



ICT



Broadcast



**Audio &
Visual**



Telecommunication



IPTV



E-Commerce



Security



**Electronic
Engineering**

Expertise, Experience & Reliability
in system **integration,**
custom-designing
for specialist in high technology assignment



annual report 2011

DIGISTAR CORPORATION BERHAD

(603652-K)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

YB Datuk Md. Sirat Bin Abu	(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)
Tan Sri Datuk Mohd Zaman Khan	
@ Hassan B Rahim Khan	(Independent Non-Executive Director)
Dato' Haji Ishak Bin Haji Mohamed	(Independent Non-Executive Director)
Cheong Yee Kiong	(Independent Non-Executive Director)
Lee Mely	(Non-Independent Non-Executive Director)

AUDIT COMMITTEE

Chairman

YB Datuk Md. Sirat Bin Abu	(Independent Non-Executive Chairman)
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Members

Tan Sri Datuk Mohd Zaman Khan	
@ Hassan B Rahim Khan	(Independent Non-Executive Director)
Dato' Haji Ishak Bin Haji Mohamed	(Independent Non-Executive Director)
Cheong Yee Kiong	(Independent Non-Executive Director)

NOMINATION COMMITTEE

Chairman

YB Datuk Md. Sirat Bin Abu

Members

Dato' Haji Ishak Bin Haji Mohamed
Cheong Yee Kiong

REMUNERATION COMMITTEE

Chairman

YB Datuk Md. Sirat Bin Abu

Members

Datuk Lee Wah Chong
Dato' Haji Ishak Bin Haji Mohamed
Cheong Yee Kiong

CORPORATE INFORMATION (Cont'd)**COMPANY SECRETARIES**

Tan Bee Hwee (MAICSA 7021024)
Wong Wai Foong (MAICSA 7001358)

REGISTERED OFFICE

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 8888 Fax: 03-2282 2733

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

AUDITORS

Crowe Horwath
Chartered Accountants
Level 16, Tower C
Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 03-2166 0000 Fax: 03-2166 1000

SHARE REGISTRAR

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

PRINCIPAL BANKERS

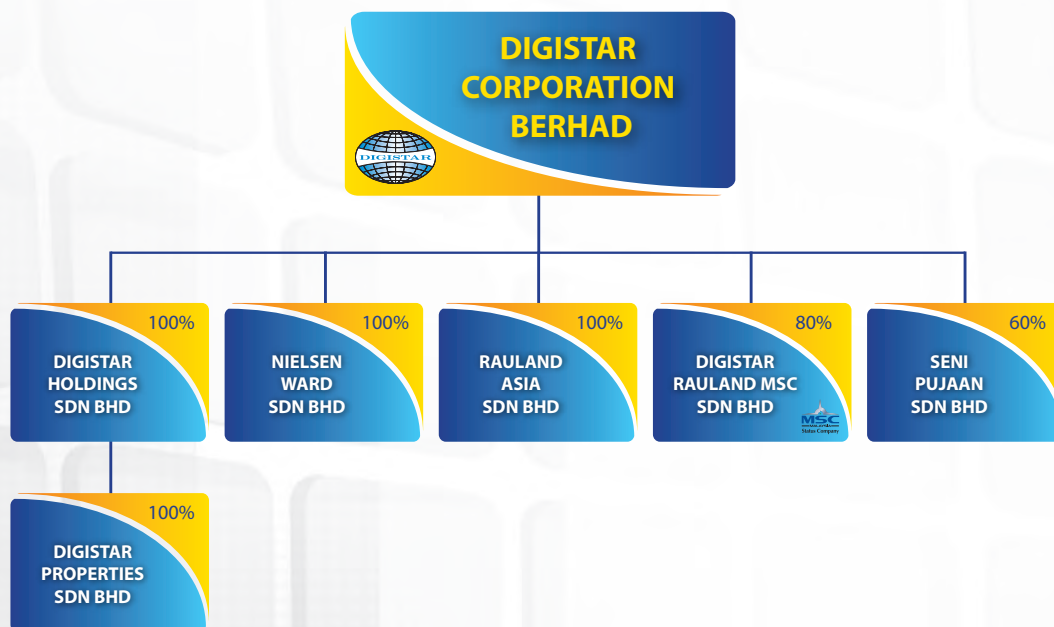
United Overseas Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

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

GROUP STRUCTURE

AS AT 24 FEBRUARY 2012



CORPORATE DIVISIONS



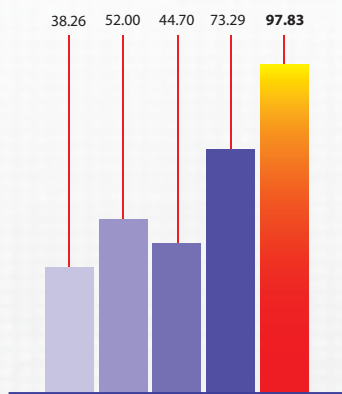
DIGISTAR CORPORATION BERHAD

(Listed in Bursa Malaysia Securities Berhad)

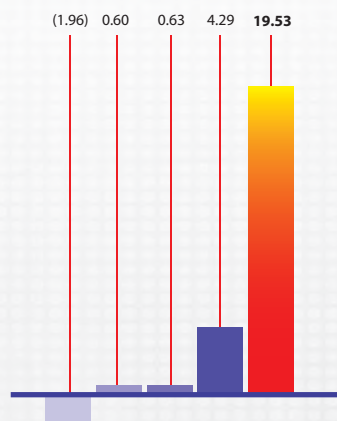


GROUP FINANCIAL HIGHLIGHTS

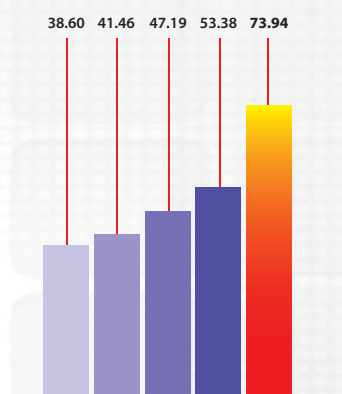
GROUP 5 YEARS FINANCIAL PERFORMANCE



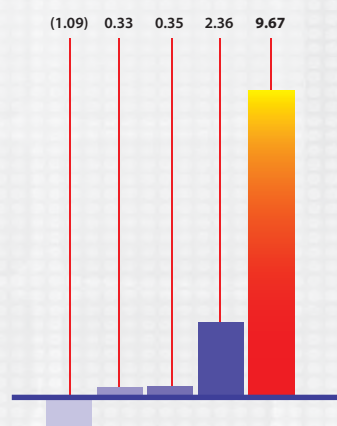
Revenue
(RM'Million)



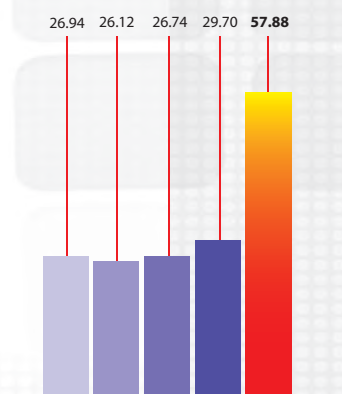
Profit attributable to Shareholders
(RM'Million)



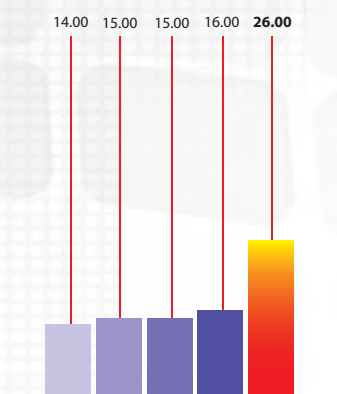
Total assets
(RM'Million)



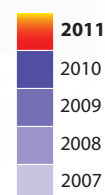
Earning per share
(Sen)



Shareholders' equity
(RM'Million)



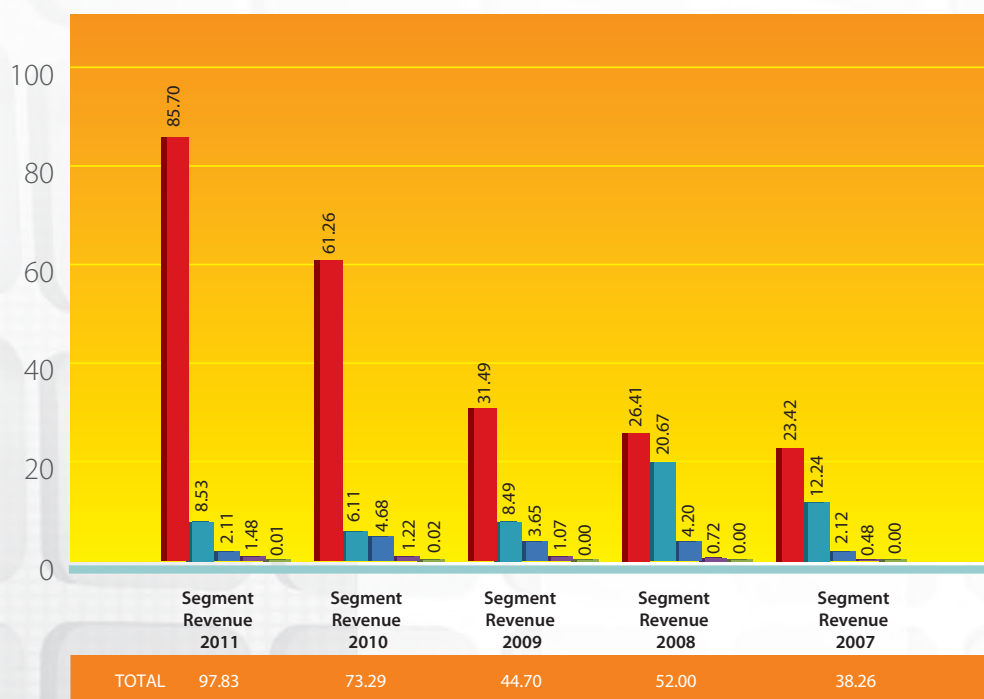
Net assets per share
(Sen)



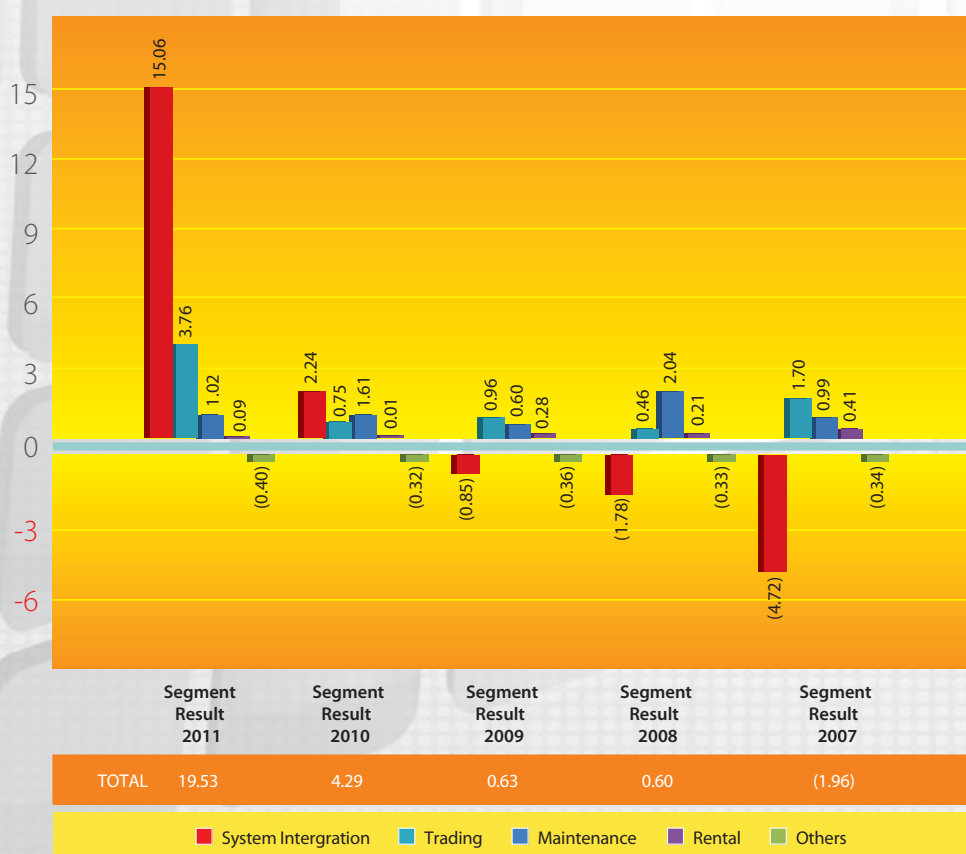
GROUP FINANCIAL HIGHLIGHTS (Cont'd)

PERFORMANCE AT A GLANCE BUSINESS SEGMENTS

Segment Revenue Analysis (RM' Million)



Segment Results Analysis (RM' Million)



BOARD OF DIRECTORS



1. DATUK MD. SIRAT BIN ABU

Independent Non-Executive Chairman

**2. TAN SRI DATUK MOHD ZAMAN KHAN
@ HASSAN B RAHIM KHAN**

Independent Non-Executive Director

3. DATUK LEE WAH CHONG

Managing Director

4. DATO' HAJI ISHAK BIN HAJI MOHAMED

Independent Non-Executive Director

5. ONG FEE CHONG

Executive Director

6. LYE SIANG LONG

Executive Director

7. DATIN WA SIEW YAM

Executive Director

8. LEE MELVY

Non-Independent Non-Executive Director

9. CHEONG YEE KIONG

Independent Non-Executive Director

DIRECTORS' PROFILE

YB Datuk Md. Sirat Bin Abu

YB Datuk Md. Sirat Bin Abu, a Malaysian aged 53, was appointed to the Board of Directors of the Company on 14 April 2008. He is an Independent Non-Executive Chairman of the Company. On 27 May 2011, he was simultaneously appointed as the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee. He possesses a Diploma Perguruan from Maktab Penguruan Mohd Khalid, Johor Bahru and Certificate in Management from University of Science Malaysia. In 2008, he was graduated from Newcastle University with a Bachelor of Commerce in hospitality management. He served as a teacher for more than 14 years before he was appointed as the confidential secretary to the Deputy Minister of Transport in 1995 to 1998. In year 1999, he was appointed as the confidential secretary to the Deputy Minister of Health and became political secretary to Malacca Chief Minister in year 2000. He was also the Mayer of Bandar Malacca in year 2001 to 2002 and the Chairman of Muzium Malacca in year 2003. In year 2004 to 2007, he was the political secretary to Malacca Chief Minister. He is currently an elected Member of Parliament of Bukit Katil Constituency.

Apart from his directorship in the Company, he also sits on the Board of Directors of Dynamic Communication Link Sdn Bhd (a subsidiary of a public listed company) and Koperasi Belia Nasional Berhad.

YB Datuk Md. Sirat attended four (4) out of five (5) Board of Directors' Meetings held during the financial year ended 30 September 2011.

Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan

Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan, a Malaysian aged 70, was appointed as an Independent Non-Executive Director of the Company on 27 May 2011. He was also simultaneously appointed as a member of the Audit Committee. He graduated from Royal College of Defence Studies, United Kingdom and also holds a Graduate Certificate in Management from Monash Mt. Eliza Business School. Tan Sri Datuk Zaman Khan served the Malaysian Police Force for 35 years and had held several key positions, namely as Commissioner of Police, Director of Criminal Investigation and Director-General for the Prisons Department. On his retirement, he became active in prevention and rehabilitation with PEMADAM. He was inducted into the Harm Reduction Working Group with the Malaysian Aids Council and subsequently inducted into the National Task Force on Harm Reduction. He is currently the President of Malaysian Aids Council and Trustee of Malaysian Aids Foundation.

He also serves on the Board of Tricubes Berhad and RCE Capital Berhad, both are public companies and listed on the Bursa Malaysia Securities Berhad.

Tan Sri Datuk Mohd Zaman Khan attended one (1) out of one (1) Board of Directors' Meeting held during his tenure as director in the financial year ended 30 September 2011. There was only one Board of Directors' meeting held subsequent to the date of his appointment.

Datuk Lee Wah Chong

Datuk Lee Wah Chong, a Malaysian aged 54, was appointed as the Managing Director of the Company on 18 August 2003. He is also a member of the Remuneration Committee. He 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.

He also sits on the Board of Directors of various other private companies and does not have any directorship in other public companies.

His wife, Datin Wa Siew Yam and his sister Lee Mely, are members of the Board.

Datuk Lee Wah Chong attended four (4) out of five (5) Board of Directors' Meetings held during the financial year ended 30 September 2011.

DIRECTORS' PROFILE (Cont'd)

Dato' Haji Ishak Bin Haji Mohamed

Dato' Haji Ishak Bin Haji Mohamed, a Malaysian aged 59, was appointed as an Independent Non-Executive Director of the Company on 27 May 2011. He was also simultaneously appointed as a member of the Audit Committee, Nomination Committee and Remuneration Committee. He graduated from University of Wisconsin USA with a Masters in Public Policy in 1992 and Universiti Sains Malaysia with a Bachelor of Social Science 1983. He last served the Malaysian Immigration Department as the Director of Enforcement and previously held several key positions, namely as Director of Immigration for Perak, Secretary General of the Welfare and Sports Council, Intan and Assistant Principal Director of Public Service Department.

He also sits on the Board of Directors of several other private limited companies and does not have any directorship in other public companies.

Dato' Haji Ishak Bin Haji Mohamed has not attended any of the Board of Directors' Meeting held during his tenure as director in the financial year ended 30 September 2011. There was only one Board of Directors' meeting held subsequent to the date of his appointment.

Ong Fee Chong

Mr. Ong Fee Chong, a Malaysian aged 41, 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 fifteen (15) years of experience in the system integration industry.

He also sits on the Board of Directors of several other private limited companies and does not have any directorship in other public companies.

Mr. Ong Fee Chong attended all five (5) Board of Directors' Meetings held during the financial year ended 30 September 2011.

Lye Siang Long

Mr. Lye Siang Long, a Malaysian aged 42, was appointed to the Board of Directors on 12 April 2006. He is the Executive Director of the Company. 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.

He does not have any directorship in other public companies.

Mr Lye Siang Long attended all five (5) Board of Directors' Meetings held during the financial year ended 30 September 2011.

DIRECTORS' PROFILE (Cont'd)

Datin Wa Siew Yam

Datin Wa Siew Yam, a Malaysian aged 53, 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.

She also sits on the Board of Directors of several other private limited companies and does not have any directorship in other public companies.

Her husband, Datuk Lee Wah Chong and her sister in law, Lee Mely, are members of the Board.

Datin Wa Siew Yam attended four (4) out of five (5) Board of Directors' Meetings held during the financial year ended 30 September 2011.

Lee Mely

Lee Mely, a Malaysian aged 51, was reappointed as an Non-Independent Non-Executive Director of the Company on 27 May 2011. Previously she was a non-independent and non-executive director of the Company in 2003 until 2007. She graduated with a Certificate in Business Studies from Goon Institute, Petaling Jaya in 1981. She served with Hagemeyer Industries (M) Sdn Bhd as an Assistant Accountant for two (2) years. She left Hagemeyer Industries (M) Sdn Bhd in 1986 to join Segabina Sdn Bhd as an Accounts Executive. She was promoted to the position of Administration Manager in 1992, a position she held for six (6) years before being promoted to the position of General Manager.

She does not have any directorship in other public companies.

Her brother, Datuk Lee Wah Chong and her sister in law, Datin Wa Siew Yam, are members of the Board.

Lee Mely attended one (1) out of one (1) Board of Directors' Meeting held during her tenure as director in the financial year ended 30 September 2011. There was only one Board of Directors' meeting held subsequent to the date of her appointment.

Cheong Yee Kiong

Mr. Cheong Yee Kiong, a Malaysian aged 51, was appointed as an Independent Non-Executive Director of the Company on 30 January 2009. He was a member of the Audit Committee, Nomination Committee and Remuneration Committee. He is a professionally qualified accountant as a member of the Malaysian Institute of Accountants. He completed his professional studies at the Tunku Abdul Rahman College, graduating with a diploma in commerce (management accounting) in 1984. He joined SYF Resources Berhad in early 2003 as Financial Controller and eventually assumed the positions of Director of Finance and Company Secretary before joining the board on 18 November 2008. During his career, he had gained experience in corporate and financial matters as financial controller with two other locally listed companies involved in construction and property development. Apart from that, he had also been a dealer's representative in the stockbroking industry.

His present directorship in public companies includes SYF Resources Berhad.

Mr. Cheong Yee Kiong attended all five (5) Board of Directors' Meetings held during the financial year ended 30 September 2011.

Additional Information on Directors

Save as disclosed in the Directors' Profile, none of the Directors have:

1. Any family relationship with any directors and/or major shareholders of the Company;
2. Any conflict of interest with the Company; and
3. Any conviction for offences within the past 10 years other than traffic offences.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors of Digistar Corporation Berhad "Digistar", it gives me a great pleasure to present the Annual Report for the Financial year ended 30 September 2011

YB DATUK MD. SIRAT BIN ABU
CHAIRMAN

Operating Environment and Economic Conditions

For 2012, the GDP growth in Malaysia will be largely domestic driven, due to heightened uncertainties in the global economy. The International Monetary Fund revised downwards the world economic growth to 4% and world trade to 5.8%. This is due to the economic slowdown in the United States, Europe and Japan, inflationary pressures due to rising commodity prices, European debt crisis as well as slower world trade. These global developments would certainly have a direct impact on the Malaysian economy. Hence Malaysia's real GDP growth is expected to be sustained at 5%-6%. With these developments, the Government will put in place measures to stimulate domestic economic activities, in particular public and private as well as private consumption.

The private and public investments are expected to increase 15.9% and 7% respectively, supported by higher foreign direct investment, implementation of the ETP and Second Rolling Plan (RP2) projects under the 10 Malaysia Plan (10MP). Private consumption is projected to increase 7.1% following higher disposable income and a more positive employment prospect.

(Source: Ministry of Finance, Economic Report 2011/2012 and 2012 Budget Speech on 7 October 2011 by Prime Minister of Malaysia and Minister of Finance)

Digistar performance is closely linked to the construction industry, broadcasting industry, information technology industry and communication industry.

The construction sector is projected to grow strongly by 7% (2011: 3.4%) driven by the commencement of large infrastructure projects and vibrant housing construction activities. The construction sector is expected to be supported by the acceleration of 10 MP projects in the second half of 2011.

As for broadcasting industry, the subscription-based satellite television, Astro All Asia Networks (ASTRO), has 3.0 million subscribers with a household penetration rate of 48% as at end-June 2011 (end-June 2009: 2.9 million; 49%). Growth was largely driven by continuous service upgrading and offerings of wide-ranging content and packaging such as additional 18 HD channels, Personal Video Recording and Video on demand as well as delivery of Internet Protocol Television service via broadband. The growth momentum is expected to remain upbeat in the second half of the year 2011.

Information and communication technology ("ICT") is a key driver to promote higher value-added sources of growth. Greater use of ICT will not only support growth but also improve productivity and competitiveness. Recognising this, the Government continues to facilitate the development of the ICT industry through various initiatives such as upgrading information technology ("IT") infrastructures and networks, increasing IT utilisation across economic sectors and providing incentives. This industry is expected to gain greater growth momentum through projects under the NKEAs.

CHAIRMAN'S STATEMENT (Cont'd)

The communication sub-sector is expected to remain robust. The telecommunication industry would be driven by the non-voice segment, as demand for mobile data is expected to benefit from the rising popularity and affordability of smart phones amid a proliferation of new device and intensified competition among service providers. Growth will be further supported by wider roll-out of high-speed broadband, wireless broadband services and continuous initiatives by the Government to promote the adoption of broadband services in rural areas. As for broadband service provider, the Government has extended the tax incentive application period for last-mile infrastructure deployment as well as import duty and sales tax exemption on broadband equipment until 2012.

(Source: Ministry of Finance, Economic Report 2011/2012)

Financial Review, Corporate Highlights and Dividends

Record Revenue : It has been another momentous year for Digistar as we achieved a new revenue record of RM97.83 million for FY 2011. Year on year, the revenue rose by 33.48% from RM73.29 million (FY2010).

Record Profit : Digistar achieved a record high profit after tax and minority interest of RM19.45 million for FY 2011. Year on year, the profit rose by 353.38% from RM4.29 million (FY2010).

The increase in revenue and profit after taxation are mainly due to delivery of certain fast-track system integration projects with better profit margin coupling with favourable currencies movement for import of equipments.

Corporate Exercises

During the FY 2011, the Company increased its issued and paid-up share capital from RM19.16 million to RM23.17 million by issuance of 40.14 million new ordinary shares of RM0.10 by way of Bumiputera Issue and Private Placement. The issuance of new shares provided shareholders with greater participation from improved liquidity and marketability of our shares. In addition, the enlarged capital base of the Company gave a better reflection of the current scale of operations and assets employed.

Dividend

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

Prospect

Digistar Group is principally involved in the 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. Currently, Digistar Group only has operations in Malaysia.

For FY 2011, the Company registered a strong revenue of approximately RM97.83 million, out of which approximately 87.60% generated from the segment of system integration. As a substantial portion of Digistar's revenue is closely linked to the construction industry and given the positive outlook of the construction industry as mentioned above, the management of Digistar anticipates wider business opportunities for its system integration segment through projects involving the installation and integration of information technology infrastructure.

Television networks and production facilities in the Asia-Pacific region are increasingly making the transition from analogue to digital television broadcasting. With the introduction of digitalisation, most of the broadcasters are working towards having their broadcast stations equipped with the necessary technology. This gives ample continuous opportunities for the Company to offer its broadcast system integration services to broadcasters in this region.

In light of the projected growth of the economy as highlighted in the previous sections, the Directors of Digistar believes that the prospects of Digistar Group would be favourable for the next coming financial year.

CHAIRMAN'S STATEMENT (Cont'd)

Board Changes

New directors have come on Board. We now have a more balanced and stronger Board comprising highly experienced individual from government and corporate sectors who will be able to significantly enhance the business and value of the Group.

Acknowledgement and Appreciation

On behalf of the Board, I wish express our gratitude and appreciation to all our stakeholders. I would also like to convey my sincerest appreciation to the management and employees of Digistar Group for their unwavering dedication and commitment.

Last but not least, I thanks to my fellow Board member, both past and present, which have provide valuable insight, guidance and wise counsels to the Company.

As Chairman of Digistar Corporation Berhad, I truly appreciate the trust and opportunity given to me and I shall endeavour to give my utmost in discharging the responsibilities entrusted upon me.

YB DATUK MD. SIRAT BIN ABU

Chairman

24 February 2012

MANAGING DIRECTOR'S REPORT



2011 was indeed a successful and a very encouraging year for our Group. Our financial performance continues to improve as we move into an exciting and dynamic growth phase across both new and existing projects.

DATUK LEE WAH CHONG
MANAGING DIRECTOR

Digistar has grown from a system house to being a “One-Stop” system integrator specialising in advance system, electronics, broadcast installations and maintenance throughout Malaysia.

During the year, Digistar has achieved a major milestone and has staged a significant turnaround. Revenue and profit after taxation and MI recorded a quantum leap in FY 2011 as compare to FY 2010, jumping 33.48% of RM24.54million (2011 : RM97.83million, 2010 : RM73.29million) and 353.38% of RM15.16million (2011 : RM19.45million, 2010 : RM4.29million) respectively. The basic earnings per ordinary shares also increased to 9.67sen from 2.36sen in the previous year.

Earning quality for the year has improved tremendously. While the systems integration segment continued to be the largest revenue and profit contributor to the Group. Others segment performance in aggregate also performed a well track record.

Strategy Moving Forward

The landmark achievement in profit and revenue growth is the direct result from management's effort to refocus on the core operations from being pure systems integrator to a specialist in digital broadcast conversions and installation. Apart from being the specialist in digital broadcast conversions, Digistar also implement Internet Protocol TV (“IPTV”) services in private hospitals. Its job is to design, supply, install, operate and maintain IPTV systems in the hospitals.

Opportunities

As announced by world broadcast association, all broadcast stations around the world will have to convert from analogue to digital system by 2015, failing which they will face difficulties. Under the 10th Malaysian Plan, the Government of Malaysia has allocated RM2 billion for the digitalisation of Radio Televisyen Malaysia (“RTM”). With our expertise and resources, Digistar has an edge over its rivals to undertake high technology broadcast project.

Another exciting broadcast industry currently is the Internet Protocol TV (“IPTV”) system. In Malaysia, IPTV services are mainly offered at hotel and residential homes. Digistar is the dominant player in providing IPTV services to local private hospitals.

With the digitalisation of RTM, the development of Iskandar region and more healthcare facilities being set up, this will keep us busy in bidding and battle to secure more projects.

Acknowledgement and Appreciation

The Group continues remain vigilant in its action and proactive in management while operating in a robust and highly competitive business environment. In light of the projected growth of Malaysia economy, our success in breaking through the new market and our key strength in term of expertise, experience and reliability, I believe that FY 2012 will be another good year for Digistar Group. I also expect that FY 2012 will be an exciting and a very busy period for us as we move to conquer new frontiers and all other new projects that we are planning to unveil soon.

I would like to extend my deepest appreciation to our shareholders, other stakeholders, the management and the staff of Digistar for their confidence and unwavering support throughout FY 2011. I also wish to extend my sincere thanks to my fellow Board members for their commitment and invaluable advice. I hope this good relationship that we have built will continue to flourish well into the future.

DATUK LEE WAH CHONG
Managing Director
24 February 2012

CORPORATE SOCIAL RESPONSIBILITY

"THE FUNDAMENTAL FOR THE BUSINESS GROWTH
AND SUSTAINABILITY, DIGISTAR AIM TO BE A
HIGHLY COMPETITIVE AND SOCIALLY
RESPONSIBLE REGIONAL PLAYER "



CORPORATE SOCIAL RESPONSIBILITY (Cont'd)

COMMUNITY

Social Welfare

Digistar views Corporate Social Responsibility as an on-going commitment by the business as well as to contribute to economic and social development whilst improving the quality of stakeholders' value and the local community at large.

Digistar supports many programs and endeavours. One of the endeavours is to promote values of a caring multi-racial and to promote the practices of giving back to the community. In view of that, Digistar had in the past supported good causes through donations to non-profit organizations and hospitals, Old Folks Home that lack of attention and support from the local community.

For FY 2011, Digistar had organised a community project in Persatuan Kebajikan Ci-Hang Cempaka located in Kampung Baru Subang, Shah Alam, Selangor. Our charity-theme for this event is to spreading the warmth and cheer to the elderly. In addition to bringing cheer to the less fortunate, Digistar had also donated away the necessities and some token of donation for improving their living conditions.



CORPORATE SOCIAL RESPONSIBILITY (Cont'd)

“ WE ARE MAKING LEADERS SUCCESSFUL EVERY DAY ”

Internship Programme

Vision 2020 Aspiration

As part of its social contribution towards moving Malaysia towards Vision 2020, the Group responded to the Malaysia 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.

Digistar also welcomes students from private Chinese schools to participate in its internship programs. Students selected for the internship program will work closely with a mentor who will oversee their technical and personal development. They will be provided with free lodging and monthly allowances. Upon completion of the internship program, successful students will be offered employment as well as the opportunity to undergo further trainings overseas and career advancements with the Group.

This provides an avenue for DIGISTAR to employ potential employees upon completion of their studies.

Education

On the education front, Digistar is working closely with various local universities such as University Malaya, University Tuanku Abdul Rahman, University Technology Malaysia, University Tenaga Nasional, MONASH University and INTI University College by offering on the job training and practical to the undergraduates who are pursuing electrical and electronic studies in order to equip them with the knowledge after they have graduated from their studies.

In association with the above, we respond to the needs of communities by supporting and enriching the lives of the poor families by selecting the under privilege graduates who deserves to receive educational funding for their studies.

Digistar will continue to participate in various charities and academic events in a sustainable manner for our future generation.

WORKPLACE

Workplace Diversity

Digistar understands that a positive and respectful culture across the organisation is critical for the overall business sustainability and is committed to providing an environment where all employees, regardless of age, gender, race, religion, nationality and education, have equal opportunity to thrive. This healthy mix encourages the employees to strive to reach their full potential whilst working together in harmony to achieve organisational goals and sustainable growth.

Rewards and Recognition

Digistar always focus on creating an attractive works place and upholding a competitive remuneration package in order to retain a very high standard of quality workforce. In addition, the Group has previously granted Employees Share Option Schemes to eligible employees. Better rewards scheme aims to motivate employees towards better performance through greater dedication and loyalty and instilling in them a greater sense of ownership.

Health and Safety

Digistar has in place a comprehensive Health and Safety framework and continues to create awareness to limit safety related incidents and to improve lost time case rates. Safety measures in place include security guards, surveillance equipments at relevant work locations, and appropriate notices and announcements on safety measures.

STATEMENT TO THE SHAREHOLDERS

IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARE

1. Disclaimer Statement

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Proposed Renewal of Share Buy-Back Authority ("Statement") prior to its issuance. As such, Bursa Securities takes no responsibility for the contents of this 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. Rationale 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 ACE 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 which is not immediately required for other uses to purchase Digistar Shares from the market. This may help to stabilise the supply and demand of Digistar Shares traded on the ACE Market of the Bursa Securities and thereby support its fundamental value;
- (b) The purchase of its own shares by Digistar, 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 ACE 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 2011 the retained profits and share premium account of the Company stood at RM7,361,027 and RM8,399,210 respectively. Based on the unaudited First Quarter results for the period ended 31 December 2011, the retained profits and share premium account of the Company stood at RM7,317,124 and RM8,399,210 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 2011, the Group has a net cash and cash equivalent balance of approximately RM29,576,914.

STATEMENT TO THE SHAREHOLDERS

IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARE (Cont'd)

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 and persons connected with them as at 10 February 2012 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:

Minimum Scenario : Assuming that none of the 90,040,325 outstanding 2007/2017 warrants ("Outstanding Warrants") are exercised.

Maximum Scenario : Assuming that all the Outstanding Warrants are exercised.

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

Minimum Scenario:

	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of share capital was purchased and cancelled ⁽ⁱⁱ⁾			
	Direct Interest		Indirect Interest #		Direct Interest		Indirect Interest #	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Lee Wah Chong	14,977,007	6.68	45,316,733	20.20	14,977,007	7.18	45,316,733	21.73
Ong Fee Chong	2,520,115	1.12	45,316,733	20.20	2,520,115	1.21	45,316,733	21.73
Datin Wa Siew Yam	4,633,891	2.07	–	–	4,633,891	2.22	–	–
YB Datuk Md Sirat Bin Abu	25,000	0.01	–	–	25,000	0.01	–	–

Maximum Scenario:

	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of share capital was purchased and cancelled ⁽ⁱⁱ⁾			
	Direct Interest		Indirect Interest #		Direct Interest		Indirect Interest #	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Lee Wah Chong ^(a)	19,789,407	6.29	66,916,733 ^(d)	21.28	19,789,407	6.83	66,916,733 ^(d)	23.11
Ong Fee Chong ^(b)	3,720,170	1.18	66,916,733 ^(d)	21.28	3,720,170	1.28	66,916,733 ^(d)	23.11
Datin Wa Siew Yam ^(c)	5,843,891	1.86	–	–	5,843,891	2.02	–	–
YB Datuk Md Sirat Bin Abu	25,000	0.01	–	–	25,000	0.01	–	–

Notes:

- (i) The Shares purchased and held as treasury shares as at 10 February 2012 is 7,372,808 treasury shares.
- (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 purchases under the respective scenarios.
- (a) Datuk Lee Wah Chong holds 4,812,400 warrants as at 10 February 2012.
- (b) Ong Fee Chong holds 1,200,055 warrants as at 10 February 2012.
- (c) Datin Wa Siew Yam holds 1,210,000 warrants as at 10 February 2012.
- (d) Kenangan Lampiran Sdn Bhd holds 21,600,000 warrants as at 10 February 2012.
- # Deemed interest via Kenangan Lampiran Sdn Bhd under Section 6A of the Companies Act, 1965.

STATEMENT TO THE SHAREHOLDERS

IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARE (Cont'd)

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

Minimum Scenario:

	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of share capital was purchased and cancelled ⁽ⁱⁱ⁾			
	Direct Interest		Indirect Interest #		Direct Interest		Indirect Interest #	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Kenangan Lampiran Sdn Bhd	45,316,733	20.20	–	–	45,316,733	21.73	–	–
Datuk Lee Wah Chong	14,977,007	6.68	45,316,733	20.20	14,977,007	7.18	45,316,733	21.73
Ong Fee Chong	2,520,115	1.12	45,316,733	20.20	2,520,115	1.21	45,316,733	21.73

Maximum Scenario:

	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of share capital was purchased and cancelled ⁽ⁱⁱ⁾			
	Direct Interest		Indirect Interest #		Direct Interest		Indirect Interest #	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Kenangan Lampiran Sdn Bhd	66,916,733	21.28	–	–	66,916,733	23.11	–	–
Datuk Lee Wah Chong	19,789,407	6.29	66,916,733	21.28	19,789,407	6.83	66,916,733	23.11
Ong Fee Chong	3,720,170	1.18	66,916,733	21.28	3,720,170	1.28	66,916,733	23.11

Notes:

- (i) The Shares purchased and held as treasury shares as at 10 February 2012 is 7,372,808 treasury shares.
- (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 purchases under the respective scenarios.
- (a) Kenangan Lampiran Sdn Bhd holds 21,600,000 warrants as at 10 February 2012.
- (b) Datuk Lee Wah Chong holds 4,812,400 warrants as at 10 February 2012.
- (c) Ong Fee Chong holds 1,200,055 warrants as at 10 February 2012.
- # Deemed interest via Kenangan Lampiran Sdn Bhd under Section 6A of the Companies Act, 1965.

STATEMENT TO THE SHAREHOLDERS

IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARE (Cont'd)

(c) Direct and Indirect Interests of Persons Connected with the Directors and Substantial Shareholders of Digistar

Minimum Scenario:

	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of share capital was purchased and cancelled ⁽ⁱⁱ⁾			
	Direct Interest		Indirect Interest #		Direct Interest		Indirect Interest #	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lee Mey Ling #	54,400	0.02	–	–	54,400	0.03	–	–
Lee Hwa Beng #	315,000	0.14	–	–	315,000	0.15	–	–
Chua Mooi Hua #	117,705	0.05	–	–	117,705	0.06	–	–
Lee Seng Gak #	50	0.00	–	–	50	0.00	–	–
Lye Siang Huat #	–	–	–	–	–	–	–	–
Lee Hwa Yang #	4,200	0.00	–	–	4,200	0.00	–	–

Maximum Scenario:

	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of share capital was purchased and cancelled ⁽ⁱⁱ⁾			
	Direct Interest		Indirect Interest #		Direct Interest		Indirect Interest #	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lee Mey Ling #	54,400	0.02	–	–	54,400	0.02	–	–
Lee Hwa Beng #	515,000	0.16	–	–	515,000	0.18	–	–
Chua Mooi Hua #	117,705	0.04	–	–	117,705	0.04	–	–
Lee Seng Gak #	50	0.00	–	–	50	0.00	–	–
Lye Siang Huat #	50,000	0.02	–	–	50,000	0.02	–	–
Lee Hwa Yang #	8,700	0.00	–	–	8,700	0.00	–	–

Notes:

- (i) The Shares purchased and held as treasury shares as at 10 February 2012 is 7,372,808 treasury shares.
- (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 purchases under the respective scenarios.
- (a) Lee Hwa Beng holds 200,000 warrants as at 10 February 2012.
- (b) Lye Siang Huat holds 50,000 warrants as at 10 February 2012.
- (c) Lee Hwa Yang holds 4,500 warrants as at 10 February 2012.
- # Deemed as person in relation to the Directors and Substantial Shareholders.

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;

STATEMENT TO THE SHAREHOLDERS

IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARE (Cont'd)

- (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 will be mindful of the best interest of the Company and its shareholders to do so.

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:

(a) Share Capital

	Minimum Scenario No. of shares	Maximum Scenario No. of shares
As at 10 February 2012	231,720,650	231,720,650
Upon full exercise of all Outstanding Warrants	—	90,040,325
	<hr/> 231,720,650	<hr/> 321,760,975
Proposed Renewal (assuming that all the Digistar Shares purchased are fully cancelled)	*(23,172,065)	*(32,176,097)
Resultant share capital	<hr/> 208,548,585	<hr/> 289,584,878

Note:

* Includes the 7,372,808 Digistar Shares purchased and held as treasury shares as at 10 February 2012.

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.

(b) 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.

STATEMENT TO THE SHAREHOLDERS

IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARE (Cont'd)

(c) 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.

(d) Dividend

No dividend and share dividend have been declared in respect of financial year ended 30 September 2011. Barring unforeseen circumstances, the dividends to be declared by Digistar, if any, in respect of the current financial year ending 30 September 2012 would depend on amongst others, the cash availability, retained profits, cashflow position and funding requirements of the Digistar Group.

(e) 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.

8. Implication of the Malaysian Code on Take-Overs and Mergers 2010 (the "Code")

Pursuant to the Code, a person, and any person acting in concert with him, will be required to make a mandatory general offer ("GO") 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 GO may be granted by the Securities Commission ("SC") under Practice Note 9, Paragraph 24.1 of the Code.

As at 10 February 2012, the collective percentage shareholding of the sole direct substantial shareholder of Digistar, Kenangan Lampiran Sdn Bhd ("Kenangan"), and parties acting in concert ("PAC") is 30.28%. Based on their collective shareholding as at 10 February 2012 and assuming Kenangan and PAC do not acquire any Digistar Shares, the implementation of Share Buy-Back pursuant to the Proposed Renewal would result in a GO being triggered by Kenangan and the PAC. Therefore, they would be obliged to undertake a GO for the remaining Digistar Shares not held by them pursuant to the Code.

Should such circumstance arise and if required, Kenangan and PAC are required to seek SC's approval for a waiver from the obligation to undertake a GO under Practice Note 9, Paragraph 24.1 of the Code ("Proposed Waiver").

In the event the Proposed Waiver is not granted, the Company will only proceed with the Share Buy-Back pursuant to the Proposed Renewal to the extent that it will not contravene the limit as provided under the Code.

9. Purchases Made in Last Financial Year

During the financial year ended 30 September 2011, the Company purchased a total of 5,067,200 Digistar Shares from the open market at an average price of RM0.45 per share or a total consideration of RM2,274,780. All the Digistar Shares purchased so far have been retained as treasury shares, and the total numbers of Shares retained as treasury shares as at 30 September 2011 was 5,242,108.

The information on purchase made by the Company of its own shares in financial year ended 30 September 2011 has been set out in the "Additional Compliance Information" section of this Annual Report.

STATEMENT TO THE SHAREHOLDERS

IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARE (Cont'd)

10. Public Shareholding Spread

According to Digistar's Record of Depositors as at 10 February 2012 and based on the Substantial Shareholders' filing with the Company as at 10 February 2012, the public shareholding of the Company is 69.71%.

Based on the issued and paid-up share capital of the Company as at 10 February 2012 and the maximum scenario, the public shareholding spread of the Company is expected to be reduced to 67.41% and 66.49% respectively 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 10 February 2012. 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 uphold the high standards of corporate governance within the Group, as it is a fundamental part of discharging its responsibility to protect and enhance shareholders value and the performance of the Group.

This statement describes the manner in which the Group has applied the principles and the extent to which it has complied with the best practices of good governance as set out in Part 1 and Part 2 respectively in the Malaysian Code on Corporate Governance (Revised 2007) ("Code") pursuant to Rule 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market ("AMLR").

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 nine (9) members comprising four (4) Executive Members, four (4) Independent Non-Executive Members and one (1) Non-Independent Non-Executive Member. This composition complies with Rule 15.02(1) of the AMLR wherein it states that the Board must comprise at least two (2) or one-third (1/3) of the Board, whichever is higher, are Independent Directors. The profile of each Director is presented separately in this annual report.

YB Datuk Md. Sirat Bin Abu is the Independent Non-Executive Chairman while Datuk Lee Wah Chong is the 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 the 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 judgment, 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.

Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan, the Independent Non-Executive Director is appointed as the Senior Independent Non-Executive Director of the Board to whom concerns on issues affecting the Group may be convey.

YB Datuk Md. Sirat Bin Abu is also the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

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.

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 ended 30 September 2011, the details of the attendance are as follows:-

Directors	Note	Attendance
YB Datuk Md. Sirat Bin Abu [Chairman]	α	4/5
Datuk Lee Wah Chong [Managing Director]	γ	4/5
Datin Wa Siew Yam	γ	4/5
Ong Fee Chong	γ	5/5
Lye Siang Long	γ	5/5
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan ¹	α	1/1
Dato' Haji Ishak Bin Haji Mohamed ¹	α	0/1
YB Datuk Ab Wahab Bin Ab Latip ²	α	2/4
Ir. Loh Khoo Hong ²	α	4/4
Cheong Yee Kiong	α	5/5
Lee Mely ¹	β	1/1

Note:

¹ Appointed as Directors of the Company on 27 May 2011.

² Resigned as Directors of the Company on 27 May 2011.

α Denotes Independent Non-Executive Director.

β Denotes Non-Independent Non-Executive Director.

γ Denotes Executive Director.

Save as disclosed above of which Dato' Haji Ishak Bin Haji Mohamed absent from attending the Board meeting, all directors have complied with the minimum 50% attendance requirements in respect of Board meetings as stipulated by the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

Supply of Information

All 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 additional 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 minute and kept in the statutory minutes book at the registered office of the Company.

The Directors whether as full board or in their individual capacity, have unrestricted access to all information pertaining to the group's business and affairs to enable them to carry out their duties effectively and diligently. In addition, where considered necessary, the Board may obtain an independent professional advice in furtherance of their duties, at the Company's expense.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

All 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. The Company Secretary attended all board meetings during the year.

Appointment and Re-election of the Board Members

The appointment of Directors is under the purview of the Nomination Committee, which is responsible for making recommendations to the Board on suitable candidates for appointment.

In accordance with the Articles of Association of the Company, at least one-third (1/3) of the Directors shall retire by rotation at each AGM once 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. Directors over seventy (70) years of age shall retire at every AGM and may submit themselves for re-appointment annually in accordance with the Section 129(6) of the Companies Act, 1965.

Directors' Training

Except for Dato' Haji Ishak Bin Haji Mohamed which he had enrolled and will be attending the Mandatory Accredited Programme "MAP" on 10 April 2012, all other directors have attended the MAP as required by the AMLR on all directors of listed companies and the Board will continue to evaluate and determine the training needs of its Directors on an on-going basis. During the year, the Directors have attended various seminars or briefings which they have collectively or individually considered as useful in discharging their stewardship responsibilities.

Among the seminars or briefings attended by one or more Directors during the year were:-

- Optimising Corporate Tax Planning Strategies : Effective Tax Planning Strategy organized by Malaysian Institute of Accountants.
- Microsoft Office 2010 : Change and Improve The Way Your Business Operates organized by Microsoft (Malaysia) Sdn Bhd.
- Advocacy Sessions on Disclosure for CEOs and CFOs : Corporate Disclosure Obligations and to promote high level of corporate disclosure practices organized by Bursa Malaysia Berhad.

Board Committees

There are three (3) committees of the Board, namely Audit Committee, Nomination Committee and Remuneration Committee. Each committee operates under their respective approved term of reference. Each of the committee has the authority to examine particular issues and report to the Board with their recommendations. The ultimate decision on all matters lies with the entire Board.

(i) Audit Committee

The Audit Committee Report is detailed out in from pages 34 to 37 of the Annual Report.

(ii) Nomination Committee

The purpose of this formation is to ensure a formal and transparent procedure for the appointment of new directors to the Board. The members of the Nomination Committee are:

Chairman:	YB Datuk Md. Sirat Bin Abu	(Independent Non-Executive Chairman)
Members:	Dato' Haji Ishak Bin Haji Mohamed Cheong Yee Kiong	(Independent Non-Executive Director) (Independent Non-Executive Director)

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

The primarily duties of the Nomination Committee are as follow:

- To recommend to the Board, candidates for directorships and in making its recommendations, to consider the candidates who are nominated for appointment to the Board:
 - Skills, knowledge, expertise and experience;
 - Professionalism;
 - Integrity; and

In the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities or functions as expected from Independent Non-Executive Directors.

- To recommend the Directors to sit on respective Board committees.
- To administer the annual assessment of Directors, including a review of the skill, qualification and competencies of the Board as a whole.
- To ensure that all Directors receive appropriate continuous training programmes in order to keep abreast with developments in the industry and with changes in the relevant statutory and regulatory requirements which will encompass the staff training needs.

(iii) Remuneration Committee

The members of the Remuneration are:

Chairman:	YB Datuk Md. Sirat Bin Abu	(Independent Non-Executive Chairman)
Members:	Dato' Haji Ishak Bin Haji Mohamed	(Independent Non-Executive Director)
	Cheong Yee Kiong	(Independent Non-Executive Director)
	Datuk Lee Wah Chong	(Managing Director)

The primarily duties of Remuneration Committee are as follow:

- To recommend to and advise the Board the remuneration and terms of conditions (and where appropriate, severance payment) of the Executive Directors (including Managing Director).
- To establish a formal and transparent procedure for developing policy on remuneration packages of individual directors, taking into consideration the following:
 - In case of executive directors, the component parts of remuneration should be structured so as to link rewards to corporate and individual performance.
 - In the case of non-executive directors, the level of remuneration should reflect the experience and level of responsibility undertaken by the non-executive concerned.
- Where possible, and to allow it to meet its duties, the Remuneration Committee should seek comparative information on remuneration and conditions of service in comparable organizations, within and without sectors of industry.
- When considering severance payments, the Remuneration Committee should bear in mind that it must represent the public interest and avoid any inappropriate use of public funds. Care should be taken to avoid determining a severance package that public opinion might deem to be excessive.
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

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 component parts of their remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

Nevertheless, the determination of remuneration packages for all Directors (Executive and Non-Executive Directors) is a matter for the Board as a whole with the Director concerned abstaining from deliberation and voting in respect of his/her own remuneration.

Details of the aggregate remuneration of the Directors for the financial year ended 30 September 2011 were as follows:

Remuneration Components	Executive Directors RM	Group Non-Executive Directors RM	Total 2011 RM	Total 2010 RM
Fees	80,000	100,000	180,000	280,000
Salaries	1,554,000	—	1,554,000	1,204,000
Bonuses	1,729,000	—	1,729,000	1,214,000
EPF	200,280	—	200,280	173,040
Allowance	6,000	133,900	139,900	66,400
Total	3,569,280	233,900	3,803,180	2,937,440

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

Range of Remuneration	Executive Directors	Group Non-Executive Directors
RM50,000 and below	—	3
RM50,001 to RM100,000	—	2
RM300,001 to RM350,000	1	—
RM400,001 to RM450,000	1	—
RM850,001 to RM900,000	1	—
RM1,850,001 to RM1,900,000	1	—
Total	4	5

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

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.

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, reviewing its adequacy and integrity. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Audit Committee is assigned by the Board with the duty to review the adequacy and effectiveness of control procedures at a regular basis and report to the Board on major findings for deliberation.

Information on the Group's system of internal control is presented in the Statement on Internal Control in this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Relationship with Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the external auditors in seeking professional advice and ensuring compliance with the appropriate accounting standards. The Audit Committee has been explicitly accorded the power to communicate directly with the external auditor. From time to time, the external auditors will highlight to the Audit Committee and the Board on matters that require their attention. The role of the Audit Committee in relation to the external auditors is set out in the Audit Committee Report in this Annual Report.

E) DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors of the Company are required to prepare the financial statements for each financial year which gives a true and fair view of the state of affairs and results of the Company and the Group.

The Directors are responsible for ensuring that the Company and the Group keep proper accounting records to enable the Company and the Group to disclose, with reasonable accuracy and without any material misstatement, the financial position of the Company and the Group as at 30 September 2011 and the financial performance and cash flows of the Company and the Group for the financial year ended on that date.

In preparing the financial statements for the financial year ended 30 September 2011, the Directors have:

- a) adopted the relevant and appropriate accounting policies consistently;
- b) made judgements and estimates that are reasonable and prudent;
- c) adopted applicable accounting standards, subjects to any material departures, if any, which will be disclosed and explained in the financial statements; and
- d) prepared the financial statements on the assumption that the Company and the Group will operate as going concern.

In assessing the adequacy and effectiveness of the system of internal control and accounting control procedures of the Group, the Audit Committee reports to the Board its activities, significant results, findings and the necessary recommendations or changes.

F) COMPLIANCE WITH THE CODE

The Company has complied with the Malaysian Code on Corporate Governance and observed its best practices throughout the year.

ADDITIONAL COMPLIANCE INFORMATION

In conformance with Ace Market Listing Requirement, the following information is provided:

1. STATUS OF UTILISATION OF PROCEEDS

During the year, the total gross proceeds raised by the Company for the two (2) tranches of private placement amounted to RM11,042,400 with the listing of 40,140,000 new Digistar Corporation Berhad shares in Ace Market of Bursa Malaysia Securities Berhad on 25 February 2011 and 26 August 2011 respectively. The proceeds raised from the corporate exercise have been fully utilised as follows:

Purpose	Propose Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000
Private Placement on 25 February 2011 [19.14M @ RM0.16]			
Working capital	2,942	2,942	—
Incidental expenses	120	120	—
Sub total	3,062	3,062	—
Private Placement on 26 August 2011 [21.00M @ RM0.38]			
Working capital	7,850	7,850	—
Incidental expenses	130	130	—
Sub total	7,980	7,980	—
Total	11,042	11,042	—

2. SHARE BUY-BACK AND TREASURY SHARES RESALE

Details of the Company's share buy-back exercises, treasury shares resale and movement of the treasury shares for the year are shown in the following:

Details movements of the treasury shares

Share Buy-Back Exercises

Monthly Breakdown	No. of shares purchased as TS	Purchase Price Per Shares ('RM) Lowest	Highest	Average Cost Per Share ('RM)	Total Cost ('RM)
May 2011	4,747,600	0.435	0.455	0.4484	2,128,735
July 2011	319,600	0.455	0.455	0.4570	146,045
Total	5,067,200			0.4489	2,274,780

Treasury Shares Resold

Monthly Breakdown	No. of shares purchased as TS	Purchase Price Per Shares ('RM) Lowest	Highest	Average Cost Per Share ('RM)	Total Cost ('RM)
Jan 2011	(4,499,500)	0.1350	0.1400	0.1483	(667,446)

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)***Treasury Shares Movement During The Year***

Monthly Breakdown	2011 No. of shares	2010 No. of shares	2011 ('RM)	2010 ('RM)
At 1.10.2010 / 2009	4,674,408	13,574,700	693,391	2,013,641
Resold during the year	(4,499,500)	–	(667,446)	–
Purchased during the year				
- May 2011	4,747,600	–	2,128,735	–
- July 2011	319,600	–	146,045	–
Distribution of share dividend	–	(8,900,292)	–	(1,320,250)
At 30.9.2011 / 2010	5,242,108	4,674,408	2,300,725	693,391

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

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no exercise of options, warrants or convertible securities during the financial year ended 30 September 2011.

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 profit after tax and minority interest for the financial year ended 30 September 2011 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

There was no amount of non-audit fees incurred by the Group during the financial year, in respect to the external auditors.

AUDIT COMMITTEE REPORT

The Board of Directors of Digistar Corporation Berhad is pleased to present the Audit Committee Report for the financial year ended 30 September 2011. The primary objective of the Audit Committee is to assist the Board to oversee the financial reporting and assess the Group's process relating to its risk and control environment. The Audit Committee is also responsible for evaluating the internal and external audit processes.

1. COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee currently comprises the following members:-

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

2. TERMS OF REFERENCE

The Terms of Reference of the Audit Committee had been revised to be in line with the Malaysian Code on Corporate Governance ("Code") and amendments made to the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market ("AMLR"). The revised Terms of Reference of the Audit Committee are as follows:

a) Composition of Audit Committee

The Audit Committee shall be appointed from amongst the Board of Directors and shall comprise at least three (3) members who are Non-Executive Directors, a majority of whom shall be independent directors. No alternate director shall be appointed as a member of the Audit Committee.

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants or if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and;

- (i) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- (ii) he/she must be a member of one of the associations of accountants as specified in Part II of the 1st Schedule of the Accountants Act 1967; or

fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

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 two (2) months, but in any case not later than three (3) months.

b) Chairman

The Chairman of the Audit Committee shall be appointed by the Board, or failing which, by the members of the Audit Committee themselves. The Chairman shall be an Independent Director. In event of the Chairman's absence, the meeting shall be chaired by another Independent Director.

AUDIT COMMITTEE REPORT (Cont'd)

c) Secretary

The Company Secretary shall be the Secretary of the Audit 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 internal and external auditors may appear at any meeting at the invitation of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee. The internal and 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;
- (vi) be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company; and
- (vii) the Chairman shall call for a meeting upon the request of the external auditors.

f) Duties

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

- (i) To review with the external auditors on:
 - the audit plan, its scope and nature;
 - the audit report;
 - the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
 - the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.
- (ii) To review the adequacy of the scope, functions, competency and resources and set the standards of the internal audit function.
- (iii) To provide assurance to the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.
- (iv) To review the internal audit programme and results of the internal audit process and whether or not appropriate action is taken on the recommendations of the internal auditors.

AUDIT COMMITTEE REPORT (Cont'd)

- (v) To review with management:
- audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
 - interim financial information; and
 - the assistance given by the officers of the Company to external auditors.
- (vi) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (vii) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
- changes in or implementation of major accounting policy and practices;
 - significant and / or unusual matters arising from the audit;
 - the going concern assumption;
 - compliance with accounting standards and other legal requirements; and
 - major areas.
- (viii) To consider the appointment and / or re-appointment of internal and external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.
- (ix) To verify any allocation of options in accordance with the employees share scheme of the Company, at the end of the financial year.

3. MEETINGS

There were five (5) Audit Committee meetings held during the financial year ended 30 September 2011, the details of the attendance are as follows:

Directors	Note	Attendance
YB Datuk Md. Sirat Bin Abu	1	1/1
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	2	1/1
Dato' Haji Ishak Bin Haji Mohamed	2	0/1
Cheong Yee Kiong		5/5
YB Datuk Ab Wahab Bin Ab Latip	α	3/4
Ir. Loh Khoo Hong	β	4/4

Note:

- ¹ Appointed as Chairman and member of Audit Committee on 27 May 2011.
² Appointed as member of Audit Committee on 27 May 2011.
α Resigned as Chairman and member of Audit Committee on 27 May 2011.
β Resigned as member of Audit Committee on 27 May 2011.

AUDIT COMMITTEE REPORT (Cont'd)

4. SUMMARY OF ACTIVITIES

During the financial year ended 30 September 2011, the Audit Committee met with the external auditor twice to discuss any matters without the presence of the executive board members of the Company.

The finance director, Internal Auditors, External Auditors and other Board Members have attended the audit committee meetings during the year as and when they were invited.

In line with the Terms of Reference of the Audit Committee, the following activities were carried out by the Audit Committee during the year ended 30 September 2011 in the discharge of its functions and duties, including the deliberation and review of:

- a) the unaudited quarterly financial statements of the Group to ensure that they are in compliance with the requirements of relevant authorities, prior to the submission to the Board for their approval and release of the Group's results to Bursa Securities.
- b) the audit plan of the external auditors in terms of their scope of audit prior to their commencement of their annual audit.
- c) the external auditors' report in relation to audit and accounting issues arising from the audit; matters arising from audit of the Group in meeting with the external auditors without the presence of the executive Board members and management.
- d) the new developments and updates on Financial Reporting Standards issued by the Malaysian Accounting Standards Board and their impact on the Group.
- e) the Audit Committee Report and Statement on Internal Control for compliance with the Code and AMLR before recommending to the Board for approval.
- f) the audited financial statements of the Group and of the Company prior to submission to the Board of Directors for consideration and approval.
- g) the related party transactions and potential conflict of interest situation that may have arisen within the Company or Group.
- h) the external audit fees for the financial year ended 30 September 2011 and recommended the same for the approval of the Board of Directors.
- i) the re-appointment of the external auditors with the consultation of the management and recommended to the Board of Directors for approval.

5. INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to an independent consulting firm, Finfield Corporate Services Sdn Bhd. In order to act independently from the management, the independent consulting firm will report directly to the Audit Committee and assist the Board in monitoring and reviewing the effectiveness of the risk management, internal control and governance processes within the Group. The scope of the internal audit function covers the audits of all units and operations of the Group.

During the financial year ended 30 September 2011, the internal auditors had conducted risk management assessment in relation to Digistar Group's operations.

The total cost incurred for the Group's internal audit function in respect of the financial year ended 30 September 2011 was RM 25,721.00.

STATEMENT ON INTERNAL CONTROL

Based on the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), a listed corporation must establish an internal audit function which is independent of the activities it audits and report to the Audit Committee directly. This is to ensure that all practical control mechanisms are present to safeguard the shareholders' investments and the Group's assets.

In accordance with Rule 1.2, Guidance Note 11 of the AMLR, the Board of Directors ("Board") is pleased to include a statement on the state of the Group's internal control systems.

BOARD RESPONSIBILITY

In accordance with the Malaysian Code on Corporate Governance (Revised 2007), one (1) of the six (6) principal responsibilities expected of the Board is to review, amongst others, the adequacy and integrity of the internal control mechanism including system for compliance with the applicable law and legal requirements.

The Board recognises the importance of maintaining a sound internal control system covering risk management and the financial, operational and compliance controls to safeguard shareholders' investment and the Group's assets. The Board acknowledges that it is responsible for the Group's system of internal control and for the continuing review of its adequacy and integrity.

The internal control system is designed to cater for the Group's needs and to manage the risks to which it is exposed. It should be noted that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve the business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board recognises its responsibilities with regard to identifying and managing principal risks.

The Group has formalised the Group's risk management framework in which the existence of significant risks of the Group has been identified and quantified. A risk profile of the Group has been compiled to help the Board and senior management to prioritise their focus on areas of high risks.

The senior management is responsible for identifying, managing and reporting on significant risks on an ongoing basis. Significant risk matters are brought to the attention of the Executive Directors, and if necessary, are also discussed at Board meetings.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function and has outsourced the internal audit function to an independent consulting firm, Finfield Corporate Services Sdn Bhd, to provide the assurance it requires on the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit function has been carried out during the financial year under review based on a risk-based audit approach. The internal auditors reported their audit findings and recommendations to the Audit Committee members during Audit Committee meeting.

In the year under review, the following review on Digistar Group's operation undertaken by the internal auditors:

- Human Resource Management
- Human Resource Development
- Treasury Management
- Licensing Monitoring and Renewal Management
- Trade Procurement Management
- Sub-Contractor Management
- Project Handover and Project Recognition Management
- Accounts Payables and Accounts Receivables Management

STATEMENT ON INTERNAL CONTROL (Cont'd)

The findings arising from the above reviews have been reported to management for their response and subsequently for the Audit Committee deliberation. Where weaknesses were identified, recommended procedures have been or are being put in place to strengthen controls.

OTHER KEY ELEMENT OF INTERNAL CONTROLS

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:-

- i) An organisation structure with clearly defined lines of responsibility, authority and accountability;
- ii) Regular Board and management meetings are held where information is provided to the Board and management covering financial performances and operations;
- iii) Regular training and development programs are being attended by employees with the objective of enhancing their knowledge and competency; and
- iv) Management accounts and reports are prepared regularly for monitoring of actual performance.

The internal control system will continue to be reviewed, added on or updated in line with the changes in the operating environment.

CONTROL WEAKNESS

The management continues to take measures to strengthen the control environment. In the year under review, there were no material losses, incurred as a result of weakness in the internal control that would require disclosure in this annual report.

CONCLUSION

Based on inquiry, information and assurance provided, the Board is of the opinion that the system internal control was generally satisfactory and adequate for its purpose. There will be continual focus on measures to protect and enhance shareholder value and business sustainability.

This Statement, prepared in accordance with Rule [15.26 (b)] of the AMLR has been reviewed by the external auditors as required under Rule [15.23] for inclusion in the annual report. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system internal control.

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 2011.

PRINCIPAL ACTIVITIES

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

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit after taxation for the financial year	19,448,629	6,909,671
Attributable to:-		
Owners of the Company	19,527,590	6,909,671
Non-controlling interest	(78,961)	—
	19,448,629	6,909,671

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM19,158,065 to RM23,172,065 by:
 - (i) the issuance of 19,140,000 new ordinary shares of RM0.10 each at an issue price of RM0.16 per share for the purpose of working capital. The shares were issued for cash consideration; and
 - (ii) the issuance of 21,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.38 per share for the purpose of working capital. The shares were issued for cash consideration.

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

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

DIRECTORS' REPORT (Cont'd)**TREASURY SHARES**

During the financial year,

- (a) the Company resold a total of 4,499,500 of its treasury shares in the open market for a total value of RM667,446; and
- (b) the Company purchased a total of 5,067,200 of its treasury shares from the open market at an average purchase price of RM0.45 per share under the Company's share buy-back scheme. These shares were held as treasury shares, and the total consideration paid for the purchase of these shares including transaction costs amounted to RM2,274,780.

As at 30 September 2011, the Company held as treasury shares a total of 5,242,108 of its 231,720,650 issued and fully paid-up ordinary shares, at a carrying amount of RM2,300,725. None of the treasury shares held were cancelled during the financial year.

The detailed movements of the treasury shares during the financial year are disclosed in Note 19 to the financial statements.

WARRANTS 2007/2017

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

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

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

DIRECTORS' REPORT (Cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities of the Company are disclosed in Note 40 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.

DIRECTORS' REPORT (Cont'd)**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:-

DATUK LEE WAH CHONG
 YB DATUK MD. SIRAT BIN ABU
 DATIN WA SIEW YAM
 ONG FEE CHONG
 LYE SIANG LONG
 CHEONG YEE KIONG
 DATO' HAJI ISHAK BIN HAJI MOHAMED (APPOINTED ON 27.5. 2011)
 LEE MELY (APPOINTED ON 27.5. 2011)
 TAN SRI DATUK MOHD ZAMAN KHAN @ HASSAN B RAHIM KHAN (APPOINTED ON 27.5. 2011)
 YB DATUK AB WAHAB BIN AB LATIP (RESIGNED ON 27.5.2011)
 IR. LOH KHOON HONG (RESIGNED ON 27.5.2011)

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 1.10.2010	BOUGHT	SOLD	AT 30.9.2011
<i>DIRECT INTERESTS</i>				
DATUK LEE WAH CHONG	7,801,607	7,175,400	—	14,977,007
DATIN WA SIEW YAM	4,633,891	—	—	4,633,891
ONG FEE CHONG	2,520,115	—	—	2,520,115
YB DATUK MD. SIRAT BIN ABU	—	25,000	—	25,000
<i>INDIRECT INTERESTS</i>				
DATUK LEE WAH CHONG ⁽¹⁾	45,316,733	—	—	45,316,733
ONG FEE CHONG ⁽¹⁾	45,316,733	—	—	45,316,733
	NUMBER OF WARRANTS 2007/2017			
	AT 1.10.2010	BOUGHT	SOLD	AT 30.9.2011
<i>DIRECT INTERESTS</i>				
DATUK LEE WAH CHONG	4,584,400	228,000	—	4,812,400
DATIN WA SIEW YAM	1,210,000	—	—	1,210,000
ONG FEE CHONG	1,200,055	—	—	1,200,055
<i>INDIRECT INTERESTS</i>				
DATUK LEE WAH CHONG ⁽¹⁾	21,600,000	—	—	21,600,000
ONG FEE CHONG ⁽¹⁾	21,600,000	—	—	21,600,000

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

DIRECTORS' REPORT (Cont'd)

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 42 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The significant event subsequent to the end of the reporting period is disclosed in Note 43 to the financial statements.

AUDITORS

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 19 JANUARY 2012**

Datuk Lee Wah Chong

Lye Siang Long

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 48 to 107 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 September 2011 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 45, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 19 JANUARY 2012**

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 48 to 107 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 19 January 2012

Lye Siang Long

Before me

Datin Hajah Raihela Wanchik (W275)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIGISTAR CORPORATION BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Digistar Corporation Berhad, which comprise the statements of financial position as at 30 September 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 107.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 September 2011 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 5 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIGISTAR CORPORATION BERHAD (Incorporated in Malaysia) (Cont'd)

- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out in Note 45 on page 108 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

19 January 2012

Kuala Lumpur

Ooi Song Wan
Approval No: 2901/10/12 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AT 30 SEPTEMBER 2011

			THE GROUP		THE COMPANY	
	NOTE	30.9.2011 RM	RESTATED 30.9.2010 RM	RESTATED 1.10.2009 RM	30.9.2011 RM	30.9.2010 RM
ASSETS						
NON-CURRENT ASSETS						
Investments in subsidiaries	5	—	—	—	5,194,206	5,014,266
Property, plant and equipment	6	14,465,679	12,516,087	7,848,909	—	—
Prepaid lease payments	7	—	—	—	—	—
Investment properties	8	45,000	45,000	45,000	—	—
Deferred tax assets	9	—	—	151,000	—	—
		14,510,679	12,561,087	8,044,909	5,194,206	5,014,266
CURRENT ASSETS						
Inventories held for resale	10	2,984,493	2,965,080	2,331,228	—	—
Property development costs	11	3,965,914	—	—	—	—
Trade receivables	12	13,065,055	10,012,341	25,117,400	—	—
Other receivables, deposits and prepayments	13	2,243,520	3,159,949	488,731	8,744	8,819
Amount owing by contract customers	14	7,233,782	5,683,362	—	—	—
Amount owing by subsidiaries	15	—	—	—	31,979,929	16,005,319
Tax refundable		94,626	145,608	165,217	94,626	145,608
Fixed deposits with licensed banks	16	28,752,591	18,375,580	10,602,302	—	—
Cash and bank balances		914,355	157,774	118,106	1,877	1,163
		59,254,336	40,499,694	38,822,984	32,085,176	16,160,909
Non-current asset classified as held for sale	17	176,677	321,163	321,163	—	—
TOTAL ASSETS		73,941,692	53,381,944	47,189,056	37,279,382	21,175,175

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

STATEMENTS OF FINANCIAL POSITION

AT 30 SEPTEMBER 2011 (Cont'd)

			THE GROUP	RESTATED	RESTATED	THE COMPANY	
	NOTE	30.9.2011	30.9.2010	1.10.2009	30.9.2011	30.9.2010	
		RM	RM	RM	RM	RM	
EQUITY AND LIABILITIES							
EQUITY							
Share capital	18	23,172,065	19,158,065	19,158,065	23,172,065	19,158,065	
Treasury shares	19	(2,300,725)	(693,391)	(2,013,641)	(2,300,725)	(693,391)	
Reserves	20	37,004,183	11,237,128	9,598,846	16,263,301	2,584,607	
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY							
		57,875,523	29,701,802	26,743,270	37,134,641	21,049,281	
Non-controlling interest		28,284	—	—	—	—	
TOTAL EQUITY		57,903,807	29,701,802	26,743,270	37,134,641	21,049,281	
NON-CURRENT LIABILITY							
Hire purchase payables	21	1,399,352	1,485,895	526,063	—	—	
CURRENT LIABILITIES							
Trade payables	22	4,497,143	3,511,874	3,431,952	—	—	
Other payables, deposits received and accruals	23	1,694,277	3,039,590	743,207	88,873	125,894	
Amount owing to contract customers	14	4,775,348	11,450,908	13,382,077	—	—	
Amount owing to subsidiaries	15	—	—	—	55,868	—	
Hire purchase payables	21	498,783	387,625	169,363	—	—	
Bankers' acceptances	24	—	354,000	463,000	—	—	
Bank overdrafts	25	90,032	847,045	1,143,028	—	—	
Provision for taxation		3,082,950	2,603,205	587,096	—	—	
		14,638,533	22,194,247	19,919,723	144,741	125,894	
TOTAL LIABILITIES		16,037,885	23,680,142	20,445,786	144,741	125,894	
TOTAL EQUITY AND LIABILITIES		73,941,692	53,381,944	47,189,056	37,279,382	21,175,175	
NET ASSETS PER ORDINARY SHARE							
	26	26 sen	16 sen	15 sen			

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011

		THE GROUP		THE COMPANY	
	NOTE	2011 RM	2010 RM	2011 RM	2010 RM
REVENUE	27	97,829,712	73,288,515	9,575,141	1,651,737
COST OF SALES		(58,841,771)	(52,498,380)	–	–
GROSS PROFIT		38,987,941	20,790,135	9,575,141	1,651,737
OTHER INCOME		1,681,156	2,905,072	3,845	62
		40,669,097	23,695,207	9,578,986	1,651,799
ADMINISTRATIVE EXPENSES		(10,039,824)	(10,311,390)	(320,569)	(315,579)
MARKETING EXPENSES		(1,469,211)	(1,455,859)	–	–
OTHER EXPENSES		(2,558,596)	(4,346,600)	–	(36,367)
FINANCE COSTS		(609,206)	(339,662)	(134)	(164)
		(14,676,837)	(16,453,511)	(320,703)	(352,110)
PROFIT BEFORE TAXATION	28	25,992,260	7,241,696	9,258,283	1,299,689
INCOME TAX EXPENSE	29	(6,543,631)	(2,948,119)	(2,348,612)	(427,061)
PROFIT AFTER TAXATION		19,448,629	4,293,577	6,909,671	872,628
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		19,448,629	4,293,577	6,909,671	872,628
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		19,527,590	4,293,577	6,909,671	872,628
Non-controlling interest		(78,961)	–	–	–
		19,448,629	4,293,577	6,909,671	872,628
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		19,527,590	4,293,577	6,909,671	872,628
Non-controlling interest		(78,961)	–	–	–
		19,448,629	4,293,577	6,909,671	872,628
Earnings per ordinary share	30				
- basic		9.67 sen	2.36 sen		
- diluted		7.98 sen	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 2011

	NOTE	←— NON-DISTRIBUTABLE RESERVE →—					DISTRIBUTABLE RESERVE		NON-CONTROLLING INTEREST	TOTAL EQUITY
		SHARE CAPITAL	SHARE PREMIUM	WARRANTS RESERVE	TREASURY SHARES	RETAINED PROFITS	TOTAL	RM		
		RM	RM	RM	RM	RM	RM	RM	RM	RM
THE GROUP										
Balance at 1.10.2009		19,158,065	1,630,187	503,064	(2,013,641)	7,465,595	26,743,270	—	—	26,743,270
Distribution of treasury shares as share dividend	19 & 32	—	—	—	1,320,250	(1,320,250)	—	—	—	—
Dividend	32	—	—	—	—	(1,335,045)	(1,335,045)	—	—	(1,335,045)
Total comprehensive income for the financial year		—	—	—	—	4,293,577	4,293,577	—	—	4,293,577
Balance at 30.9.2010/1.10.2010		19,158,065	1,630,187	503,064	(693,391)	9,103,877	29,701,802	—	—	29,701,802
- as previously reported		—	—	—	—	(529,558)	(529,558)	—	—	(529,558)
- effect of adopting FRS139	3(a)(viii)									
- as restated		19,158,065	1,630,187	503,064	(693,391)	8,574,319	29,172,244	—	—	29,172,244
Issuance of shares	18 & 20(a)	4,014,000	7,028,400	—	—	—	11,042,400	—	—	11,042,400
Share issuance expenses	20(a)	—	(259,377)	—	—	—	(259,377)	—	—	(259,377)
Purchase of shares	19	—	—	—	(2,274,780)	—	(2,274,780)	—	—	(2,274,780)
Sale of shares	19	—	—	—	667,446	—	667,446	—	—	667,446
Issuance of share capital of subsidiaries to non-controlling interest		—	—	—	—	—	—	19,960	19,960	19,960
Acquisition of a subsidiary	31	—	—	—	—	—	—	87,285	87,285	87,285
Total comprehensive income for the financial year		—	—	—	—	19,527,590	19,527,590	(78,961)	(78,961)	19,448,629
Balance at 30.9.2011		23,172,065	8,399,210	503,064	(2,300,725)	28,101,909	57,875,523	28,284	28,284	57,903,807

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

THE COMPANY	NOTE	SHARE CAPITAL RM	←NON-DISTRIBUTABLE SHARE PREMIUM RM	WARRANTS RESERVE RM	RESERVE TREASURY SHARES RM	DISTRIBUTABLE RESERVE RETAINED PROFITS RM	TOTAL RM
Balance at 1.10.2009		19,158,065	1,630,187	503,064	(2,013,641)	2,234,023	21,511,698
Distribution of treasury shares as share dividend	19 & 32	-	-	-	1,320,250	(1,320,250)	-
Dividend	32	-	-	-	-	(1,335,045)	(1,335,045)
Total comprehensive income for the financial year		-	-	-	-	872,628	872,628
Balance at 30.9.2010/1.10.2010		19,158,065	1,630,187	503,064	(693,391)	451,356	21,049,281
Issuance of shares	18 & 20(a)	4,014,000	7,028,400	-	-	-	11,042,400
Share issuance expenses	20(a)	-	(259,377)	-	-	-	(259,377)
Purchase of shares	19	-	-	-	(2,274,780)	-	(2,274,780)
Sale of shares	19	-	-	-	667,446	-	667,446
Total comprehensive income for the financial year		-	-	-	-	6,909,671	6,909,671
Balance at 30.9.2011		23,172,065	8,399,210	503,064	(2,300,725)	7,361,027	37,134,641

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	25,992,260	7,241,696	9,258,283	1,299,689
Adjustments for:-				
Accretion of payables	(44,551)	—	—	—
Accretion of receivables	342,356	—	—	—
Bad debts written off	—	—	—	35,187
Depreciation of property, plant and equipment	1,703,273	1,260,177	—	—
Impairment losses on receivables	873,153	2,928,842	—	—
Interest expense	152,293	107,158	—	—
Inventories written off	134,621	246,768	—	—
Loss on deconsolidation of subsidiaries	—	—	—	1,180
Dividend income	—	(21,926)	(9,575,141)	(1,651,737)
Gain on disposal of property, plant and equipment	(3,837)	(321,289)	—	—
Interest income	(984,463)	(327,871)	—	—
Write-back of impairment losses on receivables	(612,250)	(2,032,023)	—	—
Operating profit/(loss) before working capital changes	27,552,855	9,081,532	(316,858)	(315,681)
Increase in inventories	(154,034)	(880,620)	—	—
Increase in property development costs	(647,121)	—	—	—
Net decrease in amount owing to contract customers	(8,225,980)	(7,614,531)	—	—
(Increase)/Decrease in trade and other receivables	(3,248,332)	11,537,022	75	(1,994)
(Decrease)/Increase in trade and other payables	(3,398,001)	2,376,305	(37,021)	(22,644)
CASH FLOWS FROM/(FOR) OPERATIONS	11,879,387	14,499,708	(353,804)	(340,319)
Interest paid	(152,293)	(107,158)	—	—
Tax refunded	96,155	—	96,155	—
Tax paid	(6,109,059)	(761,401)	—	—
NET CASH FROM/(FOR) OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD	5,714,190	13,631,149	(257,649)	(340,319)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

		THE GROUP		THE COMPANY	
	NOTE	2011 RM	2010 RM	2011 RM	2010 RM
BALANCE BROUGHT FORWARD		5,714,190	13,631,149	(257,649)	(340,319)
CASH FLOWS FOR INVESTING ACTIVITIES					
Additional investment in a subsidiary		—	—	(29,940)	—
Dividend received		—	21,926	7,181,356	1,244,285
Net cash outflow from acquisition of a subsidiary	31	(149,000)	—	(150,000)	—
Interest received		984,463	327,871	—	—
Purchase of property, plant and equipment	33	(3,400,312)	(4,524,816)	—	—
Proceeds from disposal of property, plant and equipment		325,000	327,750	—	—
Proceeds from issuance of shares to non-controlling interest		19,960	—	—	—
(Advances to)/Repayment from subsidiaries		—	—	(15,918,742)	427,790
NET CASH FOR INVESTING ACTIVITIES		(2,219,889)	(3,847,269)	(8,917,326)	1,672,075
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Proceeds from issuance of shares		10,783,023	—	10,783,023	—
Sale of treasury shares		667,446	—	667,446	—
Treasury shares acquired		(2,274,780)	—	(2,274,780)	—
Dividend paid		—	(1,335,045)	—	(1,335,045)
Repayment of hire purchase obligations		(425,385)	(230,906)	—	—
Net repayment of bills payable		(354,000)	(109,000)	—	—
NET CASH FROM/(FOR) FINANCING ACTIVITIES		8,396,304	(1,674,951)	9,175,689	(1,335,045)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,890,605	8,108,929	714	(3,289)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		17,686,309	9,577,380	1,163	4,452
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	29,576,914	17,686,309	1,877	1,163

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The Company is listed on the ACE 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	:	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.
Principal place of business	:	B5/5/5, 4th Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 19 January 2012.

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

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

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

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 1 (Revised) First-time Adoption of Financial Reporting Standards

FRS 3 (Revised) Business Combinations

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 101 (Revised) Presentation of Financial Statements

FRS 123 (Revised) Borrowing Costs

FRS 127 (Revised) Consolidated and Separate Financial Statements

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 (Revised) and FRS 127 (Revised): Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Vesting Conditions and Cancellations

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

3. BASIS OF PREPARATION (CONT'D)

(a) *FRSs and IC Interpretations (including the Consequential Amendments)*

Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)

Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary

Amendments to FRS 7, FRS 139 and IC Interpretation 9

Amendments to FRS 101 (Revised) and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments

Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17 Distributions of Non-cash Assets to Owners

Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)

Annual Improvements to FRSs (2009)

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

- (i) FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.
- (ii) The Company considers financial guarantee contracts entered into to be insurance arrangements and accounts for them under FRS 4. In this respect, the Company treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Company will be required to make a payment under the guarantee. The adoption of FRS 4 has no impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

3. BASIS OF PREPARATION (CONT'D)

- (a) (iii) FRS 7 requires additional disclosures about the financial instruments of the Group. Prior to 1 October 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the financial statements for the current financial year.

- (iv) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the statement.

FRS 101 (Revised) also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This new disclosure is made in Note 41(b) to the financial statements.

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

- (v) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

- (vi) Amendments to FRS 1 and FRS 127 remove the definition of 'cost method' currently set out in FRS 127, and instead require an investor to recognise all dividends from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendments will be applied prospectively and therefore there will be no financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

3. BASIS OF PREPARATION (CONT'D)

- (a) (vii) Annual Improvements to FRSs (2009) contain amendments to 21 accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. These amendments have no material impact on the financial statements of the Group upon their initial application except for leasehold land which in substance is a finance lease and has been reclassified from prepaid lease payments to property, plant and equipment and measured as such retrospectively in accordance with the transitional provisions of the amendments.
- (viii) The adoption of FRS 139 (including the consequential amendments) has resulted in several changes to accounting policies relating to recognition and measurements of financial instruments.

The financial impact to the financial statements is summarised as follows:-

	THE GROUP AT 1.10.2010 RM
<u>Retained profits</u>	
Remeasurement of retention receivables	529,558

Prior to 1 October 2010, retention receivables were recorded at cost. With the adoption of FRS 139, retention receivables are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Interest income is recognised in profit or loss using the effective interest method.

All these financial impacts are recognised as an adjustment to the opening balance of retained profits or another appropriate reserve upon the adoption of FRS 139. Comparatives are not adjusted/represented by virtue of the exemption given in this standard.

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

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments	1 January 2013
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

3. BASIS OF PREPARATION (CONT'D)

(b) *FRSs and IC Interpretations (including the Consequential Amendments)* *Effective Date*

Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 1 (Revised): Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 7: Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	Withdrawn on 19 November 2011
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Annual Improvement to FRSs (2010)	1 January 2011

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

- (i) FRS 9 replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments. FRS 9 divides all financial assets into 2 categories - those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the FRS 139 requirements. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

3. BASIS OF PREPARATION (CONT'D)

- (b) (ii) FRS 10 replaces the consolidation guidance in FRS 127 and IC Interpretation 121. Under FRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control.
 - (iii) FRS 11 replaces FRS 131 and introduces new accounting requirements for joint arrangements. FRS 11 eliminates jointly controlled assets and only differentiates between joint operations and joint ventures, depending on the rights and obligations of the parties to the arrangements. In addition, the option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.
 - (iv) FRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. FRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
 - (v) FRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of FRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in FRS 13 are more extensive than those required in the current standards and therefore there will not have any financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
 - (vi) The amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
 - (vii) The amendments to FRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
 - (viii) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.
- (c) Following the issuance of Malaysian Financial Reporting Standards (equivalents to International Financial Reporting Standards) ("MFRSs") by the Malaysian Accounting Standards Board on 19 November 2011, the Group will be adopting these new accounting standards during the financial year ending 30 September 2013. The possible change of the accounting policies is expected to have no material impact on the financial statements of the Group upon their initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

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

(i) Depreciation of Property, Plant and Equipment

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

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

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

(ii) Income Taxes

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

(iii) Impairment of Non-financial Assets

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

(iv) Construction Contracts

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

• Contract Revenue

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

• Contract Costs

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

(vi) *Impairment of Trade and Other Receivables*

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

(vii) *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.

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

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

(ix) *Classification of Leasehold Land*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(x) *Property Development*

The Group recognised property development revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that the property development costs incurred for work performed to date bear to the estimated total property development costs.

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

(b) Basis of Consolidation

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

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

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the 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.

Non-controlling interest in the consolidated statement of financial position consist of the non-controlling interest's share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the non-controlling interest's share of movements in the acquiree's equity.

Non-controlling interest are presented within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with non-controlling interest are accounted for as transactions with owners. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

(c) Goodwill

Goodwill 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.

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

If, after reassessments, 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Functional and Foreign Currencies

(i) *Functional and Presentation Currency*

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

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

(ii) *Transactions and Balances*

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

(e) Financial Instruments

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

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

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

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

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

(i) *Financial Assets*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- *Held-to-maturity Investments*

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

- *Loans and Receivables Financial Assets*

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

- *Available-for-sale Financial Assets*

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

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

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

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

(ii) Financial Liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(iii) Equity Instruments

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

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

(iv) Treasury Shares

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

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

(f) Investments in Subsidiaries

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

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

(g) Property, Plant and Equipment

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

Depreciation is calculated under the straight-line method to write off the 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	20%
Plant and machinery	20%
Furniture and fittings	20%
Office equipment	20%
Renovation	20%
Motor vehicles	20%

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

In the previous financial year, leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring leasehold land that was accounted for as an operating lease represents prepaid lease payments.

During the financial year, the Group adopted the amendments made to FRS 117 - Leases in relation to the classification of lease of land. The Group's leasehold land which in substance is a finance lease has been reclassified as property, plant and equipment and measured as such retrospectively.

(h) Impairment

(i) *Impairment of Financial Assets*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

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

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

(ii) *Impairment of Non-Financial Assets*

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

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

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

(i) **Assets Under Hire Purchase**

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

(j) **Investment Properties**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories

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

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

(l) Property Development Costs

(i) *Non-Current Property Development*

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

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

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

(ii) *Current Property Development*

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

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

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

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

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

(m) Progress Billings/Accrued Billings

In respect of progress billings:-

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Amounts Owning By/(To) Contract Customers

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

(o) Borrowing Costs

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

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

(p) Income Taxes

Income taxes for the year comprise current and deferred tax.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Cash and Cash Equivalents

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

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

(s) Related Parties

A party is related to an entity if:-

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

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

(t) Contingent Liabilities and Contingent Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Contingent Liabilities and Contingent Assets (Cont'd)

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

(u) Revenue Recognition

(i) Contract Revenue

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

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

(ii) Sale of Goods and Services

Sales are recognised upon delivery of goods and customers' acceptance or performance of services.

(iii) Rental Income

Rental income is recognised on an accrual basis.

(iv) Interest Income

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

(v) Dividend Income

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

(v) Non-Current Assets Held for Sale

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

(w) Operating Segments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2011 RM	2010 RM
Unquoted shares, at cost At 1 October	5,014,266	5,015,446
Additions during the financial year	179,940	—
Disposals	—	(1,180)
At 30 September	5,194,206	5,014,266

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

Name of Company	Equity Interest		Principal Activities
	2011	2010	
Digistar Holdings Sdn. Bhd.	100%	100%	Design, supply, installation and integration of information technology infrastructure, teleconferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.
Digistar Properties Sdn. Bhd. *	100%	100%	Renting, maintaining and upkeep of properties.
Digistar Rauland MSC Sdn. Bhd.	80%	80%	Health television operator.
Rauland Asia Sdn. Bhd.	100%	100%	Dormant.
Nielsen Ward Sdn. Bhd.	100%	100%	Dormant.
Digistar Vision Sdn. Bhd. #	60%	60%	Health television operator.
Seni Pujaan Sdn. Bhd.	60%	—	Property development.

Not audited by Messrs. Crowe Horwath.

* Subsidiary held through Digistar Holdings Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

6. PROPERTY, PLANT AND EQUIPMENT

	AS PREVIOUSLY REPORTED AT 1.10.2010 RM	EFFECTS OF FRS 117 RM	RESTATE AT 1.10.2010 RM	RECLASSI- FICATION RM	RECLASSIFY TO TRADE RECEIVABLES RM	NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 30.9.2011 RM
THE GROUP									
NET BOOK VALUE									
Office lot, shophouse and office units	4,882,810	-	4,882,810	-	-	-	-	(114,616)	4,768,194
Leasehold land	-	2,585,468	2,585,468	-	-	(176,677)	2,579,209	(77,161)	4,910,839
Computers and printers	86,683	-	86,683	-	-	-	148,212	(61,727)	173,168
Site office cabins, plant and machinery, furniture and fittings	50,380	-	50,380	-	-	-	113,037	(36,799)	126,618
Office equipment and renovation	2,326,251	-	2,326,251	170,248	-	-	469,040	(817,349)	2,148,190
Motor vehicles	2,297,894	-	2,297,894	-	-	-	540,814	(596,621)	2,243,087
Capital work-in-progress	286,601	-	286,601	(170,248)	(20,770)	-	-	-	95,583
	9,930,619	2,585,468	12,516,087	-	(20,770)	(176,677)	3,850,312	(1,703,273)	14,465,679
THE GROUP									
NET BOOK VALUE									
Office lot, shophouse and office units	3,996,221	-	3,996,221	983,180	983,180	-	-	(96,591)	4,882,810
Leasehold land	-	586,547	586,547	2,009,099	2,009,099	-	-	(10,178)	2,585,468
Computers and printers	112,553	-	112,553	43,671	43,671	-	-	(69,541)	86,683
Site office cabins, plant and machinery, furniture and fittings	94,275	-	94,275	3,084	3,084	-	-	(46,979)	50,380
Office equipment and renovation	2,144,439	-	2,144,439	884,407	884,407	(6,461)	(6,461)	(696,134)	2,326,251
Motor vehicles	914,874	-	914,874	1,723,774	1,723,774	-	-	(340,754)	2,297,894
Capital work-in-progress	-	-	-	286,601	286,601	-	-	-	286,601
	7,262,362	586,547	7,848,909	5,933,816	5,933,816	(6,461)	(6,461)	(1,260,177)	12,516,087

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

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

	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
THE GROUP			
At 30.9.2011			
Office lot, shophouse and office units	5,730,760	(962,566)	4,768,194
Leasehold land	5,018,187	(107,348)	4,910,839
Computers and printers	826,985	(653,817)	173,168
Site office cabins, plant and machinery, furniture and fittings	455,617	(328,999)	126,618
Office equipment and renovation	4,872,465	(2,724,275)	2,148,190
Motor vehicles	3,575,886	(1,332,799)	2,243,087
Capital work-in-progress	95,583	—	95,583
	20,575,483	(6,109,804)	14,465,679
At 30.9.2010			
Office lot, shophouse and office units	5,730,760	(847,950)	4,882,810
Leasehold land	2,637,735	(52,267)	2,585,468
Computers and printers	678,773	(592,090)	86,683
Site office cabins, plant and machinery, furniture and fittings	342,580	(292,200)	50,380
Office equipment and renovation	4,233,177	(1,906,926)	2,326,251
Motor vehicles	3,035,070	(737,176)	2,297,894
Capital work-in-progress	286,601	—	286,601
	16,944,696	(4,428,609)	12,516,087

Included in property, plant and equipment of the Group are motor vehicles with a total net book value of RM2,223,072 (2010 - RM2,269,874) acquired under hire purchase terms.

Certain property, plant and equipment of the Group with a total net book value of RM9,523,823 (2010 - RM4,142,601) were pledged as security for banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

7. PREPAID LEASE PAYMENTS

	THE GROUP	
	2011 RM	2010 RESTATED RM
Leasehold land, at cost		
- as previously reported	2,637,735	2,637,735
- Effects of FRS 117	(2,637,735)	(2,637,735)
- as restated	—	—
Accumulated amortisation		
- as previously reported	52,267	52,267
- Effects of FRS 117	(52,267)	(52,267)
- as restated	—	—
At 30 September	—	—

The Group has adopted the amendments made to FRS 117 - Leases during the financial year. The Group has reassessed and determined that the leasehold land of the Group is in substance a finance lease and has reclassified it as property, plant and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.

8. INVESTMENT PROPERTIES

	THE GROUP	
	2011 RM	2010 RM
Freehold shophouse, at cost:-	45,000	45,000

The carrying amount of the property approximated its fair value.

9. DEFERRED TAX ASSETS

	THE GROUP	
	2011 RM	2010 RM
At 1 October 2010/2009	—	151,000
Recognised in profit or loss (Note 29)	—	(151,000)
At 30 September 2011/2010	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

9. DEFERRED TAX ASSETS (CONT'D)

The components of the deferred tax assets and liabilities during the financial year prior to offsetting are as follows:-

	THE GROUP	
	2011 RM	2010 RM
Deferred tax asset:-		
Impairment losses on receivables	—	153,000
Deferred tax liability:-		
Excess of capital allowances over depreciation	—	(153,000)
Net deferred tax asset	—	—

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

	THE GROUP	
	2011 RM	2010 RM
Impairment losses on receivables	3,524,000	3,441,000
Unutilised tax losses	516,000	516,000
Unabsorbed capital allowances	421,000	686,000
Excess of capital allowances over depreciation	(1,021,000)	(1,163,000)
	3,440,000	3,480,000

10. INVENTORIES HELD FOR RESALE

	THE GROUP	
	2011 RM	2010 RM
At cost:-		
Equipment and parts held for resale	2,717,251	2,965,080
Finished goods	2,257	—
Goods-in-transit	264,985	—
	2,984,493	2,965,080

None of the inventories are carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

11. PROPERTY DEVELOPMENT COSTS

	THE GROUP	
	2011 RM	2010 RM
At 1 October 2010/2009		
- development costs	129,918	—
	<hr/>	<hr/>
	129,918	—
Cost incurred during the year:		
- development costs	3,835,996	—
	<hr/>	<hr/>
At 30 September 2011/2010	3,965,914	—
	<hr/>	<hr/>

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

12. TRADE RECEIVABLES

	THE GROUP	
	2011 RM	2010 RM
Trade receivables	13,961,278	11,970,967
Retention receivables	5,005,376	3,682,070
	<hr/>	<hr/>
Total trade receivables	18,966,654	15,653,037
Allowance for impairment losses:-		
At 1 October 2010/2009	(5,640,696)	(4,743,877)
Addition during the financial year	(873,153)	(2,928,842)
Write-back during the financial year	612,250	2,032,023
	<hr/>	<hr/>
At 30 September 2011/2010	(5,901,599)	(5,640,696)
	<hr/>	<hr/>
	13,065,055	10,012,341
	<hr/>	<hr/>

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

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Other receivables	1,748,442	2,143,143	4,844	4,844
Deposits	159,312	411,010	1,500	1,500
Prepayments	335,766	605,796	2,400	2,475
	<hr/>	<hr/>	<hr/>	<hr/>
	2,243,520	3,159,949	8,744	8,819
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

14. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	THE GROUP	
	2011 RM	2010 RM
Contract costs incurred to date	83,601,745	50,432,313
Attributable profits	34,589,696	18,990,173
	119,191,441	69,422,486
Progress billings	(115,733,007)	(75,190,032)
Net amount owing by/(to) contract customers	2,458,434	(5,767,546)
The net amount owing by/(to) contract customers comprises the following:-		
Amount owing by contract customers	7,233,782	5,683,362
Amount owing to contract customers	(4,775,348)	(11,450,908)
	2,458,434	(5,767,546)

15. AMOUNTS OWING BY/(TO) SUBSIDIARIES

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

16. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits amounting to RM1,801,660 (2010 - RM8,775,891) have been pledged to licensed banks as security for banking facilities granted to a subsidiary.

Fixed deposits at the end of the reporting period bore a weighted average interest of 2.98% (2010 - 2.57%) per annum. The maturity periods of the fixed deposits at the end of the reporting period ranged from 30 to 365 days (2010 - 30 to 365 days).

17. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	THE GROUP	
	2011 RM	2010 RM
At cost:-		
At 1 October 2010/2009	321,163	321,163
Transfer from property (Note 6)	176,677	—
Disposal of property	(321,163)	—
At 30 September 2011/2010	176,677	321,163

The carrying amount of the property approximated its fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

18. SHARE CAPITAL

	THE COMPANY			
	2011 NUMBER OF SHARES	2010 NUMBER OF SHARES	2011 RM	2010 RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	500,000,000	500,000,000	50,000,000	50,000,000
ISSUED AND FULLY PAID UP				
At 1 October	191,580,650	191,580,650	19,158,065	19,158,065
Issuance of shares	40,140,000	–	4,014,000	–
At 30 September	231,720,650	191,580,650	23,172,065	19,158,065

19. TREASURY SHARES

	THE GROUP/THE COMPANY			
	2011 NUMBER OF SHARES	2010 NUMBER OF SHARES	2011 RM	2010 RM
At 1 October 2010/2009	4,674,408	13,574,700	693,391	2,013,641
Resold during the financial year	(4,499,500)	–	(667,446)	–
Purchases during the financial year	5,067,200	–	2,274,780	–
Distribution of share dividend	–	(8,900,292)	–	(1,320,250)
At 30 September 2011/2010	5,242,108	4,674,408	2,300,725	693,391

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 22 March 2011, renewed their approval of the Company's plan to purchase its own shares under a share buy-back scheme.

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

	NUMBER OF SHARES	AVERAGE UNIT PRICE RM	TOTAL CONSIDERATION RM
At 1 October 2010	4,674,408	0.1483	693,391
Resold during the financial year - Jan 2011	(4,499,500)	(0.1483)	(667,446)
Purchases during the financial year:			
- May 2011	4,747,600	0.4484	2,128,735
- July 2011	319,600	0.4570	146,045
	5,067,200	0.4489	2,274,780
At 30 September 2011	5,242,108	0.4389	2,300,725

Of the total 231,720,650 (2010 - 191,580,650) issued and fully paid ordinary shares as at the end of reporting period, 5,242,108 (2010 - 4,674,408) are held as treasury shares by the Company. None of the treasury shares were cancelled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

20. RESERVES

	NOTE	THE GROUP		THE COMPANY	
		2011 RM	2010 RM	2011 RM	2010 RM
Share premium	(a)	8,399,210	1,630,187	8,399,210	1,630,187
Warrant reserve	(b)	503,064	503,064	503,064	503,064
Retained profits	(c)	28,101,909	9,103,877	7,361,027	451,356
		<u>37,004,183</u>	<u>11,237,128</u>	<u>16,263,301</u>	<u>2,584,607</u>

(a) Share Premium

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

	THE GROUP/THE COMPANY	
	2011 RM	2010 RM
At 1 October 2010/2009	1,630,187	1,735,416
Issuance of new shares	7,028,400	—
Share issuance expenses	(259,377)	(105,229)
At 30 September 2011/2010	<u>8,399,210</u>	<u>1,630,187</u>

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

(b) Warrant Reserve

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

(c) Retained Profits

Subject to the agreement of the tax authorities, at the end of the reporting period, the Company has tax credits under Section 108 of the Income Tax Act 1967 to frank the payment dividends of approximately RM4,910,000 (2010 - RM10,634,000) out of its retained profits. The balance of the retained profits, if distributed as dividends, will be taxed at the statutory tax rate.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

21. HIRE PURCHASE PAYABLES

	THE GROUP	
	2011 RM	2010 RM
Minimum hire purchase payments:		
- not later than one year	583,981	482,916
- later than one year and not later than five years	1,507,260	1,632,666
	<hr/>	<hr/>
Future finance charges	2,091,241 (193,106)	2,115,582 (242,062)
	<hr/>	<hr/>
Present value of hire purchase payables	1,898,135	1,873,520
	<hr/>	<hr/>
Current:		
- not later than one year	498,783	387,625
Non-current:		
- later than one year and not later than five years	1,399,352	1,485,895
	<hr/>	<hr/>
	1,898,135	1,873,520
	<hr/>	<hr/>

The hire purchase payables at the end of the reporting period bore effective interest rates ranging from 4.73% to 7.16% (2010 - 4.98% to 7.16%) per annum.

22. TRADE PAYABLES

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

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

	THE GROUP	
	2011 RM	2010 RM
Australian Dollar	—	529,758
United States Dollar	51,360	355,887
Singapore Dollar	—	18,853
Pound Sterling	272,993	—
	<hr/>	<hr/>

23. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Other payables	183,892	98,290	373	394
Deposits received	114,692	124,814	—	—
Accruals	1,395,693	2,816,486	88,500	125,500
	<hr/>	<hr/>	<hr/>	<hr/>
	1,694,277	3,039,590	88,873	125,894
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

24. BANKERS' ACCEPTANCES

In the previous financial year, the bankers' acceptances bore an effective interest rate of 4% per annum and were secured by:-

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

25. BANK OVERDRAFTS

The bank overdrafts bear an effective interest rate of 7.85% (2010 – 7.55%) per annum and are secured in the same manner as the bankers' acceptances as disclosed in Note 24 to the financial statements.

26. NET ASSETS PER ORDINARY SHARE

The net assets per share is calculated based on the net assets value attributable to shareholders of RM57,875,523 (2010 – RM29,701,802) divided by the number of ordinary shares in issue (excluding treasury shares) at the end of the reporting period of 226,478,542 shares (2010 – 186,906,242 shares).

27. REVENUE

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Contract revenue	85,701,886	61,262,392	–	–
Maintenance income	2,113,617	4,679,943	–	–
Sale of goods	8,529,867	6,107,611	–	–
Rental income	1,484,342	1,216,643	–	–
Dividend income	–	21,926	9,575,141	1,651,737
	<u>97,829,712</u>	<u>73,288,515</u>	<u>9,575,141</u>	<u>1,651,737</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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

28. PROFIT BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Audit fee:				
- for the financial year	89,000	67,000	28,000	20,000
- under/(over)provision in the previous financial year	718	(800)	(2,000)	—
Bad debts written off	—	—	—	35,187
Contract expenses	54,314,938	45,348,612	—	—
Depreciation of property, plant and equipment	1,703,273	1,260,177	—	—
Directors' remuneration:				
- fees	180,000	280,000	120,000	130,000
- non-fee emoluments	3,422,900	2,484,400	62,400	42,400
- defined contribution plans	200,280	173,040	—	—
Interest expense:				
- bank overdrafts	31,569	28,065	—	—
- bankers' acceptances	312	8,815	—	—
- hire purchase	105,356	52,285	—	—
- trust receipts	15,056	17,993	—	—
- accretion of receivables	342,356	—	—	—
Impairment losses on receivables	873,153	2,928,842	—	—
Inventories written off	134,621	246,768	—	—
Loss on deconsolidation of subsidiaries	—	—	—	1,180
Rental of equipment	17,729	34,395	—	—
Rental of motor vehicle	9,854	4,600	—	—
Rental of premises	99,234	131,360	—	—
Staff costs:				
- salaries, wages, bonuses and allowances	5,619,374	7,271,363	—	—
- defined contribution plans	756,001	605,765	—	—
- other benefits	390,318	173,877	—	—
Accretion of payables	(44,551)	—	—	—
(Gain)/Loss on foreign exchange - realised	(12,441)	28,977	—	—
Write-back of impairment losses on receivables	(612,250)	(2,032,023)	—	—
Gain on disposal of property, plant and equipment	(3,837)	(321,289)	—	—
Deposit forfeited	(3,850)	(69,082)	—	—
Dividend income	—	(21,926)	(9,575,141)	(1,651,737)
Interest income	(984,463)	(327,871)	—	—
Rental income	(1,342,381)	(1,222,643)	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

29. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Current tax:				
- for the financial year	7,188,596	2,968,053	2,347,000	358,000
- (over)/underprovision in the previous financial years	(644,965)	(170,934)	1,612	69,061
	<u>6,543,631</u>	<u>2,797,119</u>	<u>2,348,612</u>	<u>427,061</u>
Deferred tax assets (Note 9):				
- relating to origination and reversal of temporary differences	—	151,000	—	—
	<u>6,543,631</u>	<u>2,948,119</u>	<u>2,348,612</u>	<u>427,061</u>

A subsidiary of the Company has been granted the MSC Malaysia Status, which qualifies the subsidiary for the Pioneer Status incentive under the Promotion of Investments Act 1986. The subsidiary will enjoy full exemption from income tax on its statutory income from pioneer activities for five years from 6 July 2006 to 5 July 2011. The subsidiary submitted an application for the renewal of the pioneer status for another five years and is presently awaiting approval from the authorities.

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit before taxation	<u>25,992,260</u>	<u>7,241,696</u>	<u>9,258,283</u>	<u>1,299,689</u>
Tax at the statutory tax rate of 25%	6,498,065	1,810,424	2,315,000	324,922
Tax effects of:-				
Non-deductible expenses	700,531	470,879	32,000	33,078
Deferred tax assets not recognised during the financial year	6,000	837,750	—	—
Utilisation of previously unrecognised deferred tax assets	(16,000)	—	—	—
(Over)/Underprovision of current tax in the previous financial year	<u>(644,965)</u>	<u>(170,934)</u>	<u>1,612</u>	<u>69,061</u>
Income tax expense for the financial year	<u>6,543,631</u>	<u>2,948,119</u>	<u>2,348,612</u>	<u>427,061</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

30. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the profit attributable to the shareholders of RM19,527,590 (2010 - RM4,293,577) by the weighted average number of ordinary shares in issue at the end of the reporting period of 201,905,825 (2010 - 181,639,220).

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

The fully diluted earnings per share for the Group in the previous financial year was not presented as the warrants would be anti-dilutive as the exercise price is higher than the fair value of the Company's shares.

31. ACQUISITION OF A SUBSIDIARY

During the financial year, the Group acquired a 60% equity interest in Seni Pujaan Sdn. Bhd.

The fair values of the identifiable assets and liabilities of Seni Pujaan Sdn. Bhd. as at the date of acquisition were as follows:-

	At Date Of Acquisition Carrying Amount RM	Fair Value Recognised RM
Development expenditure	3,318,793	3,318,793
Cash and cash equivalents	1,000	1,000
Others payables and accruals	(3,082,508)	(3,082,508)
Net identifiable assets	<u>237,285</u>	<u>237,285</u>
Less: Non-controlling interest		(87,285)
Total purchase consideration		150,000
Less: Cash and cash equivalents of subsidiary acquired		(1,000)
Net cash outflow from acquisition of a subsidiary		<u>149,000</u>

If the acquisition had taken place at the beginning of the financial year, the Group's revenue and loss after taxation would have been RM Nil and RM148,413 respectively.

The acquired subsidiary has contributed the following results to the Group:-

	2011 RM
Revenue	—
Loss for the financial year	<u>(148,013)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

32. DIVIDENDS

	THE COMPANY	
	2011 RM	2010 RM
Interim dividend of one sen per ordinary share less income tax of 25% on 178,005,950 ordinary shares with voting rights	—	1,335,045
Share dividend via distribution of 8,900,292 treasury shares on the basis of one treasury share for every twenty existing ordinary shares held	—	1,320,250
	<u>—</u>	<u>2,655,295</u>

33. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP	
	2011 RM	2010 (Restated) RM
Cost of property, plant and equipment purchased	3,850,312	5,933,816
Amount financed through hire purchase	(450,000)	(1,409,000)
	<u>3,400,312</u>	<u>4,524,816</u>

34. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Fixed deposits with licensed banks (Note 16)	28,752,591	18,375,580	—	—
Cash and bank balances	914,355	157,774	1,877	1,163
Bank overdrafts (Note 25)	(90,032)	(847,045)	—	—
	<u>29,576,914</u>	<u>17,686,309</u>	<u>1,877</u>	<u>1,163</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

35. DIRECTORS' REMUNERATION

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Executive directors' remuneration:				
- Fees	80,000	200,000	20,000	50,000
- Non-fee emoluments	3,289,000	2,442,000	—	—
- Defined contribution plan	200,280	173,040	—	—
	<u>3,569,280</u>	<u>2,815,040</u>	<u>20,000</u>	<u>50,000</u>
Non-executive directors' remuneration:				
- Fees	100,000	80,000	100,000	80,000
- Non-fee emoluments	133,900	42,400	62,400	42,400
	<u>233,900</u>	<u>122,400</u>	<u>162,400</u>	<u>122,400</u>
Total directors' remuneration	<u>3,803,180</u>	<u>2,937,440</u>	<u>182,400</u>	<u>172,400</u>
Directors' fee	180,000	280,000	120,000	130,000
Directors' non-fee emoluments	3,422,900	2,484,400	62,400	42,400
Defined contribution plan	200,280	173,040	—	—
	<u>3,803,180</u>	<u>2,937,440</u>	<u>182,400</u>	<u>172,400</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

35. DIRECTORS' REMUNERATION (CONT'D)

	Number of Directors	Directors' fee RM	Number of Directors	Directors' non-fee emoluments and defined contribution plan RM
THE GROUP				
2011				
- Below RM50,000	9	180,000	3	62,400
- RM50,001 to RM250,000	—	—	1	71,500
- RM250,001 to RM350,000	—	—	1	309,720
- RM350,001 to RM400,000	—	—	1	426,200
- RM700,001 to RM1,000,000	—	—	1	893,320
- Above RM1,200,000	—	—	1	1,860,040
	<u>9</u>	<u>180,000</u>	<u>8</u>	<u>3,623,180</u>
2010				
- Below RM50,000	8	280,000	1	42,400
- RM250,001 to RM350,000	—	—	1	279,200
- RM350,001 to RM400,000	—	—	1	388,960
- RM700,001 to RM1,000,000	—	—	1	721,120
- Above RM1,200,000	—	—	1	1,225,760
	<u>8</u>	<u>280,000</u>	<u>5</u>	<u>2,657,440</u>
THE COMPANY				
2011				
- Below RM50,000	<u>6</u>	<u>120,000</u>	<u>3</u>	<u>62,400</u>
2010				
- Below RM50,000	<u>5</u>	<u>130,000</u>	<u>1</u>	<u>42,400</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

36. SIGNIFICANT RELATED PARTY DISCLOSURES

- (a) Identities of related parties

The Group has related party relationships with:-

- (i) its subsidiaries as disclosed in Note 5 to the financial statements; and
- (ii) the key management personnel including the directors.
- (b) In addition to the information disclosed elsewhere in the financial statements, the Group and the Company carried out the following transactions with its related parties during the financial year:

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
(i) Subsidiaries				
Dividend income receivable	–	–	9,575,141	1,629,811
(ii) Directors				
Directors' fee	180,000	280,000	120,000	130,000
(iii) Key management personnel				
Short-term employee benefits	3,682,380	2,657,440	62,400	42,400

37. OPERATING SEGMENTS

BUSINESS SEGMENTS

The following are the Group's main business segments:

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

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

37. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

37. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2010 THE GROUP	SYSTEMS INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	ELIMINATION RM	GROUP RM
REVENUE							
External revenue	61,262,392	6,107,611	4,679,943	21,926	1,216,643	–	73,288,515
Intersegment revenue	–	–	–	1,629,811	422,400	(2,052,211)	–
Total revenue	61,262,392	6,107,611	4,679,943	1,651,737	1,639,043	(2,052,211)	73,288,515
RESULTS							
Segment results (external)	4,003,021	1,233,374	2,641,386	1,287,902	20,080	(1,604,405)	7,581,358
Finance costs	(338,372)	(302)	(275)	(164)	(549)	–	(339,662)
Profit from ordinary activities before taxation							7,241,696
Income tax expense							(2,948,119)
Profit attributable to shareholders of the Company							4,293,577

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

37. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

OTHER INFORMATION

	SYSTEMS INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	INVESTMENT HOLDING RM	RENTAL RM	TOTAL RM
Segment assets	41,308,372	204,258	994,487	11,431	10,717,788	53,236,336
Unallocated assets						145,608
						<u>53,381,944</u>
Segment liabilities	20,532,541	214,803	17,080	130,394	182,119	21,076,937
Unallocated liabilities						2,603,205
						<u>23,680,142</u>
Capital expenditure	1,852,210	—	—	—	4,081,606	5,933,816
Depreciation	553,128	—	—	—	707,049	1,260,177

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

37. OPERATING SEGMENTS (CONT'D)

MAJOR CUSTOMERS

The following are revenue by segments from two (2010 - one) major customer with total revenue more than 10% of the Group's revenue:-

	THE GROUP	
	2011 RM	2010 RM
Systems integration segment	43,861,852	34,192,076
Trading segment	7,473,325	5,772,705
Maintenance segment	1,983,548	1,742,543
	<u>53,318,725</u>	<u>41,707,324</u>

38. FOREIGN EXCHANGE RATES

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

	2011 RM	2010 RM
Australian Dollar	—	2.98
United States Dollar	3.19	3.08
Singapore Dollar	—	2.34
Pound Sterling	4.97	—
	<u> </u>	<u> </u>

39. CAPITAL COMMITMENT

	THE GROUP	
	2011 RM	2010 RM
Approved and contracted for: - Property, plant and equipment	<u>—</u>	<u>2,250,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

40. CONTINGENT LIABILITIES

	THE COMPANY	
	2011 RM	2010 RM
Unsecured:		
- Guarantees given to financial institutions in respect of facilities extended to a subsidiary	10,255,124	15,333,635
- Guarantee given to a subsidiary's supplier for credit facility	6,000,000	200,000
- Guarantee given to a subsidiary's customer for due performance of works by a subsidiary	50,000	50,000
	<u>16,305,124</u>	<u>15,583,635</u>

41. FINANCIAL INSTRUMENTS

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

(a) Financial Risk Management Policies

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

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, Pound Sterling, Australian Dollar and Singapore Dollar. Foreign currency risk is monitored closely and managed to an acceptable level.

The Group's exposure to foreign currency is as follows:-

THE GROUP	UNITED STATES DOLLAR RM	POUND STERLING RM	RINGGIT MALAYSIA RM	TOTAL RM
2011				
Financial Assets				
Trade receivables	—	—	13,065,055	13,065,055
Other receivables and deposits	—	—	1,907,754	1,907,754
Fixed deposits with licensed banks	—	—	28,752,591	28,752,591
Cash and bank balances	—	—	914,355	914,355
	<u>—</u>	<u>—</u>	<u>44,639,755</u>	<u>44,639,795</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

THE GROUP	UNITED STATES DOLLAR RM	POUND STERLING RM	RINGGIT MALAYSIA RM	TOTAL RM
2011				
Financial Liabilities				
Trade payables	51,360	272,993	4,172,790	4,497,143
Other payables, deposits received and accruals	—	—	1,694,277	1,694,277
Hire purchase payables	—	—	1,898,135	1,898,135
Bank overdrafts	—	—	90,032	90,032
	51,360	272,993	7,855,234	8,179,587
2010				
Financial Assets				
Trade receivables	—	—	10,012,341	10,012,341
Other receivables and deposits	—	—	2,554,153	2,554,153
Fixed deposits with licensed banks	—	—	18,375,580	18,375,580
Cash and bank balances	—	—	157,774	157,774
	—	—	31,099,848	31,099,848

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

THE GROUP	UNITED STATES DOLLAR RM	AUSTRALIAN DOLLAR RM	SINGAPORE DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
2010					
Financial Liabilities					
Trade payables	355,887	529,758	18,853	2,607,376	3,511,874
Other payables, deposits received and accruals	—	—	—	3,039,590	3,039,590
Hire purchase payables	—	—	—	1,873,520	1,873,520
Bankers' acceptances	—	—	—	354,000	354,000
Bank overdrafts	—	—	—	847,045	847,045
	355,887	529,758	18,853	8,721,531	9,626,029

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

THE COMPANY	RINGGIT MALAYSIA RM	TOTAL RM
2011		
Financial assets		
Other receivables and deposits	6,344	6,344
Amount owing by subsidiaries	31,979,929	31,979,929
Cash and bank balances	1,877	1,877
	<u>31,988,150</u>	<u>31,988,150</u>
Financial liabilities		
Other payables and accruals	88,873	88,873
Amount owing to subsidiaries	55,868	55,868
	<u>144,741</u>	<u>144,741</u>
2010		
Financial assets		
Other receivables and deposits	6,344	6,344
Amount owing by subsidiaries	16,005,319	16,005,319
Cash and bank balances	1,163	1,163
	<u>16,012,826</u>	<u>16,012,826</u>
Financial liabilities		
Other payables and accruals	125,894	125,894

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP 2011 Increase/ (Decrease) RM	THE COMPANY 2011 Increase/ (Decrease) RM
Effects on profit after taxation		
United States Dollar:		
- strengthened by 5%	2,568	—
- weakened by 5%	(2,568)	—
Pound Sterling:		
- strengthened by 5%	13,650	—
- weakened by 5%	(13,650)	—
	<hr/>	<hr/>
Effects on equity		
United States Dollar:		
- strengthened by 5%	2,568	—
- weakened by 5%	(2,568)	—
Pound Sterling:		
- strengthened by 5%	13,650	—
- weakened by 5%	(13,650)	—
	<hr/>	<hr/>

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 41(a)(iii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Exposure to interest rate risk

	THE GROUP 2011 RM	THE COMPANY 2011 RM
Fixed rate instrument		
Hire purchase payables	(1,898,135)	—
Floating rate instrument		
Short-term deposits with licensed banks	28,752,591	—
Bank overdrafts	(90,032)	—
	<u>28,662,559</u>	<u>—</u>

Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis on the fixed rate instrument is not disclosed as this financial instrument is measured at amortised cost.

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

	THE GROUP 2011 Increase/ (Decrease) RM	THE COMPANY 2011 Increase/ (Decrease) RM
Effects on profit after taxation/equity		
Increase of 100 basis points	286,625	—
Decrease of 100 basis points	<u>(286,625)</u>	<u>—</u>

(iii) Equity Price Risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by three (3) customers which constituted approximately 46% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The Group does not have exposure to international credit risk as the entire trade receivables are concentrated in Malaysia.

Ageing analysis

The ageing analysis of the Group's trade receivables as at 30 September 2011 is as follows:-

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	COLLECTIVE IMPAIRMENT RM	CARRYING VALUE RM
2011				
Not past due	9,942,882	—	—	9,942,882
Past due:-				
- 3 to 6 months	1,790,763	—	—	1,790,763
- 6 to 9 months	1,066,542	—	—	1,066,542
- over 9 months	6,166,467	(5,901,599)	—	264,868
	18,966,654	(5,901,599)	—	13,065,055

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 120 days, which are deemed to have higher credit risk, are monitored individually.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 – 5 YEARS RM	OVER 5 YEARS RM
2011						
Trade payables	–	4,497,143	4,497,143	4,497,143	–	–
Other payables, deposits received and accruals	–	1,694,277	1,694,277	1,694,277	–	–
Hire purchase payables	4.73 - 7.16	1,898,135	2,091,241	583,981	1,507,260	–
Bank overdrafts	7.85	90,032	90,032	90,032	–	–
		8,179,587	8,372,693	6,865,433	1,507,260	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk

THE GROUP	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 – 5 YEARS RM	OVER 5 YEARS RM
2010						
Trade payables	–	3,511,874	3,511,874	3,511,874	–	–
Other payables and accruals	–	3,039,590	3,039,590	3,039,590	–	–
Hire purchase payables	4.98 - 7.16	1,873,520	2,115,582	482,916	1,632,666	–
Bankers' acceptances	4.00	354,000	354,000	354,000	–	–
Bank overdrafts	7.55	847,045	847,045	847,045	–	–
		9,626,029	9,868,091	8,235,425	1,632,666	–
THE COMPANY						
2011						
Other payables and accruals	–	88,873	88,873	88,873	–	–
Amount owing to subsidiaries	–	55,868	55,868	55,868	–	–
		144,741	144,741	144,741	–	–
2010						
Other payables and accruals	–	125,894	125,894	125,894	–	–

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP	
	2011 RM	2010 RM
Trade payables	4,497,143	3,511,874
Other payables and accruals	1,694,277	3,039,590
Hire purchase payables	1,898,135	1,873,520
Bankers' acceptances	—	354,000
Bank overdrafts	90,032	847,045
	<hr/>	<hr/>
	8,179,587	9,626,029
Less: Fixed deposits with licensed banks	(28,752,591)	(18,375,580)
Less: Cash and bank balances	(914,355)	(157,774)
	<hr/>	<hr/>
	(21,487,359)	(8,907,325)
	<hr/>	<hr/>
Total equity	57,875,523	29,701,802
	<hr/>	<hr/>
Debt-to-equity ratio	Not applicable	Not applicable
	<hr/>	<hr/>

The debt-to-equity ratio of the Group as at the end of the reporting period is not presented as the cash and cash equivalents exceeded the net debt.

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

(c) Classification of Financial Instruments

	THE GROUP 2011 RM	THE COMPANY 2011 RM
Financial assets		
<u>Loans and receivables financial assets</u>		
Trade receivables	13,065,055	—
Other receivables and deposits	1,907,754	6,344
Fixed deposits with licensed banks	28,752,591	—
Cash and bank balances	914,355	1,877
	<hr/>	<hr/>
	44,639,755	8,221
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments (Cont'd)

	THE GROUP 2011 RM	THE COMPANY 2011 RM
Financial liabilities		
<u>Other financial liabilities</u>		
Trade payables	4,497,143	—
Other payables and accruals	1,694,277	88,873
Amount owing to subsidiaries	—	55,868
Hire purchase payables	1,898,135	—
Bank overdrafts	90,032	—
	<hr/> 8,179,587	<hr/> 144,741

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments. There is no material difference between the fair values and the carrying values of these liabilities as at the end of the reporting period.

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

- (i) On 5 July 2010, Digistar Properties Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with a third party for the acquisition of a piece of leasehold land for a total cash consideration of RM2,579,209.

The acquisition was completed on 3 November 2011.

- (ii) On 28 January 2011, the Company resold 4,499,500 ordinary shares of RM0.10 each representing approximately 2% of the issued and paid-up share capital of the Company for a total value of RM667,446.
- (iii) On 23 February 2011, the Company increased its issued and paid-up share capital from RM19,158,065 to RM21,072,065 by the allotment of 19,140,000 new ordinary shares at an issue price of RM0.16 per share.
- (iv) On 28 April 2011, the Company subscribed for 150,000 ordinary shares of RM1.00 each in Seni Pujaan Sdn. Bhd., representing 60% of the issued and paid-up share capital, for a cash consideration of RM150,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (v) During the period from 17 May 2011 to 27 May 2011, the Company bought back 4,747,600 ordinary shares RM0.10 each representing approximately 2% of the issued and paid-up share capital of the Company for a total cash consideration of RM2,128,735.
- (vi) On 27 May 2011, the Company subscribed for an additional 29,940 new ordinary shares of RM1.00 each in Digistar Vision Sdn. Bhd., for a total cash consideration of RM29,940. The Company's equity interest remained at 60%.
- (vii) On 19 July 2011, the Company bought back 319,600 ordinary shares RM0.10 each representing approximately 0.01% of the issued and paid-up share capital of the Company for a total cash consideration of RM146,045.
- (viii) On 24 August 2011, the Company increased its issued and paid-up share capital from RM21,072,065 to RM23,172,065 by the allotment of 21,000,000 new ordinary shares at an issue price of RM0.38 per share.

43. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 24 October 2011, the Company's 60% owned subsidiary, Digistar Vision Sdn. Bhd., was disposed of for a total cash consideration of RM30,000.

44. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the adoption of the amendments to FRS 117 Leases as disclosed in Note 3(a)(vii) to the financial statements:-

	THE GROUP	
	As Restated RM	As Previously Reported RM
Consolidated Statement of Financial Position (Extract):-		
Property, plant and equipment	12,516,087	9,930,619
Prepaid land lease payments	—	2,585,468
Consolidated Statement of Cash Flow (Extract):-		
Adjustment for:-		
Amortisation of prepaid lease payments	—	10,178
Depreciation of property, plant and equipment	1,260,177	1,249,999

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Cont'd)

45. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP 2011 RM	THE COMPANY 2011 RM
Total retained profits - realised	30,889,701	7,361,027
Less: Consolidation adjustments	(2,787,792)	–
At 30 September	<u>28,101,909</u>	<u>7,361,027</u>

ANALYSIS OF SHAREHOLDINGS

As At 10 February 2012

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	101	4,528	0.00
100 to 1,000 shares	125	60,367	0.03
1,001 to 10,000 shares	1,396	8,577,045	3.82
10,001 to 100,000 shares	1,499	50,298,490	22.42
100,001 to less than 5% of issued shares	227	105,113,672	46.85
5% and above of issued shares	2	60,293,740	26.88
	3,350	224,347,842	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES

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

No.	Name	No. of Shares Held	%#
1	Kenangan Lampiran Sdn Bhd	45,316,733	20.20
2	Datuk Lee Wah Chong	14,977,007	6.68
3	Pembinaan Shukran Sdn Bhd	10,500,000	4.68
4	Datin Wa Siew Yam	4,633,891	2.07
5	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kwee Sow Fun (004060431)	4,473,240	1.99
6	Rozilawati Binti Mustafa	3,369,550	1.50
7	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Nyoh Moy (E-TMR)	3,050,000	1.36
8	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kwee Sow Fun (M96022)	2,765,000	1.23
9	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tang Sing Ling	2,634,700	1.17
10	Ong Fee Chong	2,520,115	1.12
11	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Hoong Kheong	2,378,500	1.06

ANALYSIS OF SHAREHOLDINGS

As At 10 February 2012 (Cont'd)

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES (CONT'D)

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

No.	Name	No. of Shares Held	% [#]
12	Lew Bok Hoa	2,350,000	1.05
13	Lee Choon Hor @ Lee Choon Tho	2,050,200	0.91
14	Lai Choy Long	2,000,000	0.89
15	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Yong Chin (REM157)	1,423,600	0.63
16	Lee Kok Choong	1,364,011	0.61
17	Bakti Capaian Sdn Bhd	1,057,600	0.47
18	Loh Chia Shing	1,020,700	0.45
19	Gan Wee Peng	1,000,005	0.45
20	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loke Hook Beng (M03)	1,000,000	0.45
21	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ding Lian Cheon	1,000,000	0.45
22	Yap Chow Ken	1,000,000	0.45
23	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Swee Eng	987,000	0.44
24	Mayban Nominees (Tempatan) Sdn Bhd Tang Sing Ling	985,000	0.44
25	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim	947,600	0.42
26	Ahmad Fikri Bin Hussein	850,000	0.38
27	HDM Nominees (Tempatan) Sdn Bhd UOB Kay Hian Pte Ltd for Teh Kee Hong	850,000	0.38
28	BHLB Trustee Berhad Exempt AN for EPF Investment for Member Savings Scheme	847,000	0.38
29	Loh Chun Lin	830,000	0.37
30	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kee Soit	820,000	0.37

ANALYSIS OF SHAREHOLDINGS

As At 10 February 2012 (Cont'd)

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	45,316,733	20.20	—	—
2	Datuk Lee Wah Chong	14,977,007	6.68	45,316,733*	20.20
3	Ong Fee Chong	2,520,115	1.12	45,316,733*	20.20

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	14,977,007	6.68	45,316,733*	20.20
Ong Fee Chong	2,520,115	1.12	45,316,733*	20.20
Datin Wa Siew Yam	4,633,891	2.07	—	—
Lye Siang Long	—	—	—	—
YB Datuk Md. Sirat Bin Abu	25,000	0.01	—	—
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	—	—	—	—
Dato' Haji Ishak Bin Haji Mohamed	—	—	—	—
Cheong Yee Kiong	—	—	—	—
Lee Mely	—	—	—	—

* By virtue of their interests 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 RM23,172,065, comprising 231,720,650 ordinary shares less 7,372,808 treasury shares retained by the Company as per Record of Depositors.

ANALYSIS OF SHAREHOLDINGS

As At 10 February 2012 (Cont'd)

ANALYSIS OF WARRANTS 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	43	29,750	0.03
1,001 to 10,000 warrants	408	2,542,600	2.82
10,001 to 100,000 warrants	514	20,417,900	22.68
100,001 to less than 5% of issued warrants	103	40,637,555	45.13
5% and above of issued warrants	2	26,412,400	29.33
	1,072	90,040,325	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANTS

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

No.	Name	No. of Shares Held	%
1	Kenangan Lampiran Sdn Bhd	21,600,000	23.99
2	Datuk Lee Wah Chong	4,812,400	5.34
3	Mayban Nominees (Tempatan) Sdn Bhd Tang Sing Ling	2,426,600	2.70
4	JF Apex Nominees (Tempatan) Sdn Bhd Huatai Financial Holdings (HK) Limited for Huatai HK SPC-Huatai Von Malaysia Fund Segregated Portfolio	2,107,900	2.34
5	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kwee Sow Fun (M96022)	1,720,000	1.91
6	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kwee Sow Fun (SMT)	1,256,900	1.40
7	Datin Wa Siew Yam	1,210,000	1.34
8	Ong Fee Chong	1,200,055	1.33

ANALYSIS OF SHAREHOLDINGS

As At 10 February 2012 (Cont'd)

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANTS

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

No.	Name	No. of Shares Held	%
9	Soo Hock Chiang @ Sai Hock Chiang	1,200,000	1.33
10	Voon Jye Wah	1,176,300	1.31
11	Lim Weng Tai	1,000,000	1.11
12	Lim Keng Chuan	970,000	1.08
13	Ong Siew Yen	950,100	1.06
14	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kerk Kheng Hock	929,800	1.03
15	Loo Kim @ Loh Kim Leng	900,000	1.00
16	Low Chit Sin	800,000	0.89
17	Saw Kean Hock	749,000	0.83
18	Mayban Nominees (Tempatan) Sdn Bhd Lai Choi Sang	740,000	0.82
19	Lum Chee Fai	700,000	0.78
20	Julie Quah	695,000	0.77
21	Tan Lye Beng	691,000	0.77
22	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tham Chi How (013)	655,500	0.73
23	Choo Swee Shyang	630,000	0.70
24	Cheah Teik Chuan	600,000	0.67
25	Loo Ah Soon	540,000	0.60
26	Low Chon Leck @ Lau Chon Leck	502,600	0.56
27	Wong Fook Thong	500,000	0.56
28	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Kam Chon (E-TSA)	450,000	0.50
29	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Lim Chin Horng (M28020)	400,000	0.44
30	Saw Kean Kok	400,000	0.44

ANALYSIS OF SHAREHOLDINGS

As At 10 February 2012 (Cont'd)

DIRECTORS' WARRANT HOLDINGS (Direct & Indirect) (as per Register of Directors' Warrant Holdings)

Name Of Directors	Direct Interest	%	Indirect Interest	%
Datuk Lee Wah Chong	4,812,400	5.34	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 Datuk Md. Sirat Bin Abu	—	—	—	—
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	—	—	—	—
Dato' Haji Ishak Bin Haji Mohamed	—	—	—	—
Cheong Yee Kiong	—	—	—	—
Lee Mely	—	—	—	—

* By virtue of their interests 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

As At 30 September 2011

Properties Owned By The Group as at 30 September 2011

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	33 years	53,763	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	1,864	Leasehold for 99 years expiring on 23/05/2089	16 years	387,048	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	1,864	Leasehold for 99 years expiring on 23/05/2089	16 years	438,477	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	1,864	Leasehold for 99 years expiring on 23/05/2089	16 years	313,511	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	1,864	Leasehold for 99 years expiring on 23/05/2089	16 years	327,761	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	1,864	Leasehold for 99 years expiring on 23/05/2089	16 years	297,438	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	1,864	Leasehold for 99 years expiring on 23/05/2089	16 years	311,089	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	1,864	Leasehold for 99 years expiring on 23/05/2089	16 years	334,216	2002

LIST OF PROPERTIES

As At 30 September 2011 (Cont'd)

Properties Owned By The Group as at 30 September 2011 (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	1,864	Leasehold for 99 years expiring on 23/05/2089	16 years	481,752	2003
No. 3, Jalan TU-3, Taman Tasik Utama, Ayer Keroh, 75450 Melaka.	Double-storey shophouse	Build-up area: 2,860 Land area: 1,540	Leasehold for 99 years expiring on 29/03/2097	11 years	155,210	2002
Lot 165, Mukim Kuala Kuantan, Pahang.	Land (vacant bungalow lot)	15,289*	Leasehold for 99 years expiring on 10/09/2092	N/A	176,677#	2002
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	9 years	45,000#	2005
C19, Jalan Ampang Utama 1/1, Taman Ampang Utama, 68000 Ampang, Selangor.	A corner office lot in a 4-storey shop/ Shop-office	Build-up area: 8,124 Land area: 1,920	Leasehold for 99 years expiring on 07/05/2083	18 years	1,100,640	2005
500, Jalan Ampang Utama 1/1, Taman Ampang Utama, 68000 Ampang, Selangor.	Double storey commercial building	Build-up area: 8,938 Land area: 6,175	Leasehold for 99 years expiring on 02/02/2076	19 years	2,937,998	2010
499, Jalan 5, Taman Ampang Utama, 68000 Ampang, Selangor.	Vacant land	Land area: 8,150	Leasehold for 99 years expiring on 25/01/2077	N/A	2,540,130	2011

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of Digistar Corporation Berhad will be held at Embassy 2, Level 6, D-Villa Residence, No. 225, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 22 March 2012 at 10.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 September 2011 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 Ong Fee Chong *(Ordinary Resolution 1)*
 - 2.2 YB Datuk Md. Sirat Bin Abu *(Ordinary Resolution 2)*
3. To re-elect the following Directors who are retiring under Article 92 of the Articles of Association of the Company:
 - 3.1 Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan *(Ordinary Resolution 3)*
 - 3.2 Dato' Haji Ishak Bin Haji Mohamed *(Ordinary Resolution 4)*
 - 3.3 Lee Mely *(Ordinary Resolution 5)*
4. To approve the sum of RM180,000 being the Directors' fees for the financial year ended 30 September 2011. *(Ordinary Resolution 6)*
5. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 7)*
6. Special Businesses:
To consider and if thought fit, pass the following Ordinary Resolution:
 - 6.1 **Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965**

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

(Ordinary Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

To consider and if thought fit, pass the following Ordinary Resolution:

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

"THAT, subject to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 ACE 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 retained by the Company as treasury shares pursuant to this resolution shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company during the authorised period;
- (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 and based on the Audited Financial Statements as at 30 September 2011, the retained profits and share premium account of the Company were RM7,361,027 and RM8,399,210 respectively. Based on the unaudited First Quarter results for the period ended 31 December 2011, the retained profits and share premium account of the Company were RM7,314,124 and RM8,399,210 respectively;
- (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
- (iv) upon completion of the purchase(s) of the shares by the Company, the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:
 - (a) cancel all the shares so purchased; or
 - (b) retain the shares so purchased as treasury shares; or
 - (c) retain part of the shares so purchased as treasury shares and cancel the remainder; or
 - (d) distribute the treasury shares as dividends to shareholders and/or resell on the market of Bursa Securities and/or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Listing Requirements of the Bursa Securities and any other relevant authority for the time being in force."

(Ordinary Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

To consider and if thought fit, pass the following Special Resolution:

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

"THAT the proposed amendments to the Articles of Association of the Company as contained in Appendix I annexed to the Annual Report be and are hereby approved."

(Special Resolution 1)

BY ORDER OF THE BOARD

TAN BEE HWEE (MAICSA 7021024)
WONG WAI FOONG (MAICSA 7001358)

Company Secretaries

Kuala Lumpur
29 February 2012

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. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. 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.
4. The instrument appointing a proxy or the power of attorney (if any) under which it is signed or an office copy or notarially certified copy thereof shall be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the meeting or any adjournment thereof.
5. For the purpose of determining a member who shall be entitled to attend and vote at the forthcoming Ninth Annual General Meeting, the Company shall be requesting the Record of Depositors as at 16 March 2012. Only a depositor whose name appears on the Record of Depositors as at 16 March 2012 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

Explanatory Note on the Special Business

Ordinary Resolution 8

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

The Ordinary Resolution 8 is proposed to seek for a renewal of general authority pursuant to Section 132D of the Companies Act, 1965, if passed, it will give the Directors of the Company from the date of the above meeting, authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

As at the date of this Notice, 40,140,000 new shares in the Company were issued pursuant to the mandate granted to the Directors at the Eighth Annual General Meeting held on 22 March 2011 and which will lapse at the conclusion of the Ninth Annual General Meeting. The proceeds of RM11,042,400.00 raised from the issuance of 40,140,000 new shares via the exercise of the Bumiputera Issue and Private Placement as at the date of this Notice were utilized for working capital of the Company and to defray expenses related to the said exercises.

The general mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited to further placing of shares for purpose of funding investment(s), working capital and/or acquisitions, at any time to such persons in their absolute discretion without convening a general meeting as it would be both costs and time-consuming to organize a general meeting.

Ordinary Resolution 9

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

The proposed Ordinary Resolution 9, if passed, will empower the Company to purchase and/or hold up to a maximum of ten per centum (10%) of the issued and paid-up share of the Company at any point of time, by utilising the amount allocated which shall not exceed the total retained profits and/or share premium account of the Company, subject to the Act, Listing Requirements of Bursa Securities, any prevailing laws, orders, requirements, rules, regulations and guidelines issued by the relevant authorities at the time of purchase. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

Please refer to the Statement to Shareholders as set out in this Annual Report for further information.

Special Resolution 1

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

The proposed Special Resolution 1 is to facilitate the Proposed Transfer Listing and to comply with the recent amendments to the Listing Requirements of Bursa Securities.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are retiring pursuant to Article 92 of the Company's Articles of Association and seeking for re-election are:

- (i) Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan
- (ii) Dato' Haji Ishak Bin Haji Mohamed
- (iii) Lee Mely

The profiles of the above Directors are set out in the section entitled "Directors' Profile" on pages 8 to 10. Their shareholdings in the Company are set out in the section entitled "Analysis of Shareholdings" on pages 109 to 114.

APPENDIX I

IN RELATION TO THE PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

THAT the existing articles in the Articles of Association be amended by substituting with the proposed articles as set out below:

Article No.	EXISTING ARTICLES		PROPOSED ARTICLES		Rationale(s)
	WORDS	MEANINGS	WORDS	MEANINGS	
1.	Definition		Definition		
	Depositor	A holder of a Securities Account	Depositor	A holder of a Securities Account established by the Bursa Depository.	Pursuant to Para. 1.01 of the Listing Requirements
	Listing Requirements	The Listing Requirements of Bursa Securities for the MESDAQ Market for the time being, including any amendments thereto that may be made from time to time	Listing Requirements	The Listing Requirements of Bursa Securities for the MESDAQ Market for the time being , including any amendments thereto that may be made from time to time	Pursuant to Para. 1.01 of the Listing Requirements
	market day	Any day between Mondays and Fridays which is not a market holiday of Bursa Securities or public holiday.	market day	Any day between Mondays and Fridays which is not a market holiday of Bursa Securities or public holiday. A day on which the stock market of the Bursa Securities is open for trading in securities	Pursuant to Para. 1.01 of the Listing Requirements
	Member	Any person/persons for the time being holding shares in the Company and whose names appear in the Register (except the Bursa Malaysia Depository Nominees Sdn Bhd) including Depositors whose names appear on the Record of Depositors.	member	Any person/persons for the time being holding shares in the Company and whose names appear in the Register (except the Bursa Malaysia Depository Nominees Sdn Bhd) including Depositors whose names appear on the Record of Depositors. Include a Depositor who will be treated as if he were a member pursuant to section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Depository in the capacity as a bare trustee.	Pursuant to Para. 1.01 of the Listing Requirements

APPENDIX I

IN RELATION TO THE PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION (Cont'd)

Article No.	EXISTING ARTICLES		PROPOSED ARTICLES		Rationale(s)
	Definition		Definition		
	WORDS	MEANINGS	WORDS	MEANINGS	
	MESDAQ	Malaysian Exchange of Securities Dealing & Automated Quotation Bhd.	MESDAQ	Malaysian Exchange of Securities Dealing & Automated Quotation Bhd.	To facilitate for the transfer of listing to Main Market
	Rules	The Rules of the Bursa Depository.	Rules	The Rules of the Bursa Depository, including any amendment that may be made from time to time.	Pursuant to Para. 1.01 of the Listing Requirements
	RM	The Lawful Currency of Malaysia.	RM	The Lawful Currency of Malaysia. Ringgit Malaysia and sen respectively.	Pursuant to Para. 1.01 of the Listing Requirements
	securities	Shares of the Company and wherever applicable, includes any debt securities as defined under the Central Depositories Act issued by the Company.	securities	Shares of the Company and wherever applicable, includes any debt securities as meaning given in section 2(1) of the Capital Market and Services Act 2007. defined under the Central Depositories Act issued by the Company.	Pursuant to Para. 1.01 of the Listing Requirements
	Securities account	An account established by Bursa Depository for a Depositor for the recording or deposit or withdrawal of securities and for dealing in such securities by the Depositor.	Securities account	An account established by Bursa Depository for a Depositor for the recording of or deposit or withdrawal of securities and for dealing in such securities by the Depositor.	Pursuant to Para. 1.01 of the Listing Requirements
	New Provision		Share Issuance Scheme	A scheme involving a new issuance of shares to the employee	Pursuant to Para. 1.01 of the Listing Requirements
6	<u>Restriction on Issue</u> Article 3 shall be subject to the following provisions: (1) No Director shall participate in a share scheme for employees unless the members in general meeting have approved the specific allotment to be made to such Director;		<u>Restriction on Issue</u> Article 3 shall be subject to the following provisions: (1) No Director shall participate in a share scheme for employees Share Issuance Scheme for employees unless the members in general meeting have approved the specific allotment to be made to such Director;		Pursuant to Para. 7.03 of the Listing Requirements

APPENDIX I

IN RELATION TO THE PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION (Cont'd)

Article No.	EXISTING ARTICLES		PROPOSED ARTICLES		Rationale(s)
41A (1)	Definition		Definition		Pursuant to Para. 7.12 of the Listing Requirements
	WORDS	MEANINGS	WORDS	MEANINGS	
	<u>Transmission of Securities from Foreign Register</u>		<u>Transmission of Securities from Foreign Register</u>		
	(1)	Where:	(1)	Where:	
	(a)	the securities of a company are listed on an Approved Market Place; and	(a)	the securities of a company are listed on an Approved Market Place another stock exchange ; and	
	(b)	the Company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities,	(b)	the Company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities,	
		The Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place ("the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia ("the Malaysian Register") provided that there shall be no change in the ownership of such securities.		The Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place other stock exchange (" the Foreign Register "), to the register of holders maintained by the registrar of the Company in Malaysia (" the Malaysian Register ") and vice versa provided that there shall be no change in the ownership of such securities.	
	(2)	For the avoidance of doubt, no company which fulfils the requirements of paragraphs (a) and (b) of Article 41A(1) shall allow any transmission of securities from the Malaysian Register into the Foreign Register.	(2)	For the avoidance of doubt, no company which fulfils the requirements of paragraphs (a) and (b) of Article 41A(1) shall allow any transmission of securities from the Malaysian Register into the Foreign Register.	

APPENDIX I

IN RELATION TO THE PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION (Cont'd)

Article No.	EXISTING ARTICLES		PROPOSED ARTICLES		Rationale(s)
	WORDS	MEANINGS	WORDS	MEANINGS	
54	<u>Definition</u> <u>Specification of Notice</u> Every notice calling a general meeting shall specify the day, time and place of the meeting and in the case of a meeting called to consider special business, the general nature of that business accompanied by a statement regarding the effect of any proposed resolution in respect of such business and in the case of an annual general meeting, shall specify the meeting as such.		<u>Definition</u> <u>Specification of Notice</u> Every notice calling a general meeting shall specify the day, time and place of the meeting and in the case of a meeting called to consider special business, the general nature of that business accompanied by a statement regarding the effect of any proposed resolution in respect of such business and in the case of an annual general meeting, shall specify the meeting as such. The notices must also include the date of the Record of Depositors, as at the latest date which is reasonably practical and in any event shall not be less than three (3) market days before the meeting for the purpose of determining whether a depositor shall be regarded as a Member entitled to attend, speak and vote at the meeting.		To be consistent with Para 9.19(6) of the Listing Requirements
71	<u>Appointment of at least One Proxy</u> (1) Where a member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary Shares of the Company standing to the credit of the said Securities Account.		<u>Appointment of at least One Proxy</u> (1) Where a member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy up to two (2) proxies in respect of each Securities Account it holds with ordinary Shares of the Company standing to the credit of the said Securities Account.		To be consistent with Article 71(2) to appoint up to 2 proxies for each member
71	(1) (A) (i) New Provision		<u>Appointment of Multiple Proxies</u> (1)(A)(i) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.		Pursuant to Para 7.21 of the Listing Requirements

APPENDIX I

IN RELATION TO THE PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION (Cont'd)

Article No.	EXISTING ARTICLES		PROPOSED ARTICLES		Rationale(s)
	Definition		Definition		
	WORDS	MEANINGS	WORDS	MEANINGS	
71	(1) (A) (ii) New Provision		<u>Appointment of Multiple Proxies</u> (1)(A)(ii) An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which exempted from compliance with the provisions of subsection 25A(1) of SICDA.		
71(2)	At any general meeting, each member shall be entitled to attend and vote in person or appoint up to two (2) proxies or attorneys or authorized representatives. Where a member appoints two (2) proxies, such appointments shall not be valid unless the member specifies the proportions of his shareholding to be represented by each proxy.		Save for an exempt authorized nominee as defined under Articles 71(1)(A)(i) and 71(1)(A)(ii) above, at any general meeting, each member shall be entitled to attend and vote in person or appoint up to two (2) proxies or attorneys or authorized representatives. Where a member appoints two (2) proxies, such appointments shall not be valid unless the member specifies the proportions of his shareholding to be represented by each proxy.		For clarity purposes
71(3)	Save for the authorized nominee as defined under Article 71(1) above, a proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies		<u>Qualification and Rights of Proxy to Speak</u> Save for the authorized nominee as defined under Article 71(1) above, a proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.		Pursuant to Para. 7.21A of the Listing Requirements

APPENDIX I

IN RELATION TO THE PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION (Cont'd)

Article No.	EXISTING ARTICLES		PROPOSED ARTICLES		Rationale(s)															
73	Definition		Definition																	
	WORDS	MEANINGS	WORDS	MEANINGS																
	<p><u>Form of instrument appointing proxy</u></p> <p>Every instrument of proxy (other than a power of attorney under seal) whether for a specified meeting or otherwise shall as nearly as circumstances will admit be in the form or to the effect following:</p> <div><div>No. of Shares Held</div><p>DIGISTAR CORPORATION BERHAD (603652-K)</p><p>I/We, ____ of ____ being a member(s) of DIGISTAR CORPORATION BERHAD (603652-K) hereby appoint ____ of ____ or * THE CHAIRMAN OF THE MEETING or failing him/her, ____ of ____, as my/our proxy, to vote for me/us on my/our behalf at the (ordinary or extraordinary, as the case may be) general meeting of the Company to be held on ____ at ____ and at any adjournment thereof.</p><p><u>* if you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting or failing him" and insert the name(s) of the person(s) desired.</u></p><p>Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy think fits. If you appoint two proxies and wish them to vote differently this should be specified.</p><p>My/our proxy/proxies is/are to vote as indicated below:</p><table><tr><td>No.</td><td>Resolution</td><td>For</td><td>Against</td></tr><tr><td></td><td></td><td></td><td></td></tr></table><p>Signed this__ day of ____, 20 ____.</p><p>..... Signature of Shareholder</p></div>		No.	Resolution		For	Against					<p><u>Form of instrument appointing proxy</u></p> <p>Every instrument of proxy (other than a power of attorney under seal) whether for a specified meeting or otherwise shall as nearly as circumstances will admit be in the form or to the effect following:</p> <div><div>No. of Shares Held</div><p>DIGISTAR CORPORATION BERHAD (603652-K)</p><p>I/We, ____ of ____ being a member(s) of DIGISTAR CORPORATION BERHAD (603652-K) hereby appoint ____ of ____ or * THE CHAIRMAN OF THE MEETING or failing him/her, ____ of ____, as my/our proxy, to vote for me/us on my/our behalf at the (ordinary or extraordinary, as the case may be) general meeting of the Company to be held on ____ at ____ and at any adjournment thereof.</p><p><u>* if you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting or failing him" and insert the name(s) of the person(s) desired.</u></p><p>Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy think fits. If you appoint more than one proxy two proxies and wish them to vote differently this should be specified he shall specify the proportion of his shareholding to be represented by each proxy.</p><p>My/our proxy/proxies is/are to vote as indicated below:</p><table><tr><td>No.</td><td>Resolution</td><td>For</td><td>Against</td></tr><tr><td></td><td></td><td></td><td></td></tr></table><p>Signed this__ day of ____, 20 ____.</p><p>..... Signature of Shareholder</p></div>		No.	Resolution	For	Against			
No.	Resolution	For	Against																	
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DIGISTAR CORPORATION BERHAD
(603652-K)
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No. ⁽ⁱ⁾

No. of Shares held

I/WeNRIC/Company No.
(FULL NAME IN BLOCK CAPITALS)

of
(FULL ADDRESS)

being a member/members of DIGISTAR CORPORATION BERHAD (603652-K) hereby appoint

.....
(FULL NAME IN BLOCK CAPITALS)

NRIC No. of
(FULL ADDRESS)

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

NRIC No. of
(FULL ADDRESS)

or failing *him/her, *the Chairman of the Meeting as *my/our proxy to attend and vote on *my/our behalf at the Ninth Annual General Meeting of the Company to be held at Embassy 2, D-Villa Residence, No. 225, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 22 March 2012 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		
Ordinary Resolution 8		
Ordinary Resolution 9		
Special Resolution 1		

(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

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

Signed this day of 2012

	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.
- Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 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 Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the Meeting or any adjournment thereof.
- For the purpose of determining a member who shall be entitled to attend and vote at the forthcoming Ninth Annual General Meeting, the Company shall be requesting the Record of Depositors as at 16 March 2012. Only a depositor whose name appears on the Record of Depositors as at 16 March 2012 shall be entitled to attend and vote at the said meetings as well as for appointment of proxy(ies) to attend and vote on his/her stead.

Fold this flap for sealing

Then fold here



AFFIX
STAMP

DIGISTAR CORPORATION BERHAD

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

1st fold here

www.digistar.com.my



DIGISTAR CORPORATION BERHAD (603652-K)

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