PER ORDINARY SHARE

The basic (loss)/earnings per ordinary share is arrived at by dividing the Group's loss attributable to the shareholders of RM791,511 (2005 - profit attributable to the shareholders of RM2,665,132) with the number of ordinary shares in issue during the financial year of 173,580,650 (2005 - weighted average number of 173,065,469).

The fully diluted loss per share for the Group for the current financial year is not presented as the assumed conversion from the exercise of the share options under the ESOS during the financial year would be anti-dilutive.

Fully diluted earnings per share in the previous financial year was calculated by dividing the Group's profit attributable to the shareholders by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

	<i>THE GROUP</i>
	2005 RM
Net profit attributable to shareholders of the Company	2,665,132
Weighted average number of ordinary shares in issue	173,065,469
Adjusted for ESOS	6,474,353
Adjusted weighted average number of ordinary shares in issue and issuable	179,539,822
Fully diluted earnings per share (sen)	1.5

The Group's adjusted weighted average number of ordinary shares in issue and issuable for the financial year ended 30 September 2005 had been arrived at based on the assumption that dilutive share options would be exercised at the beginning of the year.

29. DIVIDEND

	<i>THE GROUP/THE COMPANY</i>	
	2006 RM	2005 RM
Interim dividend of 20% per ordinary share less income tax of 28% in respect of the current financial year	-	1,249,781

30. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	<i>THE GROUP</i>	
	2006 RM	2005 RM
Cost of property, plant and equipment purchased	593,569	2,160,069
Amount financed through hire purchase	-	(230,000)
Cash disbursed for purchase of property, plant and equipment	593,569	1,930,069

31. SUMMARY OF EFFECTS ON ACQUISITION OF SUBSIDIARIES

The effects of the acquisitions of the subsidiaries on the financial results of the Group during the financial year are as follows:-

	<i>THE GROUP</i>	
	2006 RM	2005 RM
Revenue	-	21,063
Cost of sales	-	(23,055)
Gross loss	-	(1,992)
Operating expenses	-	(11,630)
Loss for the financial year	-	(13,622)
Minority interests	-	129
Decrease in net profit of the Group	-	(13,493)

The effects of the acquisition of the subsidiaries on the financial position of the Group at the financial year end are as follows:-

	<i>THE GROUP</i>	
	2006 RM	2005 RM
Trade receivables	-	11,062
Cash and bank balances	-	21,121
Other payables, deposits and accruals	-	(14,450)
Increase in net assets of the Group	-	17,733

The details of net assets acquired and cash flow arising from the acquisition of the subsidiaries are as follows:-

	<i>THE GROUP</i>	
	2006 RM	2005 RM
Current assets	-	300
Minority interests	-	(129)
Total purchase consideration	-	171
Less: Cash and cash equivalents of subsidiaries acquired	-	(300)
Cash inflow on acquisition of subsidiaries	-	(129)

32. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits with licensed banks (Note 14)	6,703,222	6,566,515	-	-
Cash and bank balances	568,422	104,298	528,476	557
Bank overdrafts	(4,612,383)	(3,747,471)	-	-
	2,659,261	2,923,342	528,476	557

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 RM100,000 are as follows:-

	Number of directors	Directors' fee RM	Number of directors	Directors' other emoluments RM
THE GROUP				
2006				
- Below RM100,000	8	60,000	4	145,250
- RM100,001 to RM200,000	-	-	-	-
- RM200,001 to RM300,000	-	-	1	224,000
- RM300,001 to RM400,000	-	-	1	336,000
- RM400,001 to RM500,000	-	-	-	-
	8	60,000	5	705,250
2005				
- Below RM100,000	7	90,000	3	119,240
- RM100,001 to RM200,000	-	-	-	-
- RM200,001 to RM300,000	-	-	1	273,280
- RM300,001 to RM400,000	-	-	-	-
- RM400,001 to RM500,000	-	-	1	409,920
	7	90,000	5	802,440
THE COMPANY				
2006				
- Below RM100,000	-	-	2	23,250
- RM100,001 to RM200,000	-	-	-	-
- RM200,001 to RM300,000	-	-	-	-
- RM300,001 to RM400,000	-	-	-	-
- RM400,001 to RM500,000	-	-	-	-
	-	-	2	23,250
2005				
- Below RM100,000	7	90,000	2	61,000
- RM100,001 to RM200,000	-	-	-	-
- RM200,001 to RM300,000	-	-	-	-
- RM300,001 to RM400,000	-	-	-	-
- RM400,001 to RM500,000	-	-	-	-
	7	90,000	2	61,000

34. SEGMENTAL INFORMATION

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	ELIMINATION RM	GROUP RM
2006							
THE GROUP							
REVENUE							
External revenue	21,841,594	3,652,620	2,564,634	-	331,932	-	28,390,780
Intersegment revenue	-	-	-	2,037,264	386,400	(2,423,664)	-
Total revenue	21,841,594	3,652,620	2,564,634	2,037,264	718,332	(2,423,664)	28,390,780
RESULTS							
Segment results (external)	1,886,928	(2,014,505)	730,524	1,222,318	129,116	(2,037,264)	(82,883)
Finance costs	-	(443,736)	-	-	(6,171)	-	(449,907)
Loss from ordinary activities before taxation							(532,790)
Taxation							(263,572)
Loss from ordinary activities after taxation							(796,362)
Minority interests							4,851
Loss attributable to shareholders of the Company							(791,511)

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	TOTAL RM
OTHER INFORMATION						
Segment assets	27,868,327	2,033,021	209,932	607,350	6,090,686	36,809,316
Unallocated assets						213,488
						37,022,804
Segment liabilities	9,557,957	-	-	673,232	36,579	10,267,768
Unallocated liabilities						42,000
						10,309,768
Capital expenditure	48,127	-	-	30,309	515,133	593,569
Depreciation	726,781	-	-	613	171,210	898,604

34. SEGMENTAL INFORMATION (CONT'D)

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	ELIMINATION RM	GROUP RM
2005							
THE GROUP							
REVENUE							
External revenue	28,565,299	1,639,829	1,114,911	-	96,363	-	31,416,402
Intersegment revenue	-	-	-	1,833,538	450,255	(2,283,793)	-
Total revenue	28,565,299	1,639,829	1,114,911	1,833,538	546,618	(2,283,793)	31,416,402
RESULTS							
Segment results (external)	3,771,322	327,966	557,456	1,521,139	202,260	(1,833,538)	4,546,605
Finance costs	(423,924)	-	-	-	-	-	(423,924)
Profit from ordinary activities before taxation							4,122,681
Taxation							(1,457,678)
Profit from ordinary activities after taxation							2,665,003
Minority interests							129
Profit attributable to shareholders of the Company							2,665,132

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	TOTAL RM
OTHER INFORMATION						
Segment assets	28,918,994	410,032	301,853	715	5,622,695	35,254,289
Unallocated assets						12,453
						35,266,742
Segment liabilities	7,401,289	-	-	215,335	54,561	7,671,185
Unallocated liabilities						91,010
						7,762,195
Capital expenditure	461,417	-	-	-	1,698,652	2,160,069
Depreciation	619,424	-	-	-	101,485	720,909

35. NUMBER OF EMPLOYEES

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
Number of employees at balance sheet date	124	121	-	-

36. FOREIGN EXCHANGE RATES

The applicable 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 balance sheet date are as follows:-

	2006 RM	2005 RM
Australian Dollar	2.75	2.88
United States Dollar	3.71	3.77
Euro	4.73	4.54
Singapore Dollar	2.32	2.23
Pound Sterling	6.92	6.67

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount for which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

(a) Bank Balances and Other Liquid and Short-Term Receivables

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

(b) Other Investments

It is not practicable to estimate the fair value of the Group's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable amount.

(c) Amount Owed By Subsidiaries

It is not practicable to determine the fair value of the amount owing by the subsidiaries due principally to a lack of fixed repayment terms. However, the Company does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be received.

(d) Short-Term Borrowings and Other Current Liabilities

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

(e) Hire Purchase Payables

The carrying amount approximated the fair value of the instrument. The fair value of the hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar types of instruments.

(f) Contingent Liabilities

It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

38. CONTINGENT LIABILITIES

	THE COMPANY	
	2006 RM	2005 RM
Unsecured:		
- Guarantees given to financial institutions in respect of facilities extended to a subsidiary	28,890,000	26,190,000
- Liquidated and ascertained damages in respect of purported delay in completion of contracted work *	7,483,580	7,483,580
	<u>36,373,580</u>	<u>33,673,580</u>

* A legal proceeding was initiated by the Company against a third party, claiming the sum of approximately RM1.4 million for the outstanding amount owing for more than two years. The third party is counter-claiming a sum of approximately RM7.5 million for liquidated and ascertained damages in respect of the purported delay in the completion of contracted works. As at the date of this report, the case is pending hearing.

The directors are of the opinion that the counter-claim by the third party would be unsuccessful and as such no material liability is expected to arise.

39. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The significant events after the balance sheet date are as follows:-

- (i) on 2 October 2006, the Company allotted 6,500,000 ordinary shares of RM0.10 each under private placement exercise at RM0.12 per share.
- (ii) on 15 November 2006, the Company increased its authorised share capital from RM25,000,000 to RM50,000,000 by the creation of 250,000,000 new ordinary shares of RM0.10 each;
- (iii) on 15 November 2006, the Company proposed to carry out a share buy-back of not more than 10% of the issued and paid-up share capital of the Company; and
- (iv) renounceable rights issue of 90,040,325 warrants at an issue price of RM0.01 per warrant on the basis of one warrant for every two ordinary shares of RM0.10 each held in the Company as at 22 December 2006.

40. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the presentation of the current financial year:-

	THE COMPANY	
	As Restated RM	As Previously Reported RM
CASH FLOW STATEMENTS (EXTRACT):		
Operating (loss)/profit before working capital changes	(297,737)	1,535,801
Cash flow (for)/from operations	(193,682)	1,639,856
Net cash (for)/from operating activities	(707,072)	1,126,466
Net cash from investing activities	1,508,086	1,720
Net cash for financing activities	(822,521)	(1,149,693)

ANALYSIS OF ORDINARY SHAREHOLDINGS

Authorised Share Capital	: RM 50,000,000.00
Issued and Fully Paid-Up Share Capital	: RM 18,008,065.00
Class of Shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One vote per shareholder on a show of hands or one vote per ordinary share on a poll

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100 shares	3	118	0.00
100 to 1,000 shares	71	46,000	0.02
1,001 to 10,000 shares	1,458	9,143,420	5.08
10,001 to 100,000 shares	1,363	48,727,200	27.06
100,001 to 9,004,031 shares*	197	79,005,118	43.87
9,004,032 shares and above**	1	43,158,794	23.97
	3,093	180,080,650	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES

(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	%
1	Kenangan Lampiran Sdn Bhd	43,158,794	23.97
2	Mayban Nominees (Tempatan) Sdn Bhd (Malaysian Trustees Berhad for Mayban Smallcap Trust Fund)	7,540,000	4.19
3	Datuk Lee Wah Chong	3,048,802	1.69
4	Datin Wa Siew Yam	2,413,230	1.34
5	Ong Fee Chong	2,400,110	1.33
6	Mohamed Iqbal Bin S Habeeb Noohu	2,000,000	1.11
7	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Sor Ah Kee)	1,900,000	1.06
8	Chow Song Kuang	1,494,500	0.83
9	Lee Chai Eng	1,310,200	0.73
10	Zakiah Binti Ab Samat	1,227,500	0.68
11	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak)	1,200,000	0.67
12	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Yeap Gek @ Yeap Poh Chim)	1,032,000	0.57

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES (Cont'd)

(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	%
13	Wong Leang Hoe	1,030,000	0.57
14	Mayban Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chin Tek Ming)	1,000,900	0.56
15	HDM Nominees (Tempatan) Sdn Bhd (UOB Kay Hian Pte Ltd for Teh Kee Hong)	1,000,000	0.56
16	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lee Swee Eng)	1,000,000	0.56
17	Gan Wee Peng	969,800	0.54
18	Lum Chee Khin	819,100	0.45
19	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Der Chin Tong)	807,100	0.45
20	Affin Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Hu Siew Yew)	780,000	0.43
21	Chew Foong Tai	700,000	0.39
22	Su An Lee	681,100	0.38
23	Loh Chia Shing	630,000	0.35
24	Low Koon Cheng	630,000	0.35
25	Amsec Nominees (Tempatan) Sdn Bhd (P.T. Arab-Malaysian Capital Indonesia for Wong Ei Mee)	629,000	0.35
26	Affin Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Foo Phang Ming)	600,000	0.33
27	Lee Li Choo	600,000	0.33
28	Liong Kong Yong @ Neo Kwong Kiong	600,000	0.33
29	Loh Chun Lin	600,000	0.33
30	Ting Soon Yoke	600,000	0.33
Total		82,402,136	45.76

SUBSTANTIAL SHAREHOLDERS (Direct & Indirect)

(as per Register of Substantial Shareholders)

No. of ordinary shares of RM0.10 each beneficially held by the Substantial Shareholders

No.	Shareholder	Direct Interest	%	Indirect Interest	%
1	Kenangan Lampiran Sdn Bhd	43,158,794	23.97	-	-
2	Datuk Lee Wah Chong	3,048,802	1.69	43,158,794*	23.97
3	Ong Fee Chong	2,400,110	1.33	43,158,794*	23.97

* By virtue of their interest in Kenangan Lampiran Sdn Bhd (KLSB), Datuk Lee Wah Chong and Ong Fee Chong are deemed interested in the shares of the Company to the extent that KLSB has an interest.

DIRECTORS' SHAREHOLDING (Direct & Indirect)

(as per Register of Directors' Shareholdings)

No. of ordinary shares of RM0.10 each beneficially held by the Directors

Name Of Directors	Direct Interest	%	Indirect Interest	%
Datuk Lee Wah Chong	3,048,802	1.69	43,158,794*	23.97
Ong Fee Chong	2,400,110	1.33	43,158,794*	23.97
Datin Wa Siew Yam	2,413,230	1.34	-	-
Lye Siang Long	-	-	-	-
Lee Mely	-	-	-	-
YB Dato' Hasan Bin Malek	-	-	-	-
Ir. Loh Khoo Hong	-	-	-	-
YB Ab Wahab Bin Ab Latip	-	-	-	-

* By virtue of their interest in Kenangan Lampiran Sdn Bhd (KLSB), Datuk Lee Wah Chong and Ong Fee Chong are deemed interested in the shares of the Company to the extent that KLSB has an interest.

ANALYSIS OF WARRANT 2007/2017 HOLDINGS

No. of Warrants Issued : 90,040,325

No. of Warrants Exercised : NIL

No. of Warrants Unexercised : 90,040,325

Exercise Period : 8 February 2007 to 7 February 2017

Voting Rights at the Meeting of Warrant Holders : Every Warrant Holder of the Company present in person shall be entitled by a show of hand to one (1) vote and every Warrant Holder present in person or by proxy shall be entitled on a poll to one (1) vote for each Warrant held.

DISTRIBUTION SCHEDULE OF WARRANT HOLDERS

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100 warrants	-	-	-
100 to 1,000 warrants	35	33,450	0.04
1,001 to 10,000 warrants	868	4,401,960	4.89
10,001 to 100,000 warrants	596	17,921,460	19.90
100,001 to 4,502,015 warrants*	107	38,351,455	42.59
4,502,016 warrants and above**	2	29,332,000	32.58
	1,608	90,040,325	100.00

* Less than 5% of issued warrants

** 5% and above of issued warrants

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANTS

(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Warrants Held	%
1	Kenangan Lampiran Sdn Bhd	21,600,000	23.99
2	Toh Ean Hai	7,732,000	8.59
3	Leong Thim Choy	2,519,000	2.80
4	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Leong Thim Choy)	1,878,000	2.08
5	Lee Wah Chong	1,530,000	1.70
6	Teo Ah Seng	1,380,000	1.53
7	Wa Siew Yam	1,210,000	1.34
8	Ong Fee Chong	1,200,055	1.33
9	Affin Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Boon Pock)	1,200,000	1.33
10	Mayban Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Yong Chee Piew)	1,000,000	1.11
11	Mohamed Iqbal B S Habeeb Noohu	1,000,000	1.11
12	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Sor Ah Kee)	950,000	1.05
13	Quek Jin Ang	900,000	1.00
14	Chen Tong Yee	687,000	0.76
15	Yang Keng Boon	670,000	0.74
16	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak)	600,000	0.67
17	Mayban Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lim Paik Hong)	600,000	0.67
18	Amsec Nominees (Tempatan) Sdn Bhd (P.T. Arab-Malaysian Capital Indonesia for Wong Ei Mee)	556,000	0.62
19	Ang Chin Eng	500,000	0.56
20	HDM Nominees (Tempatan) Sdn Bhd (UOB Kay Hian Pte Ltd for Teh Kee Hong)	500,000	0.56
21	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lee Swee Eng)	500,000	0.56
22	Choa Seong Yee	493,000	0.55
23	Gan Wee Peng	484,900	0.54
24	Lau Mee Leng	458,000	0.51
25	Mayban Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Hoo Chee Wing)	458,000	0.51
26	Chew Foong Tai	401,000	0.45

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANTS (Cont'd)

(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Warrants Held	%
27	Er Wan Inn	400,000	0.44
28	Sutinah Binti Mohd Ariff	400,000	0.44
29	Affin Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Hu Siew Yew)	390,000	0.43
30	Lum Chee Khin	355,000	0.39
Total		52,551,955	58.36

DIRECTORS' WARRANT HOLDINGS (Direct & Indirect)

(as per Register of Directors' Warrant Holdings)

Name of Directors	Direct Interests	%	Indirect Interests	%
Datuk Lee Wah Chong	1,530,000	1.70	21,600,000*	23.99
Ong Fee Chong	1,200,055	1.33	21,600,000*	23.99
Datin Wa Siew Yam	1,210,000	1.34	-	-
Lye Siang Long	-	-	-	-
Lee Mely	-	-	-	-
YB Dato' Hasan Bin Malek	-	-	-	-
Ir. Loh Khoo Hong	-	-	-	-
YB Ab Wahab Bin Ab Latip	-	-	-	-

* By virtue of their interest in Kenangan Lampiran Sdn Bhd (KLSB), Datuk Lee Wah Chong and Ong Fee Chong are deemed interested in the warrants of the Company to the extent that KLSB has an interest.

LIST OF PROPERTIES AT 30 SEPTEMBER 2006

LOCATION	DESCRIPTION/ EXISTING USE	BUILD-UP AREA/ LAND AREA* (SQ.FT.)	TENURE	APPROXIMATE AGE OF BUILDINGS	NET BOOK VALUE/ NET REALISABLE VALUE# (RM)	YEAR OF ACQUISITION
LOT 4.119, 4TH FLOOR, WISMA CENTRAL, JALAN AMPANG, 50450 KUALA LUMPUR.	OFFICE UNIT	366	FREEHOLD	28 YEARS	62,160	1994
B5/5/5, 4TH FLOOR, ONE AMPANG BUSINESS AVENUE, JALAN AMPANG UTAMA 1/2, 68000 AMPANG, SELANGOR.	AN INTERMEDIATE OFFICE LOT IN A 5-STOREY SHOP/ OFFICE UNIT	1864	LEASEHOLD FOR 99 YEARS EXPIRING ON 23/05/2089	11 YEARS	438,208	1997
B5/2/2, 1ST FLOOR, ONE AMPANG BUSINESS AVENUE, JALAN AMPANG UTAMA 1/2, 68000 AMPANG, SELANGOR.	AN INTERMEDIATE OFFICE LOT IN A 5-STOREY SHOP/ OFFICE UNIT	1864	LEASEHOLD FOR 99 YEARS EXPIRING ON 23/05/2089	11 YEARS	496,437	1997
B5/4/4, 3RD FLOOR, ONE AMPANG BUSINESS AVENUE, JALAN AMPANG UTAMA 1/2, 68000 AMPANG, SELANGOR.	AN INTERMEDIATE OFFICE LOT IN A 5-STOREY SHOP/ OFFICE UNIT	1864	LEASEHOLD FOR 99 YEARS EXPIRING ON 23/05/2089	11 YEARS	354,406	1998
B6/5/5, 4TH FLOOR, ONE AMPANG BUSINESS AVENUE, JALAN AMPANG UTAMA 1/2, 68000 AMPANG, SELANGOR.	AN INTERMEDIATE OFFICE LOT IN A 5-STOREY SHOP/ OFFICE UNIT	1864	LEASEHOLD FOR 99 YEARS EXPIRING ON 23/05/2089	11 YEARS	369,321	2001
B6/3/3, 2ND FLOOR, ONE AMPANG BUSINESS AVENUE, JALAN AMPANG UTAMA 1/2, 68000 AMPANG, SELANGOR.	AN INTERMEDIATE OFFICE LOT IN A 5-STOREY SHOP/ OFFICE UNIT	1864	LEASEHOLD FOR 99 YEARS EXPIRING ON 23/05/2089	11 YEARS	335,153	2001
B5/3/3, 2ND FLOOR, ONE AMPANG BUSINESS AVENUE, JALAN AMPANG UTAMA 1/2, 68000 AMPANG, SELANGOR.	AN INTERMEDIATE OFFICE LOT IN A 5-STOREY SHOP/ OFFICE UNIT	1864	LEASEHOLD FOR 99 YEARS EXPIRING ON 23/05/2089	11 YEARS	349,974	2002

LIST OF PROPERTIES AT 30 SEPTEMBER 2006 (CONT'D)

LOCATION	DESCRIPTION/ EXISTING USE	BUILD-UP AREA/ LAND AREA* (SQ.FT.)	TENURE	APPROXIMATE AGE OF BUILDINGS	NET BOOK VALUE/ NET REALISABLE VALUE# (RM)	YEAR OF ACQUISITION
B6/4/4, 3RD FLOOR, ONE AMPANG BUSINESS AVENUE, JALAN AMPANG UTAMA 1/2, 68000 AMPANG, SELANGOR.	AN INTERMEDIATE OFFICE LOT IN A 5-STOREY SHOP/ OFFICE UNIT	1864	LEASEHOLD FOR 99 YEARS EXPIRING ON 23/05/2089	11 YEARS	374,802	2002
B6/2/2, 1ST FLOOR, ONE AMPANG BUSINESS AVENUE, JALAN AMPANG UTAMA 1/2, 68000 AMPANG, SELANGOR.	AN INTERMEDIATE OFFICE LOT IN A 5-STOREY SHOP/ OFFICE UNIT	1864	LEASEHOLD FOR 99 YEARS EXPIRING ON 23/05/2089	11 YEARS	539,582	2003
NO.3, JALAN TU-3, TAMAN TASIK UTAMA, AYER KEROH, 75450 MELAKA.	DOUBLE-STOREY SHOPHOUSE	1539	LEASEHOLD FOR 99 YEARS EXPIRING ON 23/05/2089	6 YEARS	172,605	2002
LOT 165, MUKIM KUALA KUANTAN, PAHANG.	LAND (VACANT BUNGALOW LOT)	15289*	LEASEHOLD FOR 99 YEARS EXPIRING ON 10/09/2092	N/A	187,717	2002
C19, JALAN AMPANG UTAMA 1/1, TAMAN AMPANG UTAMA, 68000 AMPANG, SELANGOR.	A CORNER OFFICE LOT IN A 4-STOREY SHOP/ SHOP-OFFICE	BUILD-UP AREA: 8,124 LAND AREA: 1,920	LEASEHOLD FOR 99 YEARS EXPIRING ON 07/05/2083	13 YEARS	1,210,180	2005
NO.28-1A, JALAN SUNGAI CHANDONG 9, BANDAR ARMADA PUTRA, PULAU INDAH, 42100 PELABUHAN KLANG, SELANGOR.	SHOP-OFFICE	644	LEASEHOLD FOR 99 YEARS EXPIRING ON 11/03/2095	5 YEARS	45,000#	2005
LOT 10-01, ASTAKA HEIGHTS, TAMAN PANDAN PERDANA, 56100 CHERAS, KUALA LUMPUR.	PENTHOUSE	2091	FREEHOLD	DEVELOPMENT IN-PROGRESS	321,163	2005

**DIGISTAR CORPORATION BERHAD**

(Company No. 603652-K)

(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares Held

*I/We NRIC No./Company No.
(FULL NAME IN BLOCK CAPITALS)

of
(FULL ADDRESS)

being a member/members of DIGISTAR CORPORATION BERHAD (603652-K), hereby appoint
(FULL NAME IN BLOCK CAPITALS)

NRIC No. of
(FULL ADDRESS)

or failing *him/her,
(FULL NAME IN BLOCK CAPITALS)

NRIC No. of
(FULL ADDRESS)

or failing *him / her, *the Chairman of The Meeting as *my/our proxy to attend and vote on *my/our behalf at the Fourth Annual General Meeting of the Company to be held at Embassy 1, Level 6, Holiday Villa Apartment Suites Kuala Lumpur, No.225 Jalan Ampang, 50450 Kuala Lumpur on Friday, 30 March 2007 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. Unless voting instructions are indicated in the space above, the proxy will vote as he / she thinks fit.)

	FOR	AGAINST
Ordinary Resolution 1 – Adoption of Financial Statements		
Ordinary Resolution 2 – Re-election of Datuk Lee Wah Chong		
Ordinary Resolution 3 – Re-election of YB Ab Wahab Bin Ab Latip		
Ordinary Resolution 4 – Re-election of Lye Siang Long		
Ordinary Resolution 5 – Approval of Directors' Fees		
Ordinary Resolution 6 – Re-appointment of Messrs Horwath		
Ordinary Resolution 7 – Authority to Allot Shares		
Ordinary Resolution 8 – Renewal of Authority to Purchase the Company's Own Shares		
Special Resolution 1 – Amendments to Articles of Association		

Signed this day of 2007

.....
Signature/Common Seal of Member

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies (but not more than two (2)) to attend and vote in his/her stead. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or if such appointor is a corporation under its common seal or the hands of its attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at C15-1, Level 15, Tower C, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or any adjourned meeting.

* Delete where applicable

FOLD THIS FLAP FOR SEALING

FOLD HERE



THE SECRETARY
DIGISTAR CORPORATION BERHAD (603652-K)
C15-1, LEVEL 15, TOWER C,
MEGAN AVENUE II,
12, JALAN YAP KWAN SENG,
50450 KUALA LUMPUR.

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DIGISTAR CORPORATION BERHAD (Company No.: 603652-K)

B6/4/4, 3rd Floor, One Ampang Business Avenue,
Jalan Ampang Utama 1/2, 68000 Ampang, Selangor, Malaysia.

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