



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

**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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BROADCAST

Annual Report  
**2007**

TELECOMMUNICATION

INFORMATION  
TECHNOLOGY

AUDIO VISUAL

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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 DIGISTAR to employ potential employees upon completion of their studies.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fifth 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 Thursday, 28 February 2008 at 10.00 a.m. for the following purposes:

## A G E N D A

1. To receive the Financial Statements for the financial year ended 30 September 2007 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following directors who are retiring under Article 86 of the Articles of Association of the Company:
  - 2.1 Dato' Hasan Bin Malek; *(Ordinary Resolution 1)*
  - 2.2 Datin Wa Siew Yam; and *(Ordinary Resolution 2)*
  - 2.3 Loh Khoo Hong. *(Ordinary Resolution 3)*
3. To approve the sum of RM110,000.00 being the directors' fees for the financial year ended 30 September 2007. *(Ordinary Resolution 4)*
4. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 5)*

## 5. Special Business:

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

### 5.1 Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965

"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 ten per centum (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."

*(Ordinary Resolution 6)*

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

"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 per centum (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 2007, the retained profits and share premium account of the Company were RM1,907,150 and RM1,630,187 respectively; and

## Notice of Annual General Meeting (cont'd)

- (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.

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."

**(Ordinary Resolution 7)**

BY ORDER OF THE BOARD

**MAH LI CHEN (MAICSA 7022751)**

**TAN FONG SHIAN @ LIM FONG SHIAN (MAICSA 7023187)**

Company Secretaries

Kuala Lumpur  
5 February 2008

### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies 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/she 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 any adjournment thereof.

### Explanatory Note on the Special Business

#### Ordinary Resolution 6

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

The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company, from the date of the Fifth Annual General Meeting, to issue shares (other than bonus or rights issue) of the Company up to and not exceeding in total ten per centum (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 7

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

The proposed Ordinary Resolution 7, if passed, will empower the Company to purchase and/or hold up to ten per centum (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 Statement to shareholders set out in this Annual Report for further information.

#### 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 Fifth 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 Fifth 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 Fifth Annual General Meeting of the Company.



# Corporate Information

## 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)*  
 YB Datuk Ab Wahab Bin Ab Latip *(Independent Non-Executive Director)*  
 Ir. Loh Khoon Hong *(Independent Non-Executive Director)*

## AUDIT COMMITTEE

### Chairman

YB Datuk 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: 03-7718 6000 Fax: 03-7722 2311

## PRINCIPAL BANKERS

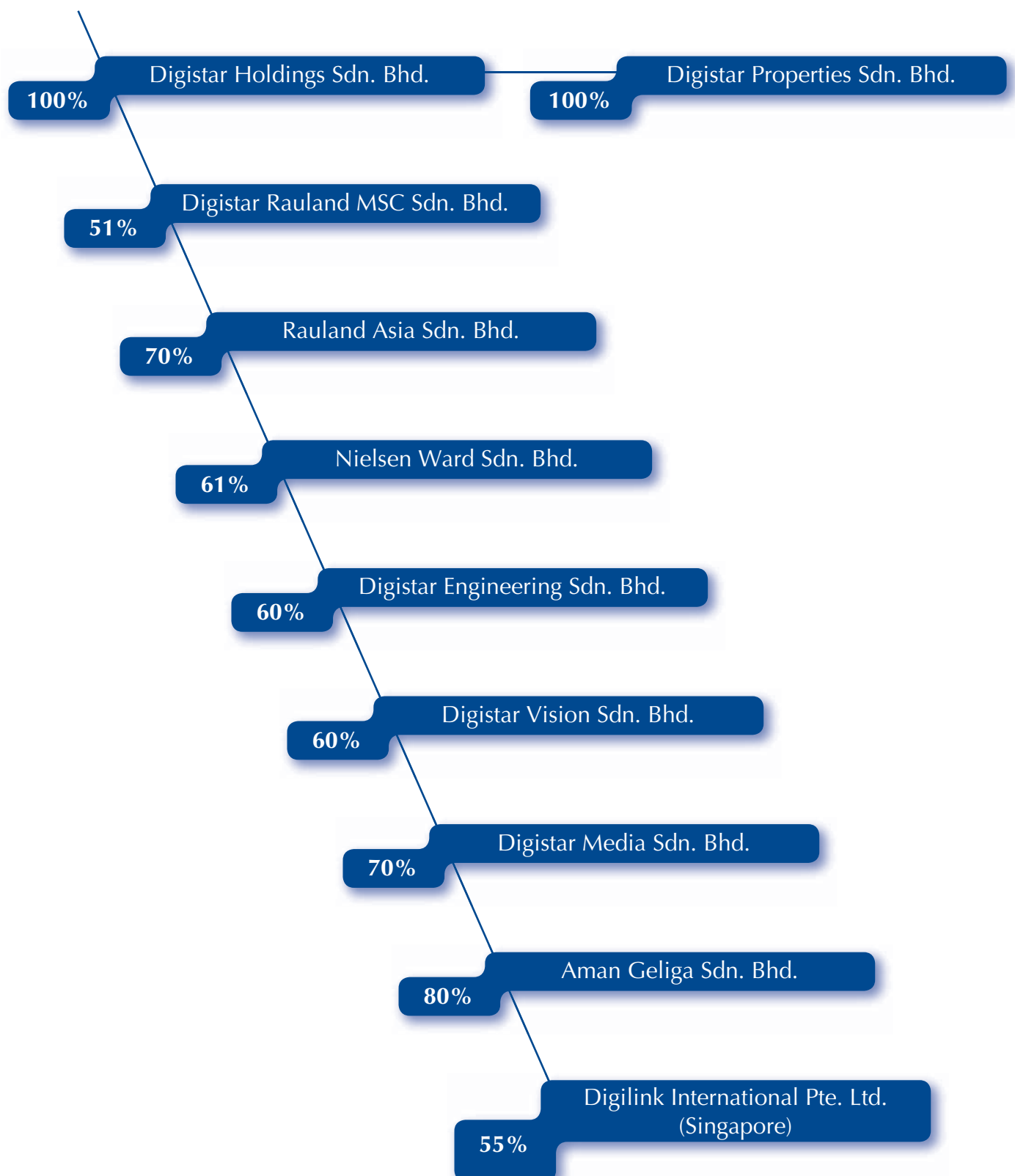
United Overseas Bank (Malaysia) Berhad  
 OCBC Bank (Malaysia) Berhad  
 Malayan Banking Berhad  
 Affin Bank Berhad

## STOCK EXCHANGE LISTING

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

## Group Structure as at 31 DECEMBER 2007

### Digistar Corporation Berhad



## Directors' Profile

### YB DATO' HASAN BIN MALEK



YB Dato' Hasan Bin Malek, a Malaysian aged 62, 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 Darul Khusus 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 50, 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 the founder of Digistar Group which started 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 since 1982. 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 37, 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 thirteen (13) years of experience in the system integration industry.

### DATIN WA SIEW YAM



Datin Wa Siew Yam, a Malaysian aged 49, 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 a Director of Digistar Holdings Sdn Bhd, a position she holds until today.

## Directors' Profile (cont'd)

### YB DATUK AB WAHAB BIN AB LATIP

YB Datuk Ab Wahab Bin Ab Latip, a Malaysian aged 52, 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 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

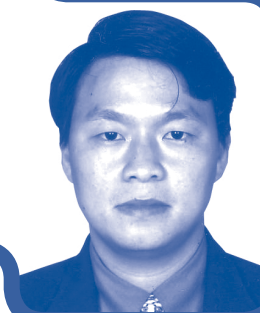
Ir. Loh Khoon Hong, a Malaysian aged 64, was appointed as an Independent Non-Executive Director of the Company on 18 August 2003. He is also a member of the Audit Committee. He was awarded a Bachelor of Engineering (Hons.) degree in Electrical Engineering from the University of Malaya in 1968. He is 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 38, 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 the Company 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.

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 31 December 2007 of this Annual Report.

The details of the Directors' attendance at board meetings are set out in the Statement of Corporate Governance of this 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.



# Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Financial Statements of Digistar Corporation Berhad ("Digistar or Company") for the financial year ended 30 September 2007.

## ECONOMIC REVIEW

Today, Malaysia is a broad-based and diversified economy. The Government's far-sighted and pro-business policies were instrumental in the transformation of the economy. Strong domestic economic fundamentals will enable the economy to grow at 6.0% in 2007 (2006: 5.9%). Furthermore, it is undergoing rapid development into a knowledge-based economy, where technology, driven by skills and innovation, will be among the key determinants to enhance efficiency, productivity and competitiveness. In this respect, information and communication technology (ICT) and other technologies have become important enabling tools, leading to changes in the comparative advantage and competitiveness of economies worldwide. The Malaysia Information, Communication and Multimedia Services 886 Strategy provides the major policy thrust for further development of ICT. The strategy will position the industry towards the delivery of advanced information, communication and multimedia services by 2010.

Value added of the construction sector increased significantly by 4.4% in the first half of 2007 (January-June 2006: -1.2%), after recording a turnaround in the fourth quarter of 2006. The expansion was largely led by increased civil engineering activity, following the implementation of 9MP projects. For the whole year, the sector is envisaged to register a growth of 5.2% (2006: -0.5%).

The Malaysian economy is anticipated to strengthen further to 6.0-6.5% in 2008 (2007: 6.0%) with positive contribution from all sectors of the economy. Domestic demand will be the main driver of the economy, while external demand is expected to pick up in tandem with improved prospects in world trade. All sectors of the economy are expected to register steady growth in 2008, led by services, reinforced by faster pace in construction activities as well as high global electronics demand. The construction sector is poised to strengthen further with a growth of 6.3% (2007: 5.2%) on the back of ongoing infrastructure projects and newly launched infrastructure projects under 9MP, in particular the development of growth corridors.

(Source: Economic Report 2007/2008 from the Ministry of Finance Malaysia)

Based on the above, the expected growth of the construction industry, as well as the Government's strong and continual support in the ICT industry in Malaysia bodes well for the future of the Digistar Group.

## OPERATIONAL AND FINANCIAL REVIEW

For the financial year ended 30 September 2007, the Group registered revenue of RM38.26 million as compared to RM28.39 million achieved in the previous year. After accounting for tax and minority interest, the loss attributable to shareholders of the Company was RM1.98 million for the financial year ended 30 September 2007 as compared to loss attributable to shareholders of the Company of RM0.79 million for the financial year ended 30 September 2006.

The increase in revenue is mainly due to an increase in the number of projects certified and the completion of certain projects in the financial year ended 30 September 2007. The losses recorded were the result of the erosion of the profit margins of the Group's contracts undertaken during the financial year ended 30 September 2007, increases in project implementation costs and allowance for doubtful debts.

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.

## Chairman's **Statement** (cont'd)

### **PROSPECTS**

From the 9MP, it can be seen that the Malaysian Government had made significant allocation for development expenditure. Since, the launch of the 9MP, construction industry had experienced some recoveries in business activities. The Company is determined to gain some benefits from the 9MP especially in the healthcare and education sectors.

For broadcasting, as most of the television networks and production facilities in the Asia-Pacific region are still on analogue systems, this give ample opportunity for the Company to offer its broadcast system integration services to broadcasters in this region. The Company is focusing on boosting its recurring service and maintenance income.

Barring any unforeseen circumstances, the Directors anticipate that maintaining the profitability of the Group will be a challenging task for the financial year ending 30 September 2008.

### **BOARD CHANGES**

Dato' Seri Dr. Haji Arshad Bin Haji Hashim and Madam Lee Mely resigned as Independent Non-Executive Director and Executive Director respectively on 18 January 2007 and 16 April 2007. On behalf of the Board, I wish to record my appreciation for their invaluable contributions during their tenure in office.

### **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 to 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

5 February 2008

# Audit Committee Report

## 1. COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee currently comprises the following members:-

Chairman	:	YB Datuk Ab Wahab Bin Ab Latip	(Independent Non-Executive Director)
Members	:	Ir. Loh Khoo Hong	(Independent Non-Executive Director)
		Lye Siang Long	(Executive Director)

As at the date of this Annual Report, members of the Audit Committee consist of two (2) Independent Non-Executive Directors and One (1) Executive Director.

The Company is in the midst of the appointing a Non-Executive Director in place of the existing Executive Director in order to comply with the best practice of the Code that Executive Directors will no longer be allowed to become members of the Audit Committee in order to preserve the independence of the Audit Committee.

## 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.

## Audit Committee **Report** (cont'd)

### 2. TERMS OF REFERENCE (cont'd)

#### 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 2007, the details as follows:

NAME	ATTENDANCE
YB Datuk Ab Wahab Bin Ab Latip	5/5
Ir. Loh Khoo Hong	5/5
Lye Siang Long	5/5

During the financial year ended 30 September 2007, 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 2006, 31 March 2007, 30 June 2007 and 30 September 2007;
- (b) Reviewed Statement on Internal Control and Audit Committee Report for inclusion in the 2007 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.

## STATEMENT TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARES

### 1. Disclaimer Statement

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Share Buy-Back Statement ("Statement"), makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

### 2. Rational for the Proposed Renewal of Authority for the Purchase by Digistar Corporation Berhad ("Digistar" or the "Company") of its own Ordinary Shares of RM0.10 Each ("Shares") on the MESDAQ Market of Bursa Securities of up to ten per centum (10%) of its Existing Issued and Paid-up Share Capital ("Proposed Renewal")

Any Share Buy-Back, if implemented pursuant to the Proposed Renewal, is expected to potentially benefit the Company and its shareholders as follows:

- (a) It will enable the Company to utilise its surplus financial resources to purchase Digistar Shares from the MESDAQ Market. It may stabilise the supply and demand of Digistar Shares traded on the MESDAQ Market, thereby supporting its fundamental value;
- (b) The purchase of shares, whether to be held as treasury shares or subsequently cancelled, will effectively reduce the number of Digistar Shares carrying voting and participation rights. Therefore, the shareholders of the Company may enjoy an increase in the value of their investment in Digistar due to the increase in the Company's earnings per share; and
- (c) The purchased Digistar Shares can be held as treasury shares and resold on the MESDAQ Market at a higher price with the intention of realising potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

### 3. Retained Profits and Share Premium

Based on the audited financial statements for the year ended 30 September 2007, the retained profits and share premium account of the Company stood at RM1,907,150 and RM1,630,187 respectively.

### 4. Source of Funds

The funding for the Proposed Renewal will be from internally generated funds and/or borrowings. The actual amount of borrowings will depend on the financial resources available at the time of the Proposed Renewal. The Proposed Renewal will reduce the cash of the Company by an amount equivalent to the purchase price of Digistar Shares and the actual number of Digistar Shares bought back. There is no restriction on the type of funds which may be utilised for the Proposed Renewal so long as it is backed by an equivalent amount of retained profits and/or share premium of the Company.

In the event that the Company decides to utilise external borrowings to finance the Proposed Renewal, there will be a decline in its net cashflow to the extent of the interest cost associated with such borrowings but the Board of Directors of Digistar does not foresee any difficulty in the servicing of interest and repayment of borrowings used for the Proposed Renewal, if any. Based on the audited consolidated financial statements of Digistar as at 30 September 2007, the Group has a net cash and cash equivalent balance of approximately RM7,420,601.

### 5. Direct and Indirect Interests of the Directors and Substantial Shareholders

Save for the proportionate increase in the percentage of shareholding and/or voting rights in their capacity as the shareholders of the Company, pursuant to the Proposed Renewal, none of the Directors, Substantial Shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Renewal and/or resale of treasury shares.

The direct and indirect interest of the Directors and Substantial Shareholders of Digistar as at 24 January 2008 are set out in the tables below together with the effect of the Proposed Renewal assuming that Digistar implements the Proposed Renewal in full and all the shares so purchased are fully cancelled under the following scenarios:



## STATEMENT TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARES (cont'd)

### 5. Direct and Indirect Interests of the Directors and Substantial Shareholders (cont'd)

**Minimum Scenario:** Assuming that none of the 15,283,200 outstanding options of Digistar's Employees' Share Option Scheme ("Outstanding ESOS Options") and none of the 90,040,325 outstanding 2007/2017 warrants ("Outstanding Warrants") are exercised.

**Maximum Scenario:** Assuming that all the Outstanding ESOS Options and all the Outstanding Warrants are exercised.

#### (a) Direct and Indirect Interests of the Directors of Digistar

##### Minimum Scenario:

	Before Proposed Renewal <sup>(i)</sup>				After Proposed Renewal <sup>(ii)</sup>			
	Direct Interest		Indirect Interest <sup>#</sup>		Direct Interest		Indirect Interest <sup>#</sup>	
	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%
Datuk Lee Wah Chong	6,146,402	3.32	43,158,794	23.34	6,146,402	3.56	43,158,794	25.03
Ong Fee Chong	2,400,110	1.30	43,158,794	23.34	2,400,110	1.39	43,158,794	25.03
Datin Wa Siew Yam	4,413,230	2.39	-	-	4,413,230	2.56	-	-

##### Maximum Scenario:

	Before Proposed Renewal <sup>(i)</sup>				After Proposed Renewal <sup>(ii)</sup>			
	Direct Interest		Indirect Interest <sup>#</sup>		Direct Interest		Indirect Interest <sup>#</sup>	
	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%
Datuk Lee Wah Chong <sup>(a)</sup>	12,252,402	4.22	64,758,794	22.31	12,252,402	4.59	64,758,794	24.23
Ong Fee Chong <sup>(b)</sup>	5,736,165	1.98	64,758,794	22.31	5,736,165	2.15	64,758,794	24.23
Datin Wa Siew Yam <sup>(c)</sup>	6,991,230	2.41	-	-	6,991,230	2.62	-	-
Lye Siang Long <sup>(d)</sup>	600,000	0.21	-	-	600,000	0.22	-	-

Notes:

- (i) After taking into account the 6,698,800 Shares that have been purchased and held as treasury shares as at 24 January 2008.
- (ii) Assuming that the purchase of Digistar Shares pursuant to the Proposed Renewal is based on the maximum number of Digistar Shares that may be purchased under the respective scenarios.
- (a) Datuk Lee Wah Chong holds 4,576,000 ESOS Options and 1,530,000 warrants as at 24 January 2008.
- (b) Mr Ong Fee Chong holds 2,136,000 ESOS Options and 1,200,055 warrants as at 24 January 2008.
- (c) Datin Wa Siew Yam holds 1,368,000 ESOS Options and 1,210,000 Warrants as at 24 January 2008.
- (d) Mr Lye Siang Long holds 600,000 ESOS Options as at 24 January 2008.
- <sup>#</sup> Deemed interest via Kenangan Lampiran Sdn Bhd under Section 6A of the Companies Act, 1965.

#### (b) Direct and Indirect Interests of the Substantial Shareholders of Digistar

##### Minimum Scenario

	Before Proposed Renewal <sup>(i)</sup>				After Proposed Renewal <sup>(ii)</sup>			
	Direct Interest		Indirect Interest <sup>#</sup>		Direct Interest		Indirect Interest <sup>#</sup>	
	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%
Kenangan Lampiran Sdn Bhd	43,158,794	23.34	-	-	43,158,794	25.03	-	-
Datuk Lee Wah Chong	6,146,402	3.32	43,158,794	23.34	6,146,402	3.56	43,158,794	25.03
Ong Fee Chong	2,400,110	1.30	43,158,794	23.34	2,400,110	1.39	43,158,794	25.03

## STATEMENT TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARES (cont'd)

### (b) Direct and Indirect Interests of the Substantial Shareholders of Digistar (cont'd)

#### Maximum Scenario:

	Before Proposed Renewal <sup>(i)</sup>				After Proposed Renewal <sup>(ii)</sup>			
	Direct Interest		Indirect Interest <sup>#</sup>		Direct Interest		Indirect Interest <sup>#</sup>	
	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%
Kenangan Lampiran Sdn Bhd <sup>(a)</sup>	64,758,794	22.31	-	-	64,758,794	24.23	-	-
Datuk Lee Wah Chong <sup>(b)</sup>	12,252,402	4.22	64,758,794	22.31	12,252,402	4.59	64,758,794	24.23
Ong Fee Chong <sup>(c)</sup>	5,736,165	1.98	64,758,794	22.31	5,736,165	2.15	64,758,794	24.23

#### Notes:

- (i) After taking into account the 6,698,800 Shares that have been purchased and held as treasury shares as at 24 January 2008.
- (ii) Assuming that the purchase of Digistar Shares pursuant to the Proposed Renewal is based on the maximum number of Digistar Shares that may be purchased under the respective scenarios.
- (a) Kenangan holds 21,600,000 Warrants as at 24 January 2008.
- (b) Datuk Lee Wah Chong holds 4,576,000 ESOS Options and 1,530,000 warrants as at 24 January 2008.
- (c) Mr Ong Fee Chong holds 2,136,000 ESOS Options and 1,200,055 warrants as at 24 January 2008.
- <sup>#</sup> Deemed interest via Kenangan Lampiran Sdn Bhd under Section 6A of the Companies Act, 1965.

### 6. Potential Advantages and Disadvantages of the Proposed Renewal

For the potential advantages of the Proposed Renewal to the Company and its shareholders, kindly refer to section 2 of this Statement.

For the potential disadvantages of the Proposed Renewal to the Company and its shareholders are as follows:

- (a) the Proposed Renewal will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities that may emerge in the future;
- (b) the cashflow of the Company may be affected if the Company decides to utilise bank borrowings to finance a Share Buy-Back;
- (c) as the Proposed Renewal can only be made out of the retained profits and/or share premium account of the Company, it will result in a reduction in the financial resources available for distribution to shareholders of the Company in the immediate future; and
- (d) the Proposed Renewal may reduce the consolidated net assets of the Company if the purchase price of Digistar Shares is higher than the consolidated net assets of the Company at the time of purchase.

Nevertheless, any Share Buy-Back to be undertaken pursuant to the Proposed Renewal is not expected to have any potential material disadvantages to the Company and its shareholders as the Company would purchase Digistar Shares only after the Board has given due consideration to its potential impact on the Company's earnings and financial position and the Board is of the opinion that it would be in the best interest of the Company and its shareholders to do so.

## STATEMENT TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARES (cont'd)

### 7. Financial Effects

The financial effects of Share Buy-Back under the Proposed Renewal on the share capital, earnings, net assets ("NA"), dividend, working capital, substantial shareholders' and directors' shareholdings of Digistar are set out below:

#### Share Capital

	Minimum Scenario No. of shares	Maximum Scenario No. of shares
As at 24 January 2008	191,580,650	191,580,650
Upon full exercise of all Outstanding ESOS Options	-	15,283,200
	191,580,650	206,863,850
Upon full exercise of all Outstanding Warrants	-	90,040,325
	191,580,650	296,904,175
Proposed Renewal (assuming that all the Digistar Shares purchased are fully cancelled)	*(19,158,065)	*(29,690,417)
Resultant share capital	172,422,585	267,213,758

Note:

\* Includes the 6,698,800 Digistar Shares purchased and held as treasury shares as at 24 January 2008.

The proforma effects of Share Buy-Back pursuant to the Proposed Renewal on the share capital of Digistar will depend on the intention of the Board with regards to the treatment of the purchased Digistar Shares. If the purchased Digistar Shares are cancelled, it will result in a reduction of the total issued and paid-up share capital of the Company as shown in the table above. Conversely, if the purchased Digistar Shares are retained as treasury shares, there will be no effect on the issued and paid-up share capital of Digistar. Nevertheless, certain rights attached to the Digistar Shares will be suspended while they are held as treasury shares.

#### (a) Earnings

The effects of Share Buy-Back under the Proposed Renewal on the earnings of the Group would depend on the purchase price and the number of Digistar Shares purchased. The effective reduction in the issued and paid-up share capital of the Company pursuant to a Share Buy-Back will, generally, with all else being equal, have a positive impact on the consolidated earnings per share of the Company.

#### (b) NA

The consolidated NA of the Company may increase or decrease depending on the number of Digistar Shares purchased, the purchase prices of the Digistar Shares, the effective cost of funding and the treatment of the Digistar Shares purchased.

Share Buy-Back will reduce the NA per Digistar Share when the purchase price exceeds the NA per Digistar Share at the time of purchase. On the other hand, the NA per Digistar Share will increase when the purchase price is less than the NA per Digistar Share at the time of purchase.

#### (c) Dividend

No dividend has been declared in respect of financial year ended 30 September 2007. Barring unforeseen circumstances, the dividends to be declared by Digistar, if any, in respect of the current financial year ending 30 September 2008 would depend on amongst others, the cash availability, retained profits, cashflow position and funding requirements of the Digistar Group.

#### (d) Working capital

Share Buy-Back pursuant to the Proposed Renewal would reduce funds available for working capital purposes of the Company, the quantum of which would depend on the purchase price, the actual number of Digistar Shares purchased and any associated costs incurred in making the purchase.

## STATEMENT TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARES (cont'd)

### 8. Implication of the Malaysian Code on Take-Overs and Mergers 1998 (the "Code")

Pursuant to the Code, a person, and any person acting in concert with him, will be required to make a mandatory offer for the remaining shares of the Company not already owned by him/them if his/their stake in the Company is increased to beyond 33% or if his/their shareholding is between 33% and 50% and increases by another 2% in any six (6)-month period. However, an exemption from undertaking a mandatory offer may be granted by the SC under Practice Note 2.9.10 of the Code.

As at 24 January 2008, the collective percentage shareholding of the sole direct substantial shareholder of Digistar, Kenangan, and parties acting in concert ("PAC") is 30.35%. Based on their collective shareholding as at 24 January 2008 and assuming Kenangan and PAC do not acquire any Digistar Shares, the implementation of Share Buy-Back pursuant to the Proposed Renewal would not result in a mandatory general offer being triggered by Kenangan and the PAC. Therefore, they would not be obliged to undertake a mandatory offer for the remaining Digistar Shares not held by them pursuant to the Code.

However, assuming the collective shareholdings of Kenangan and the PAC were to increase in such a manner as to potentially result in them triggering a mandatory general offer upon the implementation of Share Buy-Back, Kenangan and the PAC, will make an application to the SC for an exemption from undertaking a mandatory offer before a mandatory offer is triggered.

### 9. Purchases Made in Last Financial Year

During the financial year ended 30 September 2007, the Company purchased a total of 3,843,100 Digistar Shares from the open market at an average price of RM0.1537 per share or a total consideration of RM590,604. All the Digistar Shares purchased during the financial year ended 30 September 2007 have been retained as treasury shares, and the total numbers of Shares retained as treasury shares as at 30 September 2007 was 3,843,100.

The information on purchase made by the Company of its own shares in financial year ended 30 September 2007 has been set out in the "Additional Compliance Information" of this Annual Report.

### 10. Public Shareholding Spread

According to Digistar's Record of Depositors as at 24 January 2008, there were 2,718 public shareholders holding not less than 100 Digistar Shares, with a total shareholding of 69.01% of the Company's issued and paid-up share capital.

The public shareholding spread of the Company is expected to be reduced to 66.77% assuming the Company implements the Share Buy-Back in full i.e. up to 10% of the issued and paid-up share capital of the Company as at 24 January 2008. Further, the purchased Digistar Shares are assumed to be purchased from the market from shareholders of Digistar who are deemed public, and the number of Digistar Shares held by the Directors and substantial shareholders of Digistar and/or persons connected to them remains unchanged.

Notwithstanding the above, the Company, in implementing any Share Buy-Back, will be mindful in ensuring that the aforesaid public shareholding spread requirement is met and maintained at all times;

### 11. Directors' Statement

Your Directors, having considered all aspects of the Proposed Renewal, are of the opinion that the Proposed Renewal is in the best interest of the Company.

### 12. Directors' Recommendation

Your Directors are of the opinion that the Proposed Renewal is in the best interests of the Company and its shareholders. Accordingly, your Directors recommend that you vote in favor of the resolution in relation to the Proposed Renewal to be tabled at the forthcoming AGM.

### 13. Other Information

There is no other information concerning the Proposed Renewal as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal and the extent of the risks involved in doing so.

## Statement Of Corporate Governance

The Board of Directors ("Board") is committed to the principals of the Malaysian Code on Corporate Governance ("the Code") and strives to adopt the prescriptions of the Code.

The Board has continued its commitment in maintaining high standards of corporate governance and the effective application of the principles and best practices, as set out in the Code, throughout the Group.

The Board recognises that the practice of good corporate governance is fundamental in this era of globalisation where corporate climate calls for enhancement of shareholders' value, alongside safeguarding the interest of shareholders and stakeholders of the Company.

The Board is pleased to state and affirm the means and manner which the Group has applied the principles, and state the extent to which the Group has complied with the Best Practices of the Code during the financial year under the review.

### A) BOARD

The Board is entrusted with the proper stewardship of the Company's resources for the best interest of its shareholders and also to steer the Group towards achieving the maximum economic value capable of achieving. The members of the Board have extensive experience and expertise in a wide range of related and unrelated industries and have been selected based on their skills, knowledge and their ability to add strength to the leadership.

The Directors are equally accountable for the Company's activities, strategy and financial performance. Particular attention is given to ensure that the strategies proposed by the Management of the Company are fully discussed and critically examined by the Board.

### Composition and Balance of the Board

The strength of the Board lies in the composition of its members, who has a wide range of expertise, extensive experience and diverse background in business, finance and technical knowledge.

The current Board has seven (7) members comprising four (4) Executive Members, two (2) Independent Non-Executive Members and one (1) Non-Independent Non-Executive Member. This composition complies with Rule 15.02 of the MMLR wherein it states that the Board must comprise at least two (2) or (1/3) one third of the Board of Directors of a listed company, whichever is higher, is Independent Directors. The profile of each Director is presented separately in this annual report.

YB Dato' Hasan Bin Malek is the Group's Non-Independent Non-Executive Chairman while Datuk Lee Wah Chong is the Group's Managing Director. The Chairman is responsible for the Board's effectiveness and conduct, whilst the Managing Director has overall responsibilities over the business and operation of the Group. The clear division of functions and responsibilities between these two roles will ensure a balance of power and authority.

Independent Non-Executive Directors play a crucial supervisory function. The presence of Independent Non-Executive Directors are essential in providing unbiased and independent views, advice and judgement, ensuring a balanced and impartial Board decision making process, as well as safeguarding the interests of other parties, such as minority shareholders. All Non-Executive Directors do not participate in the day-to-day management of the Group.

### Board Responsibilities

The Board provides overall strategic direction and effective control of the Company. The Board has reserved appropriate strategic, financial and organisational matters for its collective decision. Key matters, such as approval of annual and interim results, acquisitions and disposals of material investment, material agreements, major capital expenditures, budgets, long term plans and succession planning for top management are reserved for the Board.



## Statement Of Corporate Governance (cont'd)

### Board Meetings

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

NAME	ATTENDANCE
YB Dato' Hasan Bin Malek	5/5
Datuk Lee Wah Chong	5/5
Ong Fee Chong	5/5
Datin Wa Siew Yam	5/5
Ir. Loh Khoo Hong	5/5
Lye Siang Long	5/5
YB Datuk Ab Wahab Bin Ab Latip	5/5
Dato' Seri Dr. Haji Arshad Bin Haji Hashim (Resigned on 18/01/07)	2/2
Lee Mely (Resigned on 16/04/07)	3/3

All the Directors have complied with the minimum 50% attendance requirement in respect of Board Meetings as stipulated by the MMLR.

### Supply of Information to the Board

Directors are provided with sufficient notices for each Board meeting and Board papers are provided to the Directors on a timely manner to allow the Directors to peruse, obtain addition information and where applicable, to seek further clarification on the matters to be tabled at the meeting.

Where applicable, there will be a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisitions and disposals of major investments, change of management and control structure of the Group, including key policies, procedures and authority limits.

The proceedings and resolutions pass at each Board Meeting are minuted and kept in the statutory minutes book at the registered office of the Company.

Directors have access to all information within the Company whether as full board or in their individual capacity, in furtherance of their duties. In addition, whenever independent professional advice is required by the Directors, outside experts may be engaged at the Company's expense. Before incurring such professional fees, the Director concerned must consult with the Chairman, or with two (2) other Directors (one whom a Non-Executive Director). Such advice was not sought by any of the Directors for the financial year under review.

Directors also have direct access to the advice and the services of the Group's Company Secretaries. The Board is advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities as well as appropriate procedures for management of meetings.

### Appointment and Re-election of the Board Members

Currently, the appointments of Directors are dealt by the entire Board. The Board has decided not to set up a Nomination Committee, as the Board is of the opinion that given its current size and composition, appointment of new directors can be dealt with effectively and objectively by the entire Board.

In accordance with the Articles of Association of the Company, at least (1/3) one third of the Board shall retire from office and all Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. A retiring director shall retain office until the close of the meeting at which he/she retires.

## Statement Of Corporate Governance (cont'd)

### Directors' Training

All Directors have attended the Mandatory Accreditation Programme ("MAP") as required by the MMLR on all directors of listed companies. During the financial year ended 30 September 2007, the Directors have attended the briefing on the Amendments to the Companies Act, 2007 and Revised Malaysian Code on Corporate Governance. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge

### B) DIRECTORS' REMUNERATION

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for directors so as to attract and retain Directors of the caliber needed to run the Group successfully. The remuneration of the Directors of the Company for the financial year ended 30 September 2007 is categorised as follows:

Remuneration Components	Executive Directors RM	Group Non-Executive Directors RM
Fees	80,000	30,000
Salaries	686,460	-
Bonuses	2,000	-
EPF and Socso	64,800	-
Allowance	-	59,000
	833,260	89,000

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

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

### C) SHAREHOLDERS

#### Shareholders and Investors Relations

The Group recognises the importance of timely and thorough dissemination of information to shareholders. In this regard, the information that is disseminated to the investment community conforms strictly with the Bursa Securities disclosure rules and regulations. Care is taken to ensure that no market sensitive information such as corporate proposals, financial results and other material information is disseminated to any party without first making an official announcement through Bursa Securities. The annual report has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investors with financial information.

#### Annual General Meeting

The Annual General Meeting ("AGM") is a crucial mechanism and it is the principal forum in shareholder communication. Shareholders are notified of the meeting and provided with a copy of the Company's annual report twenty one (21) days before the meeting. At each AGM, the Board presents the progress and performance of the Company and provides shareholders with an opportunity to ask for more information pertaining to the financial statements, without limiting the time and questions asked. During the meeting, the Chairman and Board will respond to queries and undertake to provide sufficient explanation and clarification on issues and concerns raised by the shareholders. The Board has ensured that each item of special business included in the notice of the AGM is accompanied by a full explanation of the effects of the proposed resolution to facilitate full understanding and evaluation of the issues involved. Where Extraordinary General Meeting are held to obtain shareholders' approval on business or corporate proposals, comprehensive circulars are sent to shareholders within prescribed deadlines in accordance with regulatory and statutory provisions.

## Statement Of **Corporate Governance** (cont'd)

### **D) ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

The Board is aware of its responsibilities to the shareholders and the requirements to present a balanced and comprehensive assessment of the Group's financial position, by means of the annual and quarterly report and other published information. In this regard, the Board is primarily responsible to present a fair and balanced report of the financial affairs of the Group, which is prepared in accordance with the Companies Act, 1965 and the approved accounting standards set by Malaysian Accounting Standard Board. With assistance from the Audit Committee, the Board scrutinized the financial aspect of the Audited Financial Statements and reviewed the statutory compliance aspects of the Audited Financial Statements.

#### **Internal Control**

The Board acknowledged its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and Group's assets. Information on the Group's system of internal control is presented in the Statement on Internal Control in this Annual Report.

#### **Relationship with Auditors**

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, in seeking professional advice and ensuring compliance with the applicable accounting standards and statutory requirements in Malaysia. The Audit Committee has been explicitly accorded the power to communicate directly with the External Auditors. During the financial year, the Audit Committee also met up once with the External Auditors without the presence of any executive Board member. The role of the Audit Committee in relation to the Auditors is set out in the Audit Committee Report in this Annual Report.

The Audit Committee has taken note of the recent amendments which recommends that the Audit Committee meets the External Auditors twice a year and ensure that this is observed in the forthcoming financial year.

### **E) STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE**

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. Apart from the above disclosure, the Board considers that it has complied throughout the financial year with the Best Practices as set out in the Code.

# Additional Compliance Information

## 1. UTILISATION OF PROCEEDS

### a) Utilisation of Proceed From Private Placement and Rights Issue of Warrants

As of 30 September 2007, the Company has fully utilised the proceeds raised of RM1.68 million, details as follows:

Purpose	*Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	%	Explanations
Working Capital	1,290	1,290	-	-	Fully utilised
Defraying of expenses incidental to the exercise	390	390	-	-	Fully utilised
Total	1,680	1,680	-	-	

\* The above proceed was expected to be utilised within twelve (12) months from 14 February 2007

### b) Proposed Private Placement

On 28 August 2007, the Private Placement of up to ten percent (10%) of the issued and paid-up share capital of the Company was completed with the listing of 11,500,000 ordinary shares of RM0.10 each held in Digistar. All 11,500,000 Digistar Shares were issued in a single and also final tranche at an issue price of RM0.14 per share.

Purpose	*Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	%	Explanations
Working Capital	1,530	1,530	-	-	
Defraying of expenses incidental to the exercise	80	65	15	-	Pending for payment
Total	1,610	1,595	15	-	

## 2. SHARE BUY-BACK

Details of the Company's Share Buy-Back exercises for the year shown in the following:

Monthly Breakdown	No. of Shares Purchased and Retained as Treasury Shares	Purchase Price Per Share (RM)		Average Per Share RM	Total Cost RM
		Lowest	Highest		
August 2007	806,800	0.1450	0.1500	0.1501	121,113.29
September 2007	3,036,300	0.1500	0.1600	0.1546	469,490.94
Total	3,843,100			0.1537	590,604.23

None of the treasury shares were resold or cancelled during the financial year.

## Additional **Compliance Information** (cont'd)

### **3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

There were no exercise of options, warrants or convertible securities during the financial year ended 30 September 2007.

### **4. DEPOSITORY RECEIPTS PROGRAMME**

The Company did not sponsor any depository receipts 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 2007 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 paid to the external auditors by the Group during the financial year is RM 7,760.00

### **11. CORPORATE SOCIAL RESPONSIBILITY ("CSR")**

The Group did not undertake any corporate social responsibility activities during the financial year ended 30 September 2007.



# Statement On Internal Control

## 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 practices 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 recognized that such system is designed to manage rather than eliminate risk and improve the governance process. Hence, it is recognized 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.

# DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 September 2007.

## 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

	THE GROUP RM	THE COMPANY RM
(Loss)/Profit after taxation for the financial year	(1,975,180)	112,563
Attributable to:-		
Equity holders of the Company	(1,975,180)	112,563

## 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) 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;
- (b) the Company increased its issued and paid-up share capital from RM17,358,065 to RM19,158,065 by way of:-
  - (i) the allotment of 6,500,000 new ordinary shares of RM0.10 each under a private placement exercise at RM0.12 per ordinary share; and
  - (ii) the allotment of 11,500,000 new ordinary shares of RM0.10 each under a private placement exercise at RM0.14 per ordinary share

The shares were issued for cash consideration for the purpose of working capital. The new shares issued rank pari passu in all respects with the existing shares of the Company.

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

## TREASURY SHARES

During the financial year, the Company repurchased 3,843,100 of its issued ordinary shares from the open market at an average price of RM0.15 per share. The total consideration paid for the repurchase including transaction costs amounted to RM590,604. None of the treasury shares held were resold or cancelled during the financial year. The relevant details are disclosed in Note 20 to the financial statements.

## DIRECTORS' REPORT (CONT'D)

### WARRANTS 2007/2017

During the financial year, the Company issued 90,040,325 Warrants 2007/2017 for cash, at an issue price of RM0.01 per warrant. The salient features of the Warrants 2007/2017 as constituted in the Deed Poll dated 5 December 2006 are as follows:-

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

The following is the movement in the number of Warrants 2007/2017 to take up unissued ordinary shares of RM0.10 each in the Company during the financial year:-

	No. of Warrants 2007/2017
As at 1 October 2006	-
Issued during the financial year	90,040,325
Exercised during the financial year	-
As at 30 September 2007	90,040,325

### 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 2006	16,917,200
Exercised during the financial year	-
Lapsed due to resignations	(1,512,000)
At 30 September 2007	15,405,200

## DIRECTORS' REPORT (CONT'D)

### EMPLOYEES' SHARE OPTION SCHEME ("ESOS" OR THE "SCHEME") (CONT'D)

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.

### 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 issuance of Warrants 2007/2017 and share options granted pursuant to the ESOS.

### 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.

## DIRECTORS' REPORT (CONT'D)

### CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 39 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  
 YB DATUK AB WAHAB BIN AB LATIP  
 IR. LOH KHOON HONG  
 LYE SIANG LONG  
 DATO' SERI DR. HAJI ARSHAD BIN HAJI HASHIM (RESIGNED ON 18.1.2007)  
 LEE MELLY (RESIGNED ON 16.4.2007)

Pursuant to Article 86 of the Articles of Association of the Company, Ir. Loh Khoon Hong, YB Dato' Hasan Bin Malek and Datin Wa Siew Yam retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.



## DIRECTORS' REPORT (CONT'D)

### 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 1.10.2006	BOUGHT	SOLD
<i>DIRECT INTERESTS</i>			
DATUK LEE WAH CHONG	3,048,802	1,070,400	-
DATIN WA SIEW YAM	2,413,230	2,000,000	-
ONG FEE CHONG	2,400,110	-	-
<i>INDIRECT INTERESTS</i>			
DATUK LEE WAH CHONG <sup>(1)</sup>	43,158,794	-	-
ONG FEE CHONG <sup>(1)</sup>	43,158,794	-	-

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

	NUMBER OF OPTIONS UNDER ESOS		
	AT 1.10.2006	GRANTED	EXERCISED
DATUK LEE WAH CHONG	4,576,000	-	-
DATIN WA SIEW YAM	1,368,000	-	-
ONG FEE CHONG	2,136,000	-	-
LYE SIANG LONG	600,000	-	-

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 DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 41 to the financial statements.

### SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The significant events after the balance sheet date are disclosed in Note 42 to the financial statements.

## DIRECTORS' REPORT (CONT'D)

### AUDITORS

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 22 JANUARY 2008**

**Datuk Lee Wah Chong**

**Lye Siang Long**

# STATEMENT BY DIRECTORS / STATUTORY DECLARATION

## STATEMENT BY DIRECTORS

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 32 to 65 are drawn up in accordance with applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2007 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 22 JANUARY 2008**

**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 32 to 65 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  
22 January 2008

**Lye Siang Long**

Before me

## REPORT OF THE AUDITORS TO THE MEMBERS OF DIGISTAR CORPORATION BERHAD

We have audited the financial statements set out on pages 32 to 65. 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2007 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  
22 January 2008

### Lee Kok Wai

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

## BALANCE SHEETS AT 30 SEPTEMBER 2007

		THE GROUP		THE COMPANY	
	NOTE	2007 RM	2006 RM (RESTATED)	2007 RM	2006 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	5,012,227	5,011,408
Property, plant and equipment	7	6,042,075	6,678,611	-	-
Prepaid lease payments	8	601,829	609,470	-	-
Investment properties	9	366,163	-	-	-
Other investment	10	-	1,000,000	-	-
		7,010,067	8,288,081	5,012,227	5,011,408
CURRENT ASSETS					
Properties held for sale	11	-	366,163	-	-
Inventories held for resale	12	2,018,680	2,417,884	-	-
Trade receivables	13	15,524,077	10,597,451	-	-
Amount owing by contract customers	14	2,667,134	7,433,230	-	-
Other receivables, deposits and prepayments		459,466	434,863	1,000	48,720
Amount owing by subsidiaries	15	-	-	17,789,674	15,359,923
Tax refundable		271,044	213,488	61,968	13,887
Fixed deposits with licensed banks	16	8,836,343	6,703,222	-	-
Cash and bank balances		1,817,885	568,422	1,990	528,476
		31,594,629	28,734,723	17,854,632	15,951,006
TOTAL ASSETS		38,604,696	37,022,804	22,866,859	20,962,414
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	19,158,065	17,358,065	19,158,065	17,358,065
Share premium	18	1,630,187	1,145,416	1,630,187	1,145,416
Warrants reserve	19	503,064	-	503,064	-
Treasury shares	20	(590,604)	-	(590,604)	-
Negative goodwill	21	-	4,031,355	-	-
Retained profits	22	6,234,375	4,178,200	1,907,150	1,794,587
SHAREHOLDERS' EQUITY		26,935,087	26,713,036	22,607,862	20,298,068
NON-CURRENT LIABILITIES					
Hire purchase payables	23	133,040	382,526	-	-
Deferred taxation	24	42,000	42,000	-	-
		175,040	424,526	-	-
CURRENT LIABILITIES					
Trade payables	25	3,903,503	1,960,704	-	-
Other payables and accruals		823,682	918,375	258,997	664,346
Hire purchase payables	23	249,486	290,202	-	-
Short-term borrowings	26	3,284,271	2,103,578	-	-
Bank overdrafts	27	3,233,627	4,612,383	-	-
		11,494,569	9,885,242	258,997	664,346
TOTAL LIABILITIES		11,669,609	10,309,768	258,997	664,346
TOTAL EQUITY AND LIABILITIES		38,604,696	37,022,804	22,866,859	20,962,414
NET ASSETS PER SHARE	28	14 sen	15 sen		

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

# INCOME STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

	NOTE	THE GROUP		THE COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
REVENUE	29	38,260,026	28,390,780	509,316	2,037,264
COST OF SALES		(32,956,134)	(22,137,689)	-	-
GROSS PROFIT		5,303,892	6,253,091	509,316	2,037,264
OTHER INCOME		386,275	282,375	1,329	-
		5,690,167	6,535,466	510,645	2,037,264
ADMINISTRATIVE EXPENSES		(4,697,513)	(4,379,734)	(327,616)	(183,234)
MARKETING EXPENSES		(637,009)	(539,398)	-	-
OTHER EXPENSES		(1,987,215)	(1,699,217)	-	-
FINANCE COSTS		(539,094)	(449,907)	-	-
		(7,860,831)	(7,068,256)	(327,616)	(183,234)
(LOSS)/PROFIT BEFORE TAXATION	30	(2,170,664)	(532,790)	183,029	1,854,030
INCOME TAX EXPENSE	31	195,484	(263,572)	(70,466)	(569,000)
(LOSS)/PROFIT AFTER TAXATION		(1,975,180)	(796,362)	112,563	1,285,030
ATTRIBUTABLE TO:-					
Equity holders of the Company		(1,975,180)	(791,511)	112,563	1,285,030
Minority interests		-	(4,851)	-	-
		(1,975,180)	(796,362)	112,563	1,285,030
Loss per ordinary share	32				
- basic		(1.11 sen)	(0.46 sen)		
- fully diluted		N/A	N/A		

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



# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

THE GROUP	NOTE	← NON-DISTRIBUTABLE RESERVE →					DISTRIBUTABLE RESERVE	
		SHARE CAPITAL RM	SHARE PREMIUM RM	WARRANTS RESERVE RM	TREASURY SHARES RM	NEGATIVE GOODWILL RM	RETAINED PROFITS RM	TOTAL RM
At 1.10.2005		17,358,065	1,145,416	-	-	4,031,355	4,969,711	27,504,547
Loss after taxation		-	-	-	-	-	(791,511)	(791,511)
Balance at 30.9.2006/1.10.2006		17,358,065	1,145,416	-	-	4,031,355	4,178,200	26,713,036
Effect of adopting FRS 3	38	-	-	-	-	(4,031,355)	4,031,355	-
Issuance of ordinary shares under private placements		1,800,000	590,000	-	-	-	-	2,390,000
Issuance of warrants		-	-	900,403	-	-	-	900,403
Treasury shares acquired		-	-	-	(590,604)	-	-	(590,604)
Expenses incurred for:								
- private placements	18	-	(105,229)	-	-	-	-	(105,229)
- issuance of warrants	19	-	-	(397,339)	-	-	-	(397,339)
Loss after taxation		-	-	-	-	-	(1,975,180)	(1,975,180)
Balance at 30.9.2007		19,158,065	1,630,187	503,064	(590,604)	-	6,234,375	26,935,087

		← NON-DISTRIBUTABLE RESERVE →				DISTRIBUTABLE RESERVE	
THE COMPANY	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	WARRANTS RESERVE RM	TREASURY SHARES RM	RETAINED PROFITS RM	TOTAL RM
At 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 30.9.2006/1.10.2006		17,358,065	1,145,416	-	-	1,794,587	20,298,068
Issuance of ordinary shares under private placements		1,800,000	590,000	-	-	-	2,390,000
Issuance of warrants		-	-	900,403	-	-	900,403
Treasury shares acquired		-	-	-	(590,604)	-	(590,604)
Expenses incurred for:							
- private placements	18	-	(105,229)	-	-	-	(105,229)
- issuance of warrants	19	-	-	(397,339)	-	-	(397,339)
Profit after taxation		-	-	-	-	112,563	112,563
Balance at 30.9.2007		19,158,065	1,630,187	503,064	(590,604)	1,907,150	22,607,862

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

# CASH FLOW STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

NOTE	THE GROUP		THE COMPANY	
	2007 RM	2006 RM (RESTATED)	2007 RM	2006 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(2,170,664)	(532,790)	183,029	1,854,030
Adjustments for:-				
Allowance for doubtful debts	1,260,066	749,072	-	-
Amortisation of prepaid lease payments	7,641	7,641	-	-
Depreciation of property, plant and equipment	710,756	890,963	-	-
Goodwill written off	6,496	-	-	-
Interest expense	459,927	365,725	-	-
Property, plant and equipment written off	2,237	-	-	-
Write-down of properties held for sale	-	51,541	-	-
Dividend income	-	-	(509,316)	(2,037,264)
Interest income	(265,003)	(229,047)	(1,329)	-
Gain on disposal of property, plant and equipment	(52,000)	-	-	-
Write-back of allowance for doubtful debts	(2,000)	-	-	-
Operating (loss)/profit before working capital changes	(42,544)	1,303,105	(327,616)	(183,234)
Decrease/(Increase) in inventories	399,204	(59,641)	-	-
Decrease/(Increase) in amount owing by contract customers	4,766,096	(1,491,538)	-	-
(Increase)/Decrease in trade and other receivables	(6,209,295)	(508,665)	47,720	(48,720)
Increase/(Decrease) in trade and other payables	1,841,410	641,093	(405,349)	456,161
CASH FLOW FROM/(FOR) OPERATIONS	754,871	(115,646)	(685,245)	224,207
Interest paid	(459,927)	(365,725)	-	-
Tax refunded/(paid)	137,928	(513,617)	18,968	(570,434)
NET CASH FROM/(FOR) OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD	432,872	(994,988)	(666,277)	(346,227)

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

# CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		2007 RM	2006 RM (RESTATED)	2007 RM	2006 RM
BALANCE BROUGHT FORWARD		432,872	(994,988)	(666,277)	(346,227)
CASH FLOWS FROM/(FOR)					
INVESTING ACTIVITIES					
Purchase of plant and equipment		(76,457)	(593,569)	-	-
Proceeds from other investment	10	1,000,000	-	-	-
Proceeds from disposal of property, plant and equipment		52,000	-	-	-
Additional investment in a subsidiary		-	-	(19)	(5,049)
Net cash inflow/(outflow) on acquisition of a subsidiary	33	200	-	(800)	-
Advances to subsidiaries		-	-	(2,429,751)	(1,158,069)
Dividend received		-	-	371,801	2,037,264
Interest received		265,003	229,047	1,329	-
NET CASH FROM/(FOR) INVESTING ACTIVITIES		1,240,746	(364,522)	(2,057,440)	874,146
CASH FLOWS FROM					
FINANCING ACTIVITIES					
Proceeds from issuance of shares		2,390,000	-	2,390,000	-
Proceeds from issuance of shares to minority interests in a subsidiary		-	4,851	-	-
Proceeds from issuance of warrants		900,403	-	900,403	-
Payment of expenses incurred for issuance of ordinary shares and warrants		(502,568)	-	(502,568)	-
Purchase of treasury shares		(590,604)	-	(590,604)	-
Repayment of hire purchase obligations		(290,202)	(357,929)	-	-
Net drawdown of bills payable		1,180,693	1,448,507	-	-
NET CASH FROM FINANCING ACTIVITIES		3,087,722	1,095,429	2,197,231	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,761,340	(264,081)	(526,486)	527,919
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		2,659,261	2,923,342	528,476	557
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	7,420,601	2,659,261	1,990	528,476

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

### 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 22 January 2008

### 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) Market Risk

##### (i) Foreign Currency Risk

The Group is exposed to foreign exchange risk on purchases 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 monitored closely and managed to an acceptable level.

##### (ii) 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.

##### (iii) Price Risk

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (b) 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.

#### (c) 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

In the current financial year, the Group and the Company have adopted all the new and revised Financial Reporting Standards ("FRS") and IC Interpretations issued by the Malaysian Accounting Standards Board which are relevant to its operations and effective for financial periods beginning on or after 1 October 2006.

The adoption of these new and revised FRS and IC Interpretations does not have any material financial effects on the financial statements of the Group and the Company except for the following:-

- (a) FRS 3 - Business Combination
- (b) FRS 117 - Leases
- (c) FRS 124 - Related Party Disclosures

The effects of adopting the above FRS on the accounting policies are disclosed in Notes 5(e), 5(j), 35 and the effects on the opening retained profits and comparative figures, as applicable, are disclosed in Note 38 to the financial statements.

FRS 6 - Exploration for and Evaluation of Mineral Resources has been issued and is effective for financial periods beginning on or after 1 January 2007. This standard is not relevant to the Group's operations.

Amendment to FRS 119<sup>2004</sup> - Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures has been issued and is effective for financial periods beginning on or after 1 January 2007. This standard is not relevant to the Group's operations.

FRS 107 - Cash Flow Statements has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment aligns the MASB's FRS with the equivalent International Accounting Standard ("IAS"), both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the financial statements. The Group will apply this amendment from the financial year ending 30 September 2008 onwards.

FRS 111 - Construction Contracts has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the financial statements. The Group will apply this amendment from the financial year ending 30 September 2008 onwards.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 4. BASIS OF PREPARATION (CONT'D)

FRS 112 - Income Taxes has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the financial statements. The Group will apply this amendment from the financial year ending 30 September 2008 onwards.

FRS 118 - Revenue has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the financial statements. The Group will apply this amendment from the financial year ending 30 September 2008 onwards.

FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance has been issued and is effective for the financial periods beginning on or after 1 July 2007. This standard is not relevant to the Group's operations.

FRS 134 - Interim Financial Reporting has been issued and is effective for the financial periods beginning on or after 1 July 2007. This amendment aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the quarterly financial statements. The Group will apply this amendment from the financial year ending 30 September 2008 onwards.

FRS 137 - Provisions, Contingent Liabilities and Contingent Assets has been issued and is effective for the financial periods beginning on or after 1 July 2007. This amendment aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the financial statements. The Group will apply this amendment from the financial year ending 30 September 2008 onwards.

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not an MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group has applied this Framework from the financial year ended 30 September 2007.

Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment results in exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the Company and its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item. The Group will apply this amendment from the financial year ending 30 September 2008 onwards.

IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 48 of FRS 137<sup>2004</sup> and an increase that reflects the passage of time. The Group will apply this interpretation from the financial year ending 30 September 2008 onwards.

IC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 4. BASIS OF PREPARATION (CONT'D)

IC Interpretation 7 - Applying the Restatement Approach under FRS 129<sup>2004</sup> Financial Reporting in Hyperinflationary Economies has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 8 - Scope of FRS 2 has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, it is presumed that additional goods or services have been or will be received. The whole fair value of the share-based payment will be charged to the income statement. The Group will apply this interpretation from the financial year ending 30 September 2008 onwards.

FRS 139 - Financial Instruments: Recognition and Measurement has been issued and the effective date has yet to be determined by the MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard when it becomes effective.

### 5. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Critical Accounting Estimates And Judgements

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

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

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

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

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

##### (ii) Income Taxes

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

##### (iii) Impairment of Assets

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Critical Accounting Estimates And Judgements (Cont'd)

##### (iv) Construction Contracts

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

- Contract Revenue

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

- Contract Costs

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

##### (v) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables.

##### (vi) Allowance for Inventories

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

#### (b) 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 an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Functional and Foreign Currency

##### (i) *Functional and Presentation Currency*

The functional currency of the Group is measured using the currency of the primary economic environment in which the Group operates.

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

##### (ii) *Transactions and Balances*

Transactions in foreign currency are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

#### (d) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 30 September 2007.

A subsidiary is defined as a company in which the Company 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 purchase method. Under the purchase method, 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. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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 in the consolidated balance sheets consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

The gain or loss on the disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Goodwill On Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable 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 identifiable net assets of subsidiaries at the date of acquisition over the fair value of the purchase consideration.

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

Prior to 1 October 2006, negative goodwill was retained in the consolidated balance sheet and was netted off against goodwill. With the adoption of FRS 3 - Business Combinations, if, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 October 2006 of RM4,031,355 was derecognised with a corresponding increase in retained profits.

#### (f) 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.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

##### (ii) Other Investments

Other investments are held on a long-term basis and are stated at cost less allowance for permanent diminution in value, if any. On the disposal of these investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

#### (g) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost less impairment loss, if any, and is not depreciated.

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

Office units	2%
Office lot	2%
Shophouse	2%
Computers and printers	25%
Site office cabins	10%
Plant and machinery	10%
Furniture and fittings	10%
Office equipment	10%
Renovation	10%
Motor vehicles	20%

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

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

#### (h) 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. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

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.

#### (i) Assets Under Hire Purchase

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

#### (j) Prepaid Lease Payments

The prepaid lease payments comprise the up-front payments made for the leasehold interest in land and are amortised on a straight-line basis over the lease terms. Prior to 1 October 2006, leasehold land was classified under property, plant and equipment and was stated at cost less accumulated depreciation and accumulated impairment losses, if any. Upon adoption of the revised FRS 117, the unamortised amount of leasehold interest in the land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the revised FRS 117. The financial effects of adoption of FRS 117 are disclosed in Note 38 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (k) Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 5(g) to the financial statements.

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

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

#### (l) Inventories

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

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

#### (m) Amounts Owed By Contract Customers

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

#### (n) 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.

#### (o) 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.

#### (p) 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 expenses in the period in which they are incurred.

#### (q) Income Taxes

Income taxes for the year comprise current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (q) Income Taxes (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable 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 to 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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. 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.

#### (r) Equity Instruments

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

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

#### (s) 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.

#### (t) 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.

#### (u) Revenue Recognition

##### (i) Contract Revenue

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (u) Revenue Recognition (Cont'd)

##### (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.

#### (v) 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.

### 6. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2007 RM	2006 RM
Unquoted shares, at cost	5,012,227	5,011,408

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

Name of Company	Equity Interest		Principal Activities
	2007	2006	
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.
Digistar Properties Sdn. Bhd. *	100%	100%	Renting, maintaining and upkeep of properties.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Company	Equity Interest		Principal Activities
	2007	2006	
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.	61%	61%	Dormant.
Digistar Vision Sdn. Bhd. #	60%	60%	Health television operator.
Digistar Engineering Sdn. Bhd. #	60%	60%	Dormant.
Digistar Media Sdn. Bhd. #	70%	51%	Dormant.
Aman Geliga Sdn. Bhd. #	80%	-	Dormant.

\* Subsidiary of Digistar Holdings Sdn. Bhd.

# Not audited by Horwath.

### 7. PROPERTY, PLANT AND EQUIPMENT

	AT 1.10.2006 RM (RESTATED)	ADDITIONS RM	WRITTEN OFF RM	DEPRECIATION CHARGE RM	AT 30.9.2007 RM
<b>THE GROUP</b>					
<b>NET BOOK VALUE</b>					
Office lot, shop house and office units	4,281,074	-	-	(94,952)	4,186,122
Computers and printers	33,976	53,750	-	(34,197)	53,529
Site office cabins, plant and machinery, furniture and fittings	143,285	16,247	-	(25,894)	133,638
Office equipment and renovation	1,352,338	6,460	(2,237)	(182,416)	1,174,145
Motor vehicles	867,938	-	-	(373,297)	494,641
	6,678,611	76,457	(2,237)	(710,756)	6,042,075

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

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

	AT COST RM	ACCUMULATED DEPRECIATION RM	TOTAL RM
At 30.9.2007			
Office lot, shop house and office units	4,747,580	(561,458)	4,186,122
Computers and printers	345,138	(291,609)	53,529
Site office cabins, plant and machinery, furniture and fittings	326,541	(192,903)	133,638
Office equipment and renovation	1,978,480	(804,335)	1,174,145
Motor vehicles	2,721,589	(2,226,948)	494,641
	10,119,328	(4,077,253)	6,042,075
At 30.9.2006 (Restated)			
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
	10,267,091	(3,588,480)	6,678,611

Certain motor vehicles with a total net book value of RM445,831 (2006 - RM788,291) 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	
	2007 RM	2006 RM
Office units	3,184,564	3,257,882
Office lot	60,480	62,160
Shophouse	803,674	820,505
	4,048,718	4,140,547

### 8. PREPAID LEASE PAYMENTS

	THE GROUP	
	2007 RM	2006 RM (RESTATED)
At cost	628,636	628,636
Accumulated amortisation	(26,807)	(19,166)
	601,829	609,470
Accumulated amortisation:-		
At 1 October 2006/2005	19,166	11,525
Amortisation during the financial year	7,641	7,641
At 30 September 2007/2006	26,807	19,166

Included in prepaid lease payments is a piece of leasehold land with a carrying amount of RM384,598 (2006 - RM389,675) pledged as security for banking facilities granted to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 9. INVESTMENT PROPERTIES

	THE GROUP	
	2007 RM	2006 RM
At 1 October 2006/2005	-	-
Reclassified from properties held for sale (Note 11)	366,163	-
	<hr/>	<hr/>
At 30 September 2007/2006	366,163	-
	<hr/>	<hr/>
At carrying amounts:-		
Freehold condominium	321,163	-
Freehold shop house	45,000	-
	<hr/>	<hr/>
	366,163	-
	<hr/>	<hr/>

The carrying amounts of the properties approximated their fair values.

### 10. OTHER INVESTMENT

	THE GROUP	
	2007 RM	2006 RM
At cost:-		
Long-term structured deposits	-	1,000,000
	<hr/>	<hr/>

In the previous financial year, the long-term structured deposits were in respect of a Five-Year MYR-KLIBOR Callable Range Accrual Investment placed with a licensed bank. The bank exercised its early termination option on 7 February 2007.

### 11. PROPERTIES HELD FOR SALE

	THE GROUP	
	2007 RM	2006 RM
At 1 October 2006/2005	366,163	366,163
Reclassified to investment properties (Note 9)	(366,163)	-
	<hr/>	<hr/>
At 30 September 2007/2006	-	366,163
	<hr/>	<hr/>
At cost:-		
Freehold condominium	-	321,163
	<hr/>	<hr/>
At net realisable value:-		
Freehold shop house	-	45,000
	<hr/>	<hr/>
	-	366,163
	<hr/>	<hr/>

During the financial year, the Group has reclassified the properties held for sale to investment properties as the directors were of the opinion that the sale of the properties is not highly probable within the next financial year from the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 12. INVENTORIES HELD FOR RESALE

	THE GROUP	
	2007 RM	2006 RM
At cost:-		
Equipment and parts held for resale	2,018,680	2,417,884
None of the inventories are carried at net realisable value.		

### 13. TRADE RECEIVABLES

	THE GROUP	
	2007 RM	2006 RM
Gross trade receivables	17,590,444	11,405,752
Allowance for doubtful debts:-		
At 1 October 2006/2005	(808,301)	(59,229)
Addition during the financial year	(1,260,066)	(749,072)
Write-back during the financial year	2,000	-
At 30 September 2007/2006	(2,066,367)	(808,301)
	15,524,077	10,597,451

The Group's normal credit terms for trade receivables range from 60 to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

### 14. AMOUNT OWING BY CONTRACT CUSTOMERS

	THE GROUP	
	2007 RM	2006 RM
Contract costs incurred to date	21,213,828	69,147,094
Attributable profits	4,621,940	15,889,499
Progress billings	25,835,768	85,036,593
	(23,168,634)	(77,603,363)
	2,667,134	7,433,230

### 15. AMOUNT OWING BY SUBSIDIARIES

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 16. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits amounting to RM5,419,558 (2006 - RM4,546,864) have been pledged to licensed banks as security for banking facilities granted to a subsidiary.

Fixed deposits at the balance sheet date bore a weighted average interest of 3.26% (2006 - 3.13%) per annum. The maturity periods of the fixed deposits at the balance sheet date ranged from 30 to 365 days (2006 - 30 to 365 days).

### 17. SHARE CAPITAL

	THE COMPANY			
	2007	2006	2007	2006
	NUMBER OF SHARES		RM	RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED				
At 1 October 2006/2005	250,000,000	250,000,000	25,000,000	25,000,000
Increase during the financial year	250,000,000	250,000,000	25,000,000	25,000,000
At 30 September 2007/2006	500,000,000	500,000,000	50,000,000	50,000,000
ISSUED AND FULLY PAID-UP				
At 1 October 2006/2005	173,580,650	173,580,650	17,358,065	17,358,065
Allotment during the financial year	18,000,000	-	1,800,000	-
At 30 September 2007/2006	191,580,650	173,580,650	19,158,065	17,358,065

### 18. SHARE PREMIUM

	THE GROUP/THE COMPANY	
	2007 RM	2006 RM
At 1 October 2006/2005	1,145,416	1,145,416
Premium arising from shares issued during the financial year	590,000	-
Expenses incurred for shares issued under private placements	(105,229)	-
At 30 September 2007/2006	1,630,187	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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 19. WARRANTS RESERVE

	THE GROUP/THE COMPANY	
	2007 RM	2006 RM
At 1 October 2006/2005	-	-
Warrants issued during the financial year	900,403	-
Expenses incurred for warrants issued	(397,339)	-
	<hr/>	<hr/>
At 30 September 2007/2006	503,064	-

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

### 20. TREASURY SHARES

This amount relates to the acquisition cost of treasury shares net of proceeds received from their subsequent sale or issuance.

The shareholders of the Company, by a special resolution passed at the Extraordinary General Meeting held on 15 November 2006, approved the Company's plan to repurchase its own shares.

During the financial year, the Company repurchased its issued share capital from the open market as follows:-

DATE	NUMBER OF SHARES	AVERAGE UNIT PRICE RM	TOTAL CONSIDERATION RM
28 August 2007	526,500	0.1502	79,083
29 August 2007	211,300	0.1511	31,930
30 August 2007	69,000	0.1464	10,101
4 September 2007	100,000	0.1511	15,111
5 September 2007	447,800	0.1557	69,743
6 September 2007	290,000	0.1562	45,312
7 September 2007	20,000	0.1562	3,124
10 September 2007	180,000	0.1512	27,219
11 September 2007	54,500	0.1511	8,236
12 September 2007	280,000	0.1511	42,311
13 September 2007	201,000	0.1517	30,495
17 September 2007	20,000	0.1562	3,124
18 September 2007	20,000	0.1562	3,124
19 September 2007	1,120,000	0.1557	174,364
20 September 2007	101,000	0.1562	15,781
21 September 2007	42,000	0.1563	6,563
26 September 2007	160,000	0.1561	24,983
	<hr/>		<hr/>
	3,843,100		590,604

The repurchase was financed by internally generated funds. The shares repurchased were retained as treasury shares and presented as a deduction from the shareholders' equity.

Of the total 191,580,650 (2006 - 173,580,650) issued and fully paid ordinary shares as at 30 September 2007, the number of treasury shares held by the Company amounted to 3,843,100 (2006 - Nil). The number of outstanding ordinary shares in issue after the set-off as at 30 September 2007 amounted to 187,737,550 (2006 - 173,580,650).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 21. NEGATIVE GOODWILL

As a result of the adoption of FRS 3 - Business Combination, under the transitional provisions of FRS 3, the reserve on consolidation which arose from the acquisition of subsidiaries before FRS 3 became effective is transferred directly to retained profits. The effects of adopting the above FRS are disclosed in Note 38 to the financial statements.

### 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. HIRE PURCHASE PAYABLES

	THE GROUP	
	2007 RM	2006 RM
Minimum hire purchase payments:		
- not later than one year	277,741	297,888
- later than one year and not later than five years	122,800	425,516
	<hr/>	<hr/>
	400,541	723,404
	(18,015)	(50,676)
	<hr/>	<hr/>
Future finance charges		
	<hr/>	<hr/>
Present value of hire purchase payables	382,526	672,728
	<hr/>	<hr/>
Current:		
- not later than one year	249,486	290,202
	<hr/>	<hr/>
Non-current:		
- later than one year and not later than five years	133,040	382,526
	<hr/>	<hr/>
	382,526	672,728
	<hr/>	<hr/>

The hire purchase payables at the balance sheet date bore effective interest at rates ranging from 4.54% to 6.18% (2006 – 4.54% to 7.95%) per annum.

### 24. DEFERRED TAXATION

	THE GROUP	
	2007 RM	2006 RM
At 1 October 2006/2005	42,000	71,000
Recognised in income statement (Note 31)	-	(29,000)
	<hr/>	<hr/>
At 30 September 2007/2006	42,000	42,000
	<hr/>	<hr/>

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

#### 25. 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:-

	2007 RM	2006 RM
United States Dollar	89,694	333,605
Australian Dollar	13,207	2,361
Euro	102,457	207,273
Pound Sterling	1,395,332	12,573

#### 26. SHORT-TERM BORROWINGS

	THE GROUP	
	2007 RM	2006 RM
Bankers' acceptances	3,221,000	2,023,000
Trust receipts	63,271	80,578
	3,284,271	2,103,578

The short-term borrowings bear effective interest rates ranging from 4.10% to 8.00% (2006 - 3.83% to 5.50%) 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.

#### 27. BANK OVERDRAFTS

The bank overdrafts bear effective interest at the rate of 8.00% (2006 - 7.25%) per annum and are secured in the same manner as the short-term borrowings as disclosed in Note 26 to the financial statements.

#### 28. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value attributable to shareholders of RM26,935,087 (2006 - RM26,713,036) divided by the number of ordinary shares in issue at the balance sheet date of 191,580,650 shares (2006 - 173,580,650 shares).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 29. REVENUE

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

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Contract revenue	23,418,281	21,841,594	-	-
Maintenance income	2,121,968	2,564,634	-	-
Sale of goods	12,238,198	3,652,620	-	-
Rental income	481,579	331,932	-	-
Dividend income	-	-	509,316	2,037,264
	<u>38,260,026</u>	<u>28,390,780</u>	<u>509,316</u>	<u>2,037,264</u>

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.

### 30. (LOSS)/PROFIT BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM (RESTATED)	2007 RM	2006 RM
Allowance for doubtful debts	1,260,066	749,072	-	-
Amortisation of prepaid lease payments	7,641	7,641	-	-
Audit fee:				
- for the financial year	41,000	23,600	15,000	4,000
- underprovision in the previous financial year	5,000	-	3,200	-
Contract expenses	21,668,341	17,933,277	-	-
Depreciation of property, plant and equipment	710,756	890,963	-	-
Directors' fee	110,000	60,000	110,000	60,000
Directors' other emoluments	812,260	705,250	59,000	23,250
Goodwill written off	6,496	-	-	-
Interest expense:				
- bank overdrafts	199,477	213,712	-	-
- bankers' acceptances	199,288	64,972	-	-
- hire purchase	27,277	50,730	-	-
- letters of credit and trust receipts	33,885	36,311	-	-
Loss on foreign exchange – realised	-	6,779	-	-
Property, plant and equipment written off	2,237	-	-	-
Rental of equipment	9,360	11,774	-	-
Rental of premises	62,531	52,116	-	-
Rental of motor vehicle	-	1,700	-	-
Staff costs	4,526,409	4,678,471	-	-
Write-down of properties held for sale	-	51,541	-	-
Write-back of allowance for doubtful debts	(2,000)	-	-	-
Gain on foreign exchange - realised	(58,872)	-	-	-
Gain on disposal of property, plant and equipment	(52,000)	-	-	-
Dividend income from a subsidiary	-	-	(509,316)	(2,037,264)
Interest income	(265,003)	(229,047)	(1,329)	-
Rental income	(129,200)	(139,055)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 31. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Current tax:				
- for the financial year	29,644	323,166	100,000	569,000
- overprovision in previous financial years	(225,128)	(30,594)	(29,534)	-
	(195,484)	292,572	70,466	569,000
Deferred taxation (Note 24):				
- relating to reversal/ origination of temporary differences	-	(19,000)	-	-
- overprovision in the previous financial year	-	(10,000)	-	-
	(195,484)	263,572	70,466	569,00

During the financial year, the statutory tax rate was reduced from 28% to 27%, as announced in the Malaysian Budget 2007.

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	
	2007 RM	2006 RM	2007 RM	2006 RM
(Loss)/Profit before taxation	(2,170,664)	(532,790)	183,029	1,854,030
Tax at the statutory tax rate of 27% (2006 - 28%)	(586,079)	(149,181)	49,418	519,128
Tax effects of:-				
Differential in tax rates	(25,600)	(66,300)	-	-
Non-deductible expenses	532,147	509,447	50,582	49,872
Deferred tax assets not recognised during the financial year	169,176	10,200	-	-
Utilisation of previously unrecognised deferred tax assets	(60,000)	-	-	-
Overprovision in the previous financial year:				
- current tax	(225,128)	(30,594)	(29,534)	-
- deferred tax	-	(10,000)	-	-
Income tax for the financial year	(195,484)	263,572	70,466	569,000

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

#### 32. LOSS PER ORDINARY SHARE

The basic loss per ordinary share is arrived at by dividing the loss attributable to the shareholders of RM1,975,180 (2006 - RM791,511) by the weighted average number of ordinary shares in issue at the balance sheet date (excluding treasury shares) of 177,480,016 (2006 - 173,580,650).

The fully diluted loss per share for the Group for the current financial year is not presented as the warrants and the share options under the ESOS would be anti-dilutive as the exercise prices are higher than the fair value of the Company's shares.

#### 33. SUMMARY OF EFFECTS ON ACQUISITION OF A SUBSIDIARY

A subsidiary was acquired on 18 September 2007. The effects of the acquisition of the subsidiary on the financial position of the Group at the financial year end are as follows:-

	THE GROUP	
	2007 RM	2006 RM
Cash and bank balances	1,000	-
Other payables and accruals	(6,696)	-
	<hr/>	<hr/>
Increase in net liabilities of the Group	(5,696)	-
	<hr/>	<hr/>

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

	THE GROUP	
	2007 RM	2006 RM
Cash and bank balances	1,000	-
Other payables and accruals	(6,696)	-
	<hr/>	<hr/>
Fair value of net liabilities acquired	(5,696)	-
Goodwill on acquisition	6,496	-
	<hr/>	<hr/>
Total purchase consideration	800	-
Less: Cash and bank balances on acquisition of a subsidiary	(1,000)	-
	<hr/>	<hr/>
Net cash inflow on acquisition of a subsidiary	(200)	-
	<hr/>	<hr/>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 34. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with licensed banks (Note 16)	8,836,343	6,703,222	-	-
Cash and bank balances	1,817,885	568,422	1,990	528,476
Bank overdrafts (Note 27)	(3,233,627)	(4,612,383)	-	-
	<u>7,420,601</u>	<u>2,659,261</u>	<u>1,990</u>	<u>528,476</u>

### 35. RELATED PARTY DISCLOSURES

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

	Number of directors	Directors' fee RM	Number of directors	Directors' other emoluments RM
<b>THE GROUP</b>				
2007				
- Below RM50,000	7	110,000	3	59,000
- RM50,001 to RM100,000	-	-	1	56,000
- RM100,001 to RM150,000	-	-	1	148,460
- RM200,001 to RM250,000	-	-	1	219,520
- RM300,001 to RM350,000	-	-	1	329,280
	<u>7</u>	<u>110,000</u>	<u>7</u>	<u>812,260</u>
2006				
- Below RM50,000	8	60,000	2	23,250
- RM50,001 to RM100,000	-	-	2	122,000
- RM200,001 to RM250,000	-	-	1	224,000
- RM300,001 to RM350,000	-	-	1	336,000
	<u>8</u>	<u>60,000</u>	<u>6</u>	<u>705,250</u>
<b>THE COMPANY</b>				
2007				
- Below RM50,000	7	110,000	3	59,000
2006				
- Below RM50,000	8	60,000	2	23,250

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 36. SEGMENTAL INFORMATION

2007 THE GROUP	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	ELIMINATION RM	GROUP RM
<b>REVENUE</b>							
External revenue	23,418,281	12,238,198	2,121,968	-	481,579	-	38,260,026
Intersegment revenue	-	-	-	509,316	404,400	(913,716)	-
Total revenue	23,418,281	12,238,198	2,121,968	509,316	885,979	(913,716)	38,260,026
<b>RESULTS</b>							
Segment results (external)	(4,799,024)	1,958,112	1,114,261	169,019	455,378	(529,316)	(1,631,570)
Finance costs	(490,087)	(48,642)	-	(230)	(135)	-	(539,094)
Loss from ordinary activities before taxation							(2,170,664)
Taxation							195,484
Loss from ordinary activities after taxation							(1,975,180)
Minority interests							-
Loss attributable to shareholders of the Company							(1,975,180)

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	TOTAL RM
<b>OTHER INFORMATION</b>						
Segment assets	30,038,737	1,867,263	542,170	4,399	5,881,083	38,333,652
Unallocated assets						271,044
						38,604,696
Segment liabilities	11,300,894	-	-	272,243	54,472	11,627,609
Unallocated liabilities						42,000
						11,669,609
Capital expenditure	76,457	-	-	-	-	76,457
Amortisation of prepaid lease payments	-	-	-	-	7,641	7,641
Depreciation	512,844	-	-	-	197,912	710,756

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 36. SEGMENTAL INFORMATION

2006 THE GROUP (RESTATED)	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	ELIMINATION RM	GROUP RM
<b>REVENUE</b>							
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
<b>RESULTS</b>							
Segment results (external)	(2,014,505)	730,524	1,222,318	1,886,928	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
<b>OTHER INFORMATION</b>						
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
Amortisation of prepaid lease payments	-	-	-	-	7,641	7,641
Depreciation	726,781	-	-	613	163,569	890,963

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 37. FOREIGN EXCHANGE RATES

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

	2007 RM	2006 RM
Australian Dollar	3.01	2.75
United States Dollar	3.42	3.71
Euro	4.84	4.73
Pound Sterling	6.92	6.92

### 38. EFFECTS ARISING FROM THE ADOPTION OF NEW AND REVISED FRS

The effects on the financial statements as a result of the adoption of the new and revised FRS are as follows:-

#### (a) Opening Balances

FRS 3 – Business Combination

The Group has applied FRS 3 in accordance with the transitional provisions. The change in the accounting policy has no impact on amounts reported for the financial year ended 30 September 2006 or prior periods.

	AT 1.10.2006 RM	EFFECTS OF FRS 3 RM	AS RESTATED AFTER INCORPORATING EFFECTS of FRS 3 RM
<b>THE GROUP BALANCE SHEET (EXTRACT):-</b>			
Negative goodwill	4,031,355	(4,031,355)	-
Retained profits	4,178,200	4,031,355	8,209,555

#### (b) Comparative Figures

FRS 117 – Leases

	AT 1.10.2006 RM	EFFECTS OF FRS 117 RM	AS RESTATED AFTER INCORPORATING EFFECTS of FRS 117 RM
<b>THE GROUP BALANCE SHEET (EXTRACT):-</b>			
Property, plant and equipment	7,288,081	(609,470)	6,678,611
Prepaid lease payments	-	609,470	609,470
<b>CASH FLOW STATEMENT (EXTRACT):-</b>			
Amortisation of prepaid lease payments	-	7,641	7,641
Depreciation of property, plant and equipment	898,604	(7,641)	890,963

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 39. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unsecured:				
- Guarantees given to financial institutions in respect of facilities extended to a subsidiary	-	-	29,109,154	28,890,000
- Liquidated and ascertained damages in respect of purported delay in completion of contracted work	*	7,483,580	-	-
	-	7,483,580	29,109,154	28,890,000

- \* A legal suit was initiated by a subsidiary 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 counter-claimed a sum of approximately RM7.5 million for liquidated and ascertained damages in respect of the purported delay in the completion of contracted works.

The third party withdrew the counter-claim against the subsidiary on 21 November 2007 and agreed to settle the final sum of RM1,305,144 to the subsidiary in six instalments commencing October 2007. The third party had settled their instalments in accordance with the repayment schedule.

### 40. 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) Amounts Owning By Subsidiaries

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

#### (b) Bank Balances and Other Short-Term Receivables/Payables

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

#### (c) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 40. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

#### (d) Contingent Liabilities

##### *Corporate Guarantees*

The nominal amount and net fair value of the financial instruments not recognised in the balance sheets of the Group and of the Company are as follows:-

	NOTE	THE GROUP		THE COMPANY	
		NOMINAL AMOUNT RM	NET FAIR VALUE RM	NOMINAL AMOUNT RM	NET FAIR VALUE RM
At 30.9.2007					
Contingent liabilities	39	-	-	29,109,154	*
At 30.9.2006					
Contingent liabilities	39	-	-	28,890,000	*

\* - The net fair value of the contingent liabilities is estimated to be minimal as the subsidiary is expected to fulfill its obligations to repay the borrowings.

### 41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

- (i) on 2 October 2006, the Company allotted 6,500,000 ordinary shares of RM0.10 each under a 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 8 February 2007, the Company issued 90,040,325 warrants at an issue price of RM0.01 per warrant;
- (iv) on 12 June 2007, the Company acquired an additional 19 ordinary shares of RM1 each representing 19% of the issued and paid-up share capital of Digistar Media Sdn. Bhd. for a cash consideration of RM19. The total number of shares held by the Company after the subscription would be 70 ordinary shares of RM1 each representing 70% of the issued and paid-up capital of Digistar Media Sdn. Bhd.;
- (v) on 22 August 2007, the Company allotted 11,500,000 ordinary shares of RM0.10 each under a private placement exercise at RM0.14 per share;
- (vi) on 18 September 2007, the Company subscribed for 800 ordinary shares of RM1 each representing 80% of the issued and paid-up share capital of Aman Geliga Sdn. Bhd. for a cash consideration of RM800; and
- (vii) the Company repurchased 3,843,100 of its issued ordinary shares from the open market at an average price of RM0.15 per share. The total consideration paid for the repurchase including transaction costs was RM590,604 as disclosed in Note 20 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007 (CONT'D)

### 42. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

- (i) on 2 October 2007, the Company subscribed for 27,500 ordinary shares of SGD1 each representing 55% of the equity interest of Digilink International Pte. Ltd. for a cash consideration of SGD27,500; and
- (ii) subsequent to the balance sheet date, the Company entered into share-buy back transactions as follows:-

DATE	NUMBER OF SHARES	AVERAGE UNIT PRICE RM	TOTAL CONSIDERATION RM
2 October 2007	260,000	0.1566	40,704
4 October 2007	150,000	0.1570	23,544
10 October 2007	331,100	0.1813	60,039
16 October 2007	110,000	0.1818	20,002
17 October 2007	330,800	0.1815	60,052
26 October 2007	633,200	0.1920	121,601
1 November 2007	20,000	0.1914	3,828
2 November 2007	169,400	0.1900	32,185
13 November 2007	430,000	0.1864	80,139
21 November 2007	421,200	0.1818	76,590
	<hr/> 2,855,700 <hr/>		<hr/> 518,684 <hr/>



# ANALYSIS OF ORDINARY SHAREHOLDINGS AND WARRANTS

## AS AT 31 DECEMBER 2007

### ANALYSIS OF ORDINARY SHAREHOLDINGS

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 Shareholdings	%#
Less than 100 shares	4	138	0.00
100 to 1,000 shares	67	40,300	0.02
1,001 to 10,000 shares	1,292	8,212,400	4.44
10,001 to 100,000 shares	1,158	41,953,600	22.70
100,001 to less than 5% of issued shares	183	91,516,618	49.50
5% and above of issued shares	1	43,158,794	23.34
	2,705	184,881,850	100.00

### 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	23.34
2	Nik Ahmad Tadjuddin Bin Nik Mustapha	6,943,500	3.76
3	Datuk Lee Wah Chong	6,146,402	3.32
4	Mayban Nominees (Tempatan) Sdn Bhd (Malaysian Trustees Berhad for AMB Smallcap Trust Fund)	6,040,000	3.27
5	Public Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Loh Teck Wah)	5,000,000	2.70
6	Datin Wa Siew Yam	4,413,230	2.39
7	Gan Wee Peng	2,583,800	1.40
8	Ong Fee Chong	2,400,110	1.30
9	Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ding Lian Cheon)	2,000,000	1.08
10	Teo Seow Wah	1,901,900	1.03
11	Amsec Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kwee Sow Fun)	1,420,800	0.77
12	Ooi Hock Hin	1,323,600	0.72
13	Cia Ching Eiu	1,310,000	0.71
14	Chen Swee Ning	1,273,500	0.69
15	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak)	1,200,000	0.65

# ANALYSIS OF ORDINARY SHAREHOLDINGS AND WARRANTS AS AT 31 DECEMBER 2007 (CONT'D)

## 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	%#
16	Lim Han Kong	1,100,000	0.59
17	Yuen Yeong Fatt	1,085,000	0.59
18	HDM Nominees (Tempatan) Sdn Bhd (UOB Kay Hian Pte Ltd for Teh Kee Hong)	1,000,000	0.54
19	Tan Teck Chong	1,000,000	0.54
20	Thean Chin Guan	1,000,000	0.54
21	Goh Suat Guat	950,000	0.51
22	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lee Swee Eng)	940,000	0.51
23	Yong Meng Kuen	920,000	0.50
24	Tan Jit Huat	900,000	0.49
25	Goh Gim Lay	800,000	0.43
26	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Der Chin Tong)	755,000	0.41
27	Loh Chia Shing	680,000	0.37
28	Lum Chee Khin	669,100	0.36
29	Loh Chun Lin	600,000	0.32
30	Low Koon Cheng	570,400	0.31
Total		100,085,136	54.14

## 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	23.34	-	-
2	Datuk Lee Wah Chong	6,146,402	3.32	43,158,794*	23.34
3	Ong Fee Chong	2,400,110	1.30	43,158,794*	23.34

# ANALYSIS OF ORDINARY SHAREHOLDINGS AND WARRANTS

## AS AT 31 DECEMBER 2007 (CONT'D)

### 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	6,146,402	3.32	43,158,794*	23.34
Ong Fee Chong	2,400,110	1.30	43,158,794*	23.34
Datin Wa Siew Yam	4,413,230	2.39	-	-
Lye Siang Long	-	-	-	-
YB Dato' Hasan Bin Malek	-	-	-	-
Ir. Loh Khoo Hong	-	-	-	-
YB Datuk 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.

# Based on the issued and paid-up capital of the Company of RM 19,158,650 comprising 191,580,650 ordinary shares less 6,698,800 treasury shares retained by the Company as per Record of Depositors.

### 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	2	120	0.00
100 to 1,000 warrants	42	37,250	0.04
1,001 to 10,000 warrants	544	3,024,900	3.36
10,001 to 100,000 warrants	597	23,794,400	26.43
100,001 to less than 5% of issued warrants	110	41,583,655	46.18
5% and above of issued warrants	1	21,600,000	23.99
	1,296	90,040,325	100.00

# ANALYSIS OF ORDINARY SHAREHOLDINGS AND WARRANTS

## AS AT 31 DECEMBER 2007 (CONT'D)

### 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	Yee Seng Keng	3,800,000	4.22
3	HLB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Francis Kong @ Kong Fen Shin)	1,758,500	1.95
4	Datuk Lee Wah Chong	1,530,000	1.70
5	Datin Wa Siew Yam	1,210,000	1.34
6	Ong Fee Chong	1,200,055	1.33
7	TA Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Wong Chiew Kong)	1,100,000	1.22
8	Quek Jin Ang	1,090,000	1.21
9	Cheah Yuet Ching	1,021,000	1.13
10	Chong Kok Cha	1,000,000	1.11
11	Tan Eng Huat	1,000,000	1.11
12	Lim Seng Nip	800,000	0.89
13	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chia Boon Seng)	776,700	0.86
14	Liow Lee Eng	760,000	0.84
15	Amirudin Bin Awang Chik	600,000	0.67
16	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak)	600,000	0.67
17	Ronie Tan Choo Seng	600,000	0.67
18	Chiew Hwa Chong	591,100	0.66
19	JF Apex Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Voon Sze Lin)	574,300	0.64
20	Choo Swee Shyang	500,000	0.56
21	HDM Nominees (Tempatan) Sdn Bhd (UOB Kay Hian Pte Ltd for Teh Kee Hong)	500,000	0.56
22	Gan Wee Peng	484,900	0.54
23	Trade Pioneer Limited	484,300	0.54
24	Lau Yoke Lan	475,400	0.53
25	TA Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Yee Boon Chee)	475,200	0.53

# ANALYSIS OF ORDINARY SHAREHOLDINGS AND WARRANTS

## AS AT 31 DECEMBER 2007 (CONT'D)

### 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	%
26	Heng Nee Nee @ Heng Ah Ni	454,000	0.50
27	Ng Wai Teck	450,000	0.50
28	Public Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lau Ngie Tiong)	450,000	0.50
29	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Sung Chian Terk)	415,000	0.46
30	Mayban Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chin Tek Ming)	412,800	0.46
Total		46,713,255	51.89

### 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	-	-	-	-
YB Dato' Hasan Bin Malek	-	-	-	-
Ir. Loh Khoo Hong	-	-	-	-
YB Datuk 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 2007

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.	An intermediate office lot in a 9-storey shopping-cum-office block/ Office unit	366	Freehold	29 years	60,480	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	12 years	427,976	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	12 years	484,845	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	12 years	346,227	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	12 years	361,009	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	12 years	327,610	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	12 years	342,197	2002
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	12 years	366,685	2002

## LIST OF PROPERTIES AT 30 SEPTEMBER 2007 (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
B6/2/2, 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	12 years	528,016	2003
No. 3, Jalan TU-3, Taman Tasik Utama, Ayer Keroh, 75450 Melaka.	Double-storey shophouse	1539	Leasehold for 99 years expiring on 29/03/2097	7 years	169,126	2002
Lot 165, Mukim Kuala Kuantan, Pahang.	Land (vacant bungalow lot)	15289*	Leasehold for 99 years expiring on 10/09/2092	N/A	185,509	2002
C19, Jalan Ampang Utama 1/1, Taman Ampang Utama, 68000 Ampang, Selangor.	A corner 4½-storey shop-office / Shop-office	Build-up area: 8,124 Land area: 1,920	Leasehold for 99 years expiring on 07/05/2083	14 years	1,188,272	2005
No. 28-1A, Jalan Sungai Chandong 9, Bandar Armada Putra, Pulau Indah, 42100 Pelabuhan Klang, Selangor	An intermediate office lot in a 4-storey shop/ Office unit	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	1 year	321,163	2005





## DIGISTAR CORPORATION BERHAD

(603652-K)  
(Incorporated in Malaysia)

### FORM OF PROXY

CDS Account No. (i)

No. 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 .....  
....., NRIC No. ....  
(FULL NAME IN BLOCK CAPITALS)

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 Fifth 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 Thursday, 28 February 2008 at 10.00 a.m. and at any adjournment thereof.

	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		

(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.)

(i) Applicable to shares held through a nominee account.

\* Delete where applicable

Signed this ..... day of ..... 2008

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

.....  
Signature/Common Seal of Member

#### Notes:

- A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies 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/she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- 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.
- 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, 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 any adjournment thereof.

FOLD THIS FLAP FOR SEALING

FOLD HERE

Affix  
stamp



**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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## Notes

## Notes