DIGISTAR CORPORATION BERHAD

(Company No.: 603652-K)

annual
report
2012

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

YB Datuk Md. Sirat Bin Abu	(Independent Non-Executive Chairman)
Datuk Wira Lee Wah Chong	(Managing Director)
Datin Wira Wa Siew Yam	(Executive Director)
Ong Fee Chong	(Executive Director)
Lye Siang Long	(Executive Director)
Lee Mely	(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)

AUDIT COMMITTEE

Chairman

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

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	(Independent Non-Executive Chairman)

Members

Dato' Haji Ishak Bin Haji Mohamed	(Independent Non-Executive Director)
Cheong Yee Kiong	(Independent Non-Executive Director)

REMUNERATION COMMITTEE

Chairman

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

Members

Datuk Wira Lee Wah Chong	(Managing Director)
Dato' Haji Ishak Bin Haji Mohamed	(Independent Non-Executive Director)
Cheong Yee Kiong	(Independent Non-Executive Director)

COMPANY SECRETARIES

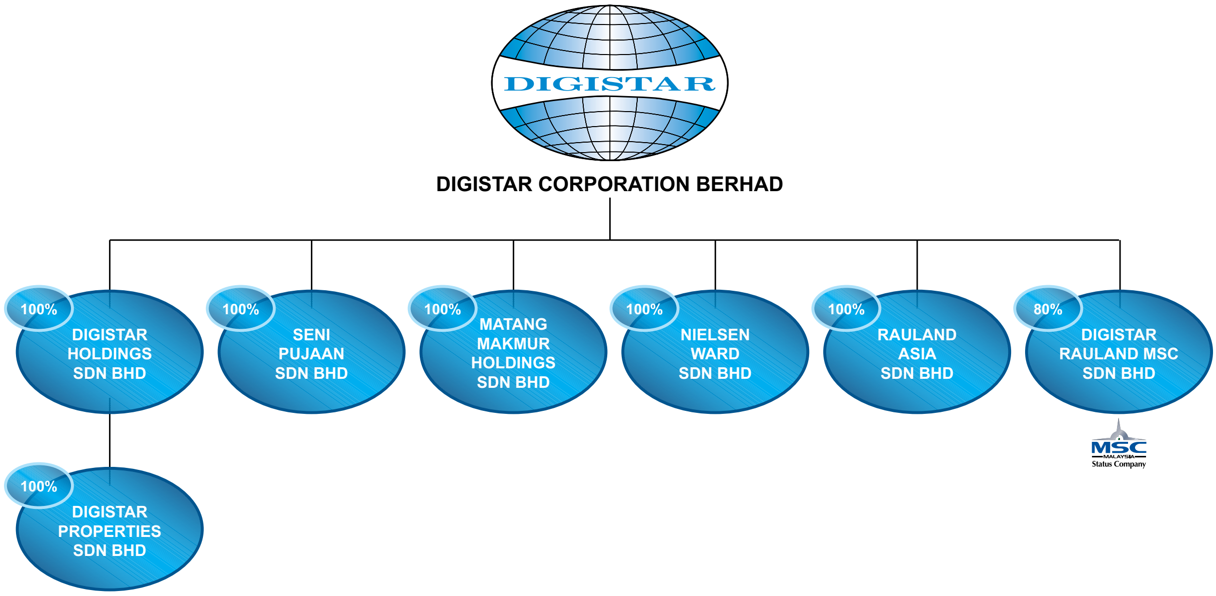
Tan Bee Hwee	(MAICSA 7021024)
Wong Wai Foong	(MAICSA 7001358)

CORPORATE INFORMATION
(cont'd)

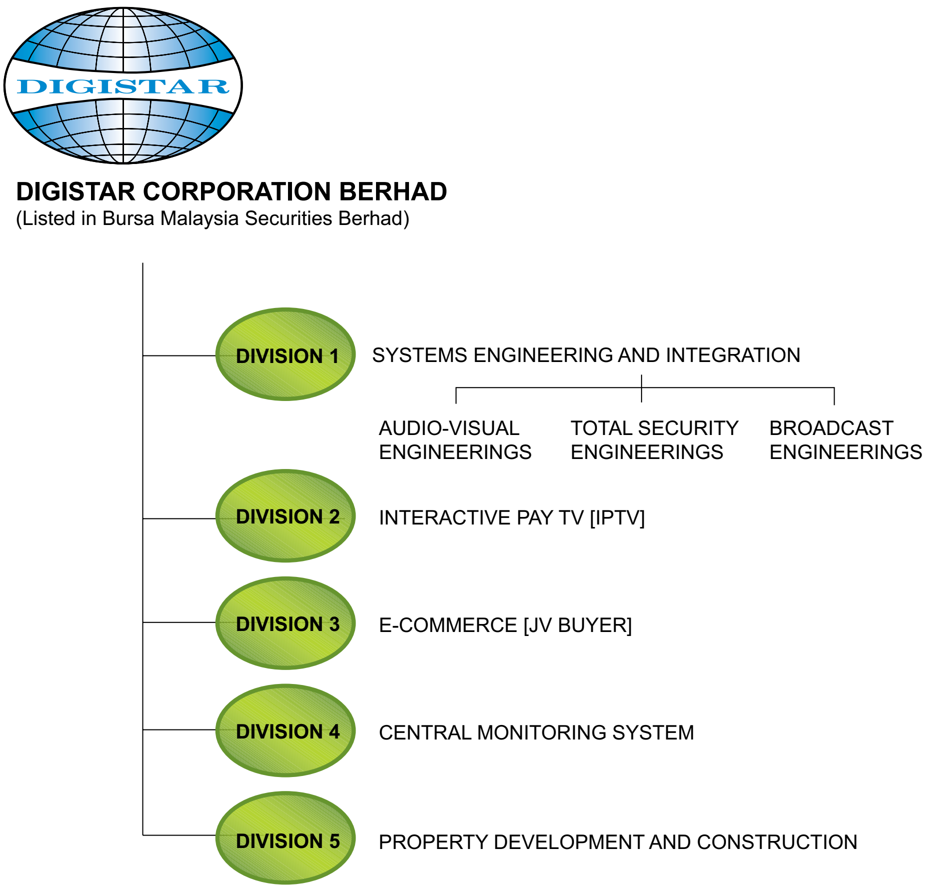
REGISTERED OFFICE	Level 18, The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 03-2264 8888 Fax: 03-2282 2733
CORPORATE OFFICE	B6/4/4, 3rd Floor One Ampang Business Avenue Jalan Ampang Utama 1/2 68000 Ampang Selangor Darul Ehsan Tel: 03-4253 4319 Fax: 03-4257 2168
AUDITOR'S	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	Main Market of the Bursa Malaysia Securities Berhad ("Bursa Securities") Stock Name : DIGISTA Stock Code : 0029

GROUP STRUCTURE

As at 4 March 2013



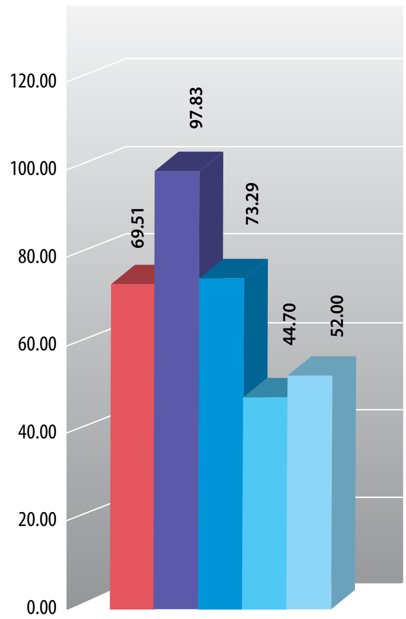
CORPORATE DIVISIONS



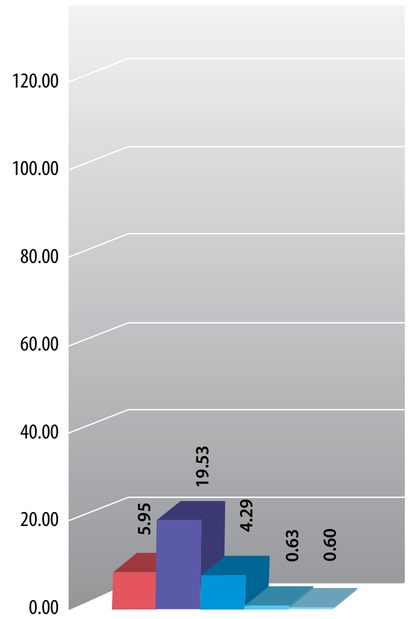
GROUP FINANCIAL HIGHLIGHTS

GROUP 5 YEARS FINANCIAL PERFORMANCE

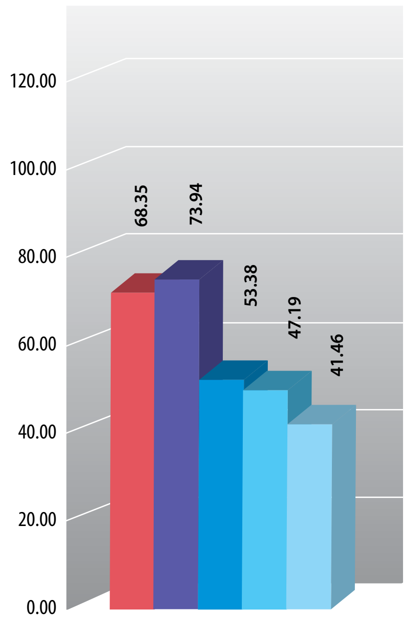
Year 2012 | Year 2011 | Year 2010 | Year 2009 | Year 2008



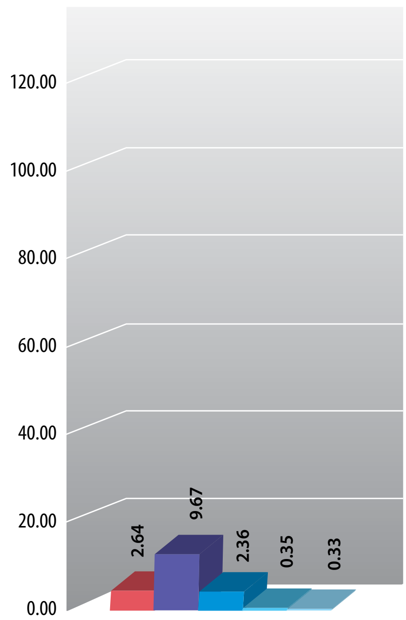
Revenue
(RM'Million)



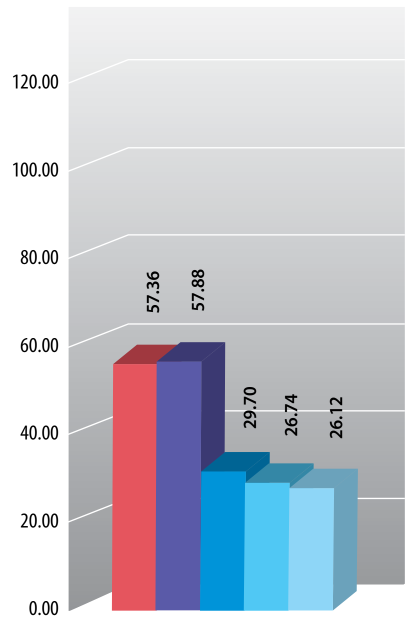
Profit attributable to Shareholders
(RM'Million)



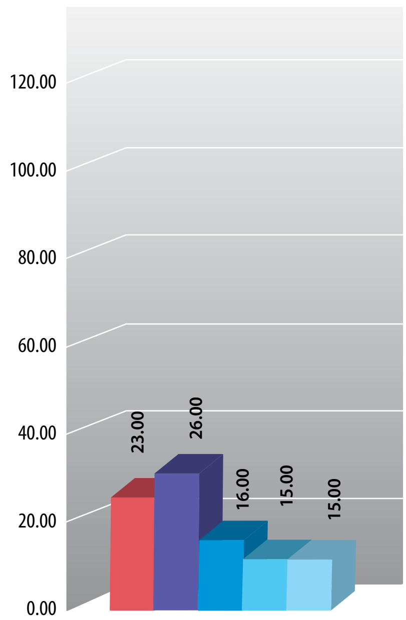
Total assets
(RM'Million)



Earning per share
(Sen)



Shareholders' equity
(RM'Million)

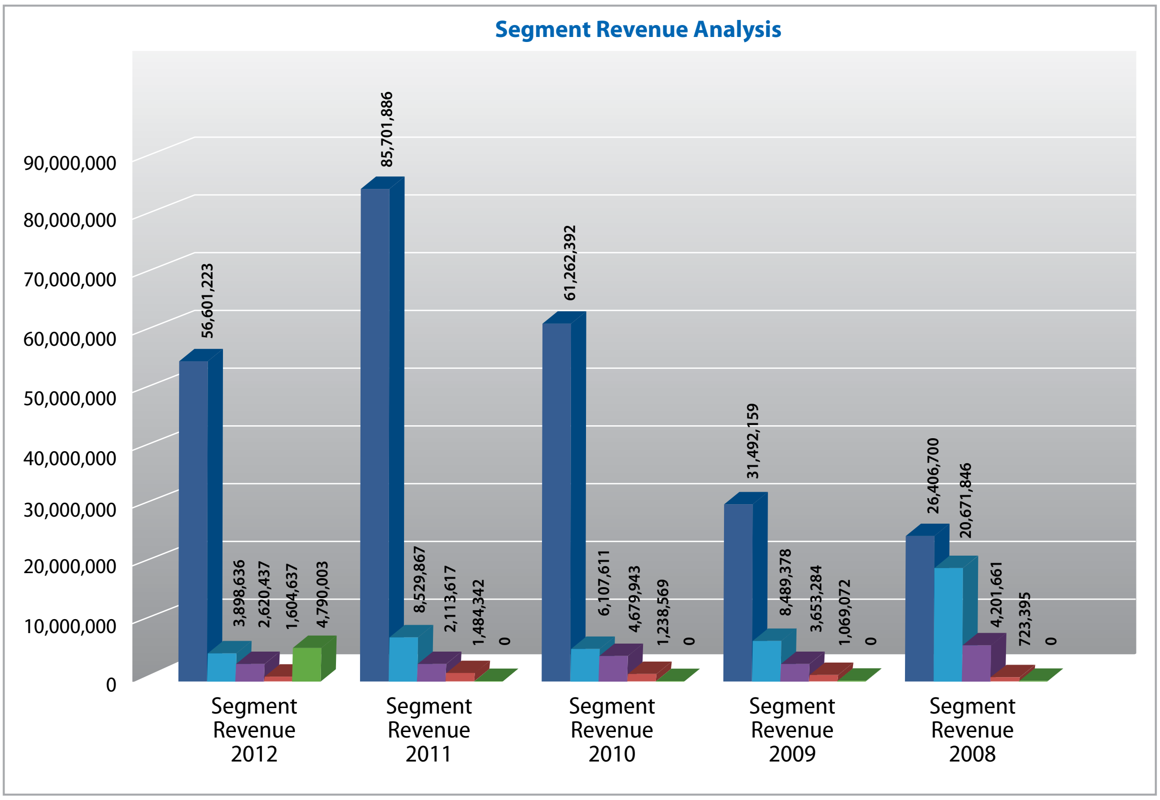


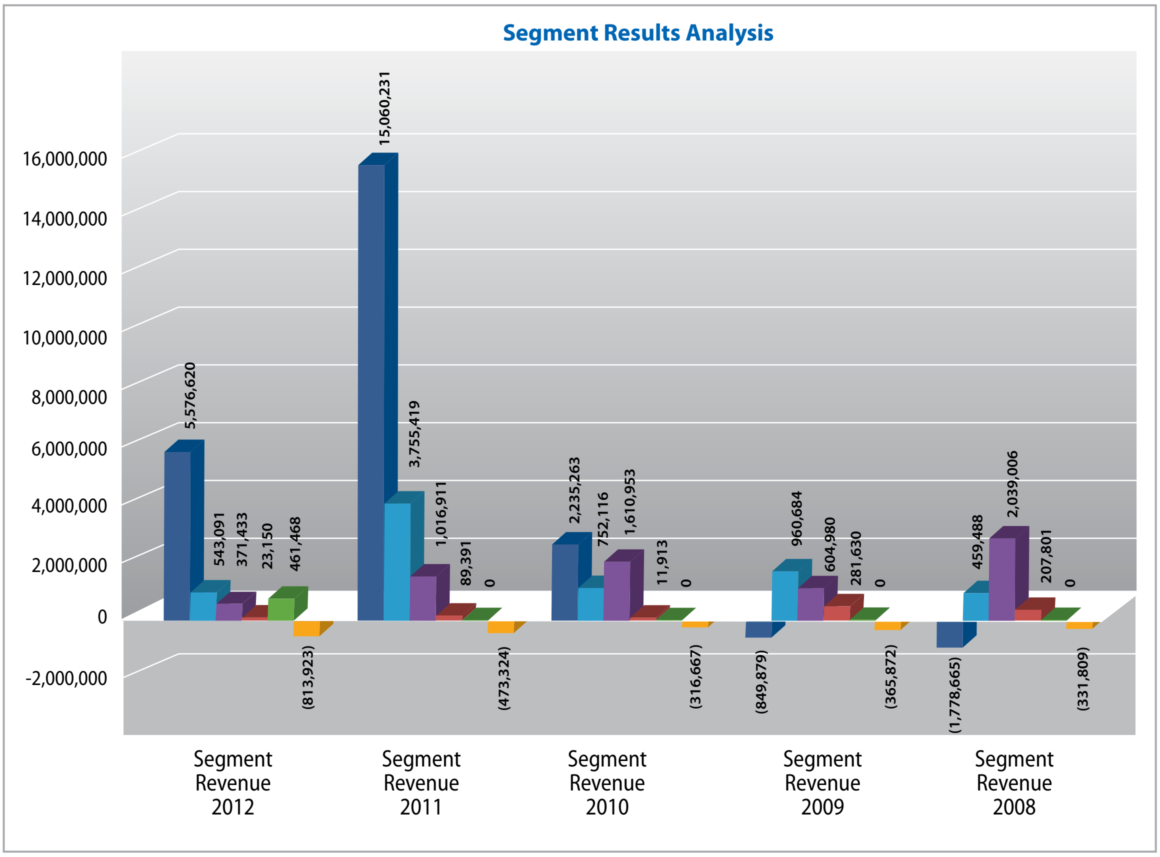
Net assets per share
(Sen)

GROUP FINANCIAL HIGHLIGHTS (cont'd)

PERFORMANCE AT A GLANCE BUSINESS SEGMENTS

System Integration | Trading | Maintenance | Rental | Property Development | Others





BOARD OF DIRECTORS

DATUK WIRA LEE WAH CHONG
Managing Director

YB DATUK MD. SIRAT BIN ABU
Independent Non-Executive Chairman

TAN SRI DATUK MOHD ZAMAN KHAN @ HASSAN B RAHIM KHAN
Independent Non-Executive Director

DATO' HAJI ISHAK BIN HAJI MOHAMED
Independent Non-Executive Director

ONG FEE CHONG
Executive Director

LYE SIANG LONG
Executive Director

LEE MELY
Executive Director

DATIN WIRA WA SIEW YAM
Executive Director

CHEONG YEE KIONG
Independent Non-Executive Director

DIRECTORS' PROFILE

DATUK WIRA LEE WAH CHONG

- *Managing Director*

Datuk Wira Lee Wah Chong, a Malaysian aged 55, 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 Wira Wa Siew Yam and his sister Lee Mely, are members of the Board.

Datuk Wira Lee Wah Chong attended all six (6) Board of Directors' Meeting held during the financial year ended 30 September 2012.

YB DATUK MD. SIRAT BIN ABU

- *Independent Non-Executive Chairman*

YB Datuk Md. Sirat Bin Abu, a Malaysian aged 54, 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 three (3) out of six (6) Board of Directors' Meeting held during the financial year ended 30 September 2012.

TAN SRI DATUK MOHD ZAMAN KHAN @ HASSAN B RAHIM KHAN

- *Independent Non-Executive Director*

Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan, a Malaysian aged 71, 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.

His present directorship in public companies includes RCE Capital Berhad.

Tan Sri Datuk Mohd Zaman Khan attended five (5) out of six (6) Board of Directors' Meeting held during the financial year ended 30 September 2012.

DATO' HAJI ISHAK BIN HAJI MOHAMED

- *Independent Non-Executive Director*

Dato' Haji Ishak Bin Haji Mohamed, a Malaysian aged 60, 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 attended three (3) out of six (6) Board of Directors' Meeting held during the financial year ended 30 September 2012.

ONG FEE CHONG

- *Executive Director*

Mr. Ong Fee Chong, a Malaysian aged 42, 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 a local system integrator. 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 six (6) Board of Directors' Meeting held during the financial year ended 30 September 2012.

LYE SIANG LONG

- *Executive Director*

Mr. Lye Siang Long, a Malaysian aged 43, 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 an international public accounting firm for five (5) years. He left the said accounting firm in year 1999 as Audit Supervisor to join a local computer peripheral distributor 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 Executive Director of the Company.

He does not have any directorship in other public companies.

Mr Lye Siang Long attended all six (6) Board of Directors' Meeting held during the financial year ended 30 September 2012.

DATIN WIRA WA SIEW YAM
- *Executive Director*

Datin Wira Wa Siew Yam, a Malaysian aged 54, 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 Wira Lee Wah Chong and her sister in law, Lee Mely, are members of the Board.

Datin Wira Wa Siew Yam attended all six (6) Board of Directors' Meeting held during the financial year ended 30 September 2012.

LEE MELY
- *Executive Director*

Lee Mely, a Malaysian aged 52, was reappointed as an Non-Independent Non-Executive Director of the Company on 27 May 2011. She has been redesignated to Executive Director on 2 March 2012. Previously she was a non-independent and non-executive director of the Company in 2003 until 2007. She is a Licensed Company Secretary under Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) since 1997. 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 Wira Lee Wah Chong and her sister in law, Datin Wira Wa Siew Yam, are members of the Board.

Lee Mely attended all six (6) Board of Directors' Meeting held during the financial year ended 30 September 2012.

CHEONG YEE KIONG
- *Independent Non-Executive Director*

Mr. Cheong Yee Kiong, a Malaysian aged 52, was appointed as an Independent Non-Executive Director of the Company on 30 January 2009. He was also appointed as a member of the Audit Committee on the same date. 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 five (5) out of six (6) Board of Directors' Meeting held during the financial year ended 30 September 2012.

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.*

"Dear shareholders,

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 2012."

YB DATUK MD. SIRAT BIN ABU
CHAIRMAN

Overview and outlook of the Malaysian economy

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

Domestic demand, which is expected to grow 5.6% (2012: 9.4%), will remain the main driver of growth in 2013 underpinned by strong private sector expenditure. Private consumption is projected to expand 5.7% (2012: 7%) on account of higher disposable income arising from better employment outlook, firm commodity prices and the wealth effect from the stable performance of the stock market following strong domestic economic activities.

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

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

Overview and outlook of the construction industry

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

For 2013, the construction sector is envisaged to expand strongly by 11.2%, with all subsectors registering steady growth. The sector is expected to benefit from the acceleration of ongoing construction activities, particularly from the Economic Transformation Programme and second rolling plan for construction-related projects under the Tenth Malaysia Plan.

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

Overview and outlook of the communication industry

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

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

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

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

Overview and outlook of the ICT industry

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

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

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

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

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

Financial Review

Record Revenue : It has been another momentous year for Digistar as we achieved a revenue record of RM69.51 million for FY 2012 despite the economic slowdown. Year on year, the revenue decreased by 28.95% from RM97.83 million (FY 2011).

Record Profit : Digistar achieved a record high profit after tax and minority interest of RM6.16 million for FY 2012. Year on year, the profit decreased by 68.33% from RM19.45 million (FY 2011).

The decreased in revenue and profit before taxation are mainly due to delivery of certain fast-track projects in system integration and broadcast engineering segments with better profit margin coupling with favourable currencies movement for import of equipment during the last financial year. In addition, the declines also contributed by the higher operating cost and commencement of new projects which are still at preliminary stage, hence the revenue arising from the new projects had yet been recognised during the financial year under review.

Corporate Exercises

- ***Transfer Listing***

During the FY 2012, the listing of and quotation for the entire issued and paid-up share capital and the outstanding ten (10)-year Warrants 2007/2017 of Digistar have been transferred from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on Thursday, 28 June 2012, marking the completion of the Transfer Listing.

- ***Private Placement***

During the FY 2012, the Company increased its issued and paid-up share capital from RM23.17 million to RM25.41 million by issuance of 22.40 million new ordinary shares of RM0.10 by way of 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.

- ***Rights Issue with Warrants***

On 4 December 2012, the Company announced to undertake the Rights Issue of up to 137,664,390 Rights Shares on the basis of two (2) Rights Shares for every five (5) existing Digistar Shares held, together with up to 103,248,292 free Warrants on the basis of three (3) free Warrants for every four (4) Rights Shares subscribed at an issue price of RM0.20 per Rights Share.

On 4 January 2013, the listing application had been submitted to Bursa Malaysia Securities Berhad. In addition, an application for the issuance and allotment of the Warrants to the non-resident shareholders of Digistar, and the issuance and allotment of the additional 2007/2017 Warrants of the Company arising from the adjustments as a consequence to the Proposed Rights Issue with Warrants to the non-resident holders of the 2007/2017 Warrants had also been submitted to the Controller of Foreign Exchange (via Bank Negara Malaysia).

On 16 January 2013, Bursa Malaysia Securities Berhad had approved for the admission to the Official List and the listing and quotation pursuant to the Rights Issue with Warrants. On 23 January 2013, the Controller of Foreign Exchange (via Bank Negara Malaysia) had approved the issuance of the Warrants to the non-resident shareholders of the Company.

On 19 February 2013, the members of the Company had approved the Corporate Exercise at the Extraordinary General Meeting. On 26 February 2013, the Company had fixed the issue price of the Rights Shares and the exercise price of the Warrants at RM0.20 per Rights Share and RM0.26 per Warrant, respectively. On 27 February 2013, the Company had fixed the Entitlement Date on 13 March 2013, along with other relevant dates pertaining to the Rights Issue with Warrants.

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

i. Enable us to raise equity capital without incurring interest expenses as compared to bank borrowings. This would allow us to preserve cash for reinvestment and/ or operational purpose;

ii. Provide our Entitled Shareholders with an opportunity to further increase their equity participation in our Company via the issuance of new Digistar Shares without diluting their existing equity interest, assuming that all Entitled Shareholders fully subscribe for their respective entitlements pursuant to the Rights Issue with Warrants; and

iii. Improve liquidity and financial flexibility, as well as to optimise our Group's capital structure by strengthening the statement of financial position.

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

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.

Corporate Governance

The Board of Directors are committed to achieving and maintaining high standards of corporate governance in managing the business and affairs of the Group guided by the principles and best practices as set out in the Malaysian Code on Corporate Governance and developments of recognised best governance practices. These practices are instilled throughout the Group's operations. These are further described in the Statement on Corporate Governance found in this Annual Report.

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 2012, the Company registered a revenue of approximately RM69.51 million, out of which approximately 81.43% 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.

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, 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

4 March 2013

2012 was indeed another challenging year for our Group. Despite the extreme volatility in the market and highly competitive business environment, our financial performance continues to register favourable result.

DATUK WIRA 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.

Our Group's business performance based on the audited consolidated financial statements of our Group for the past five (5) financial years up to the FYE 30 September 2012:-

- Our revenue grew from RM52.00 million to RM69.51 million between the FYE 30 September 2008 and FYE 30 September 2012, which translated to a compounded annual growth rate of 7.53%.;
- Our PBT grew from RM0.67 million to RM9.99 million between the FYE 30 September 2008 and FYE 30 September 2012, which translated to a compounded annual growth rate of 96.50%; and
- Our PBT margin grew from 1.29% to 14.37% between the FYE 30 September 2008 and FYE 30 September 2012.

The Group remained resilient whilst operating in such volatile environment and was able to achieve RM6.16 million in net profit profit on the back of a turnover of RM69.51 million. The basic earnings per ordinary shares is at 2.64 sen for the current year based on our issued share capital at par value of 10 sen each. Earning quality for the year is sustainable positively. While the Systems Integration segment continued to be the largest revenue and profit contributor to the Group. Our new project in property development segment started to kick off and manage to contribute second largest revenue for the year.

This was largely due to Management's steadfast approach in the implementation of fiscal controls and growth strategies with emphasis on the Group's core businesses, namely System Integration segment and divest into property development segment to further enhance shareholders value.

Strategy Moving Forward and Future Prospects

Our Group's competitive advantages and key strengths that will enable us to compete successfully as well as to provide us with growth prospects. Our competitive advantages and key strengths are set out below:-

- Our track record and established reputation as a comprehensive system integrated solutions provider since the commencement of our business in 1982;
- Our expertise in providing customised solutions in systems engineering and integration to meet our customers' requirements; and
- The services provided to large user-industries, which is a key strength as it enables us to sustain our business and future growth.

We have in place a business and expansion plan, which focuses on the following areas:-

- Our business expansion into the broadcasting and interactive pay TV segments to drive our business growth in Malaysia and to address new markets in the Asia Pacific region; and
- Our new business ventures into central monitoring systems engineering and integration, and operation of central monitoring stations to address new areas of growth and opportunities.

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

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

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

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 2013 will be another good year for Digistar Group. I also expect that FY 2013 will be another 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 2012. 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 WIRA LEE WAH CHONG
Managing Director

4 March 2013

"This Management Discussion & Analysis [MD & A] of Financial Condition and Results of Operations formally cover from 1 October 2011 to 31 September 2012"

Overview of results

We are an investment holding company. Through our subsidiaries, we are principally involved in the design, supply, installation and integration of IT infrastructure, tele-conferencing, LANs, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems, and other related electronic systems. Our target market is mainly the local system end users, particularly in higher learning institutions, hospitals as well as public and private buildings. As a system integrator, we principally design and install the most appropriate systems and/or equipment to suit each particular environment.

To complement our present business, we also play the role of a distribution centre for all kinds of specialised local electronic and electrical components products, as well as products from several reputable international hardware and software manufacturers, such as audio and visual equipment, as well as broadcasting software and hardware. We also provide electronic systems maintenance and support services to our clients.

Our Group is also involved in the provision of interactive Pay TV and e-commerce services, property development as well as property holding and property management, which includes renting, maintaining and upkeep of properties.

Our Group's revenue and result for the past 5 years up to FYE 30 September 2012, are disclosed in this Annual Report under the section Group Financial Highlights for the Group and Business Segments.

Our gross revenue for the Group is RM69.51 million and was mainly generated from the provision of systems engineering and integration services and for the FYE 2012, which contributed approximately 81.43% of our Group's revenue. The profit before taxation had shown a very steady improvement and grew to RM9.99 million for the FYE 2012 of which 92.20% was back by the systems engineering and integration services. The remaining were contributed from trading of electronic and electrical components and products, electronic systems maintenance and support services, interactive Pay TV , e-commerce services as well as rental income received from our two (2) rented properties to third parties and lastly our new property development division. All our sales are transacted locally.

Our operations are carried out through of our subsidiaries as follows:

- ***Digistar Holdings***, which is principally involved in design, supply, installation and integration of IT infrastructure, tele-conferencing, LANs, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems, and other related electronic systems;

- ***Digistar Rauland***, which is principally a health television operator, involved in the provision of interactive Pay TV and e-commerce services to local hospitals;

- ***Nielsen Ward***, which is principally involved in the provision of e-commerce services through retailing a variety of products and services via the internet; and

- ***Digistar Properties***, which is principally involved in property holding and property management, which include the renting, maintaining and upkeep of properties; and

- ***Seni Pujaan***, which is principally involved in property development.

Property development

The other part of our business is in property development, which is undertaken by our subsidiary, Seni Pujaan.

On 12 October 2010, Seni Pujaan entered into a joint venture agreement with Yayasan DMDI to undertake a commercial development project on all that piece of leasehold land held under HSD 71156 PT 26 (formerly known as HSD 64114 PT 15 and HSD 69473 PT 20), Kawasan Bandar XXVII, District of Melaka Tengah, State of Melaka.

Under the said joint venture arrangement, Yayasan DMDI, being the landowner of the said leasehold lands, agreed to appoint Seni Pujuan to undertake the entire development and implementation to construct the buildings on a "turnkey design and build basis", including but not limited to preparing the site layout plans, preliminary sketch designs, architectural drawings, structural drawings, service drawings and all other detailed plans and drawings as may be necessary for the proper construction and completion of the construction works and also to obtain necessary approvals from the relevant authorities and completing the works, at Seni Pujuan's own costs.

Subsequently, on 28 April 2011, we ventured into the property development sector via the acquisition of a 60% equity stake in Seni Pujaan. The said property development project, namely 'The Heritage' was launched on 18 October 2011. On 20 July 2012, an acquisition of the remaining 40% equity stakes has been completed and Seni Pujaan became wholly owned subsidiary of Digistar Corporation Berhad. The project involves a commercial development of a mixture of suites and retail outlets with an estimated gross development value of RM150 million. The completion date for the project is expected to be in 2014.

Factors and trends affecting future financial condition and results

After taking into consideration the risk factors relating to our industry and business, and our ability to mitigate such risk factors, we are of the opinion that our future financial condition and results will remain favourable, premised on the following:

- the favourable performance of related industries, i.e. the construction industry;
- the growing economy provides the impetus for private and public spending, which will have a positive flow-on effect to the electronic systems engineering and integration industry;
- various initiatives undertaken by the Malaysian government, such as the following:

  - shifting the Malaysian economy towards higher value-added services through identifying new sources of economic growth, termed as National Key Economic Areas (NKEA), which include, among others, education, ICT, private healthcare and tourism;
  - rolling out the National Digital Terrestrial Television Broadcasting (DTTB) project which is aimed at TV broadcasters to convert from analogue format to digital format;
  - encouraging operators in each sector to invest in technological advances to improve the delivery and quality of their products and services; and
  - promoting private sector investment in priority areas, such as education, healthcare and tourism with a facilitation fund of RM20 billion; and

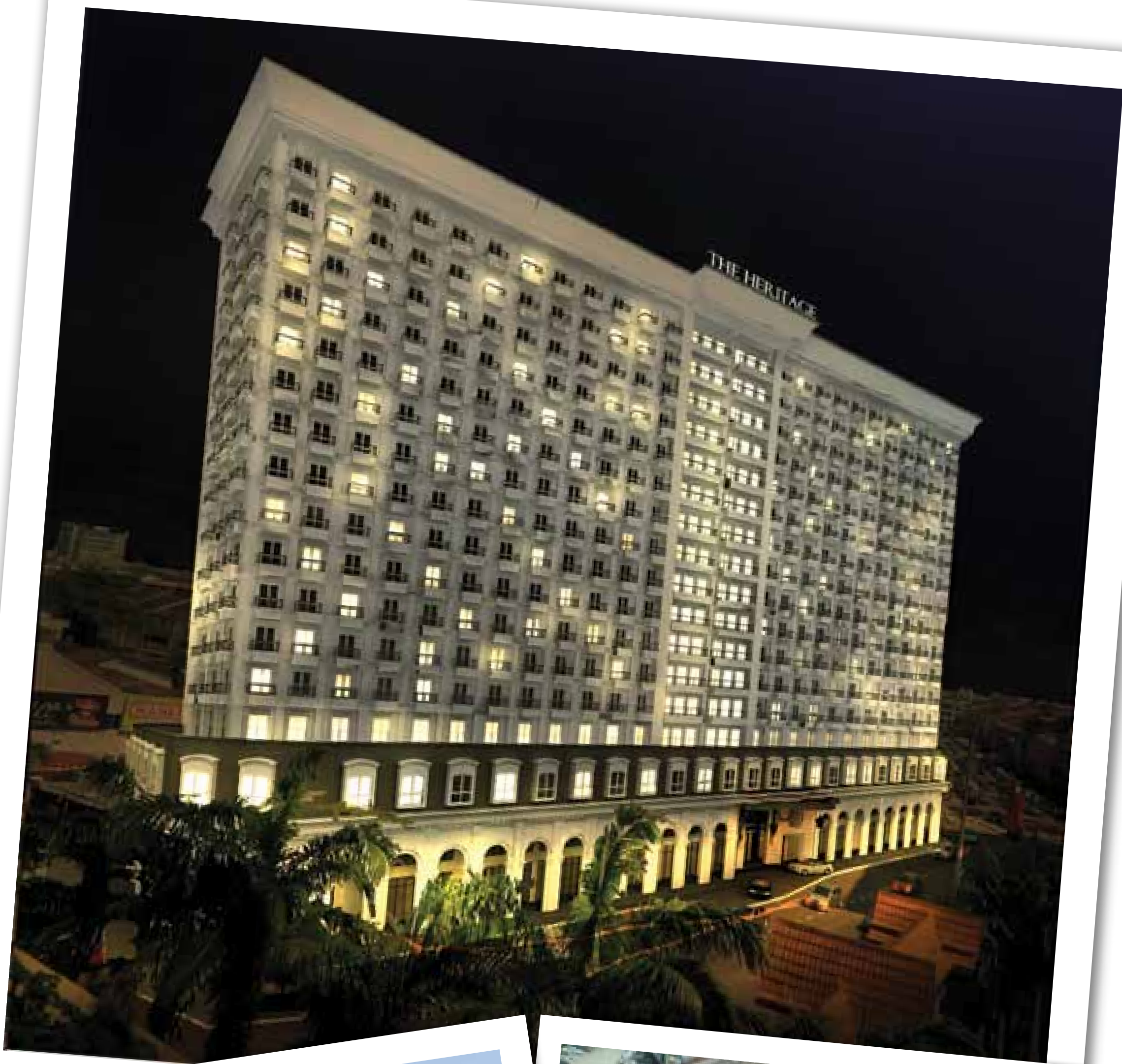
  (Source: Independent Assessment of Electronic Systems Engineering and Integration Industry in Malaysia prepared by Vital Factor)

  - our ability to provide customised solutions in systems engineering and integration, and ability to serve a large user-industries.

Our competitive advantages provide the foundation for us to maintain our edge over our existing and new competitors, as well as the sustainability of our business and financial growth.

Our future plans continue to make major inroads into the broadcasting segment through servicing other local media broadcast operators and venture into overseas, to leverage from our existing technical expertise in the provision of interactive Pay TV services and target a niche market of residential users in condominium, apartments and flats, and to extend our expertise and venture into central monitoring systems engineering and integration, and operation of central monitoring stations to address new areas of growth and opportunities.

Premised on the prospects and outlook of the electronic systems engineering and integration industry in Malaysia, we are of the opinion that our future financial condition and results of operations will remain favourable in the long-run.


THE HERITAGE


THE HERITAGE

CORPORATE SOCIAL RESPONSIBILITY

Steadfast in our commitment to the philanthropic spirit, we strive to contribute to the society and the country's progress through our dynamic CsR drive that engages employees and improves the standard of living of the community via various outreach initiatives, including community sponsorships, continuous learning, environmental protection, and human capital development.

Caring for our communities and taking care of the welfare of our employees and business partners while delivering our commitments to our customers, are in harmony with our value. Balanced economics growth, environment protection and social progress can be achieved with the right efforts.

The scope of our commitment encompasses 2 main areas of interest.

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.

This year, the donations were extended to Yayasan Toh Puan Zurina, a dialysis centre catering for the poor. Toh Puan is the Governor's of Malacca spouse. They have dialysis machines to serve kidney patients which referred by government hospitals in Malacca.

Digistar - Old Folks Home community projects.

Internship Programme And Education

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 Technologi 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.

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.

Recognising that the Group's business involves electronic engineering, Digistar initiated A Full Time Electronics Engineering Training and Apprenticeship Programme as part of its skills development initiative during the year. The first batch of 16 trainees have been recruited to undergo this courses of which the full course fees, training expenses and all the trainees allowances were fully sponsored and funded by Digistar.

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

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 pace include security guards, surveillance equipments at relevant work locations, and appropriate notices and announcements on safety measures.

Employee Engagement Events

In promoting greater engagement and networking amongst employees from different departments and business units, Digistar organised its brain storming session on 21 September 2012. Staff members were treated to an all expenses paid to Colmar Tropicale at Bukit Tinggi, as part of the Company's efforts in expressing appreciation towards employees for their hard work and dedication during the year.

Putting employees' spirit of adventure to the test, staff members from various business units and departments scaled the vertical limits of the flying fox and climbing the tree in a gruelling two-day mission. Most of them challenge the test and came back with an experience of a lifetime.

CORPORATE SOCIAL RESPONSIBILITY
(cont'd)

It was a night to remember as the Group celebrated its 30th Anniversary Annual Dinner with 200 employees at the Shangri-La Hotel Kuala Lumpur. Besides special appearance by famous comedian Leonard Tan and a sumptuous dinner, the occasion provided a good opportunity for staff members and management to catch up with another.

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 Main 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 Main 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 Main 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 2012 the retained profits and share premium account of the Company stood at RM9,211,526 and RM13,354,858 respectively. Based on the unaudited First Quarter results for the period ended 31 December 2012, the retained profits and share premium account of the Company stood at RM9,084,402 and RM13,354,858 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 2012, the Group has a net cash and cash equivalent balance of approximately RM15,259,550.

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 31 January 2013 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 Wira Lee Wah Chong	15,946,607	6.46	45,316,733	18.37	15,946,607	7.20	45,316,733	20.47
Ong Fee Chong	1,520,115	0.62	45,316,733	18.37	1,520,115	0.69	45,316,733	20.47
Datin Wira Wa Siew Yam	33,891	0.01	–	–	33,891	0.02	–	–
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 Wira Lee Wah Chong (a)	20,759,007	6.16	66,916,733 (d)	19.87	20,759,007	6.87	66,916,733 (d)	22.13
Ong Fee Chong (b)	2,720,170	0.81	66,916,733 (d)	19.87	2,720,170	0.90	66,916,733 (d)	22.13
Datin Wira Wa Siew Yam (c)	1,243,891	0.37	–		1,243,891	0.41	–	
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 31 January 2013 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 Wira Lee Wah Chong holds 4,812,400 warrants as at 31 January 2013.
(b) Mr Ong Fee Chong holds 1,200,055 warrants as at 31 January 2013.
(c) Datin Wira Wa Siew Yam holds 1,210,000 warrants as at 31 January 2013.
(d) Kenangan Lampiran Sdn Bhd holds 21,600,000 warrants as at 31 January 2013.
 # Deemed interest via Kenangan Lampiran Sdn Bhd under Section 6A of the Companies Act, 1965.

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

Minimum Scenario:

	Before Proposed Renewal 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	18.37	–	–	45,316,733	20.47	–	–
Datuk Wira Lee Wah Chong	15,946,607	6.46	45,316,733	18.37	15,946,607	7.20	45,316,733	20.47
Ong Fee Chong	1,520,115	0.62	45,316,733	18.37	1,520,115	0.69	45,316,733	20.47

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	19.87	–	–	66,916,733	22.13	–	–
Datuk Wira Lee Wah Chong	20,759,007	6.16	66,916,733	19.87	20,759,007	6.87	66,916,733	22.13
Ong Fee Chong	2,720,170	0.81	66,916,733	19.87	2,720,170	0.90	66,916,733	22.13

Notes:

(i) The Shares purchased and held as treasury shares as at 31 January 2013 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 31 January 2013.
(b) Datuk Wira Lee Wah Chong holds 4,812,400 warrants as at 31 January 2013.
(c) Mr Ong Fee Chong holds 1,200,055 warrants as at 31 January 2013.
 # Deemed interest via Kenangan Lampiran Sdn Bhd under Section 6A of the Companies Act, 1965.

(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	0.02	–	–
Lee Hwa Beng #	315,000	0.13	–	–	315,000	0.14	–	–
Chua Mooi Hua #	117,705	0.05	–	–	117,705	0.05	–	–
Lee Seng Gak #	50	0.00	–	–	50	0.00	–	–
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	0.15	–	–	515,000	0.17	–	–
Chua Mooi Hua #	1,027,705	0.31	–	–	1,027,705	0.34	–	–
Lee Seng Gak #	50	0.00	–	–	50	0.00	–	–
Lee Hwa Yang #	8,700	0.00	–	–	8,700	0.00	–	–

Notes:

(i) The Shares purchased and held as treasury shares as at 31 January 2013 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 31 January 2013.
(b) Chua Mooi Hua holds 910,000 warrants as at 31 January 2013.
(c) Lee Hwa Yang holds 4,500 warrants as at 31 January 2013.
 # 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;

(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 31 January 2013	254,120,650	254,120,650
Upon full exercise of all Outstanding Warrants	–	90,040,325
	254,120,650	344,160,975
Proposed Renewal (assuming that all the Digistar Shares purchased are fully cancelled)	*(25,412,065)	*(34,416,097)
Resultant share capital	228,708,585	309,744,878

Note:
* Includes the 7,372,808 Digistar Shares purchased and held as treasury shares as at 31 January 2013.

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.

(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 has been declared in respect of financial year ended 30 September 2012. Barring unforeseen circumstances, the dividends to be declared by Digistar, if any, in respect of the current financial year ending 30 September 2013 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 31 January 2013, the collective percentage shareholding of the sole direct substantial shareholder of Digistar, Kenangan Lampiran Sdn Bhd ("Kenangan"), and parties acting in concert ("PAC") is 25.67%. Based on their collective shareholding as at 31 January 2013 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 2012, the Company purchased a total of 2,130,700 Digistar Shares from the open market at an average price of RM0.4449 per share or a total consideration of RM948,022. 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 2012 was 7,372,808.

The information on purchase made by the Company of its own shares in financial year ended 30 September 2012 has been set out in the "Additional Compliance Information" section of this Annual Report.

10. Public Shareholding Spread

According to Digistar's Record of Depositors as at 31 January 2013 and based on the Substantial Shareholders' filing with the Company as at 31 January 2013, the public shareholding of the Company is 74.33%.

Based on the issued and paid up share capital of the Company as at 31 January 2013 and the maximum scenario, the public shareholding spread of the Company is expected to be reduced to 72.31% and 69.15% 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 31 January 2013. 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.

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 Main Market (“MMLR”).

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 five (5) Executive Member and, four (4) Independent Non-Executive Members. This composition complies with Rule 15.02(1) of the MMLR 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 Wira 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.

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 six (6) meetings held during the financial year ended 30 September 2012, the details of the attendance are as follows:-

Directors	Note	Attendance
YB Datuk Md. Sirat Bin Abu [Chairman]	#	3/6
Datuk Wira Lee Wah Chong [Managing Director]	*	6/6
Datin Wira Wa Siew Yam	*	6/6
Ong Fee Chong	*	6/6
Lye Siang Long	*	6/6
Lee Mely	*	6/6
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	#	5/6
Dato' Haji Ishak Bin Haji Mohamed	#	3/6
Cheong Yee Kiong	#	5/6

# Denotes Independent Non-Executive Director.
* Denotes Executive Director.

All other 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.

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

All Directors have attended the Mandatory Accreditation Programme ("MAP") as required by the MMLR 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:-

- Budget 2013 : Prospering The Nation, Enhancing Well-Being of The Rakyat – A Promise Fulfilled organized by Advent Tax Consultants Sdn Bhd.
- MACD Breakfast Talk : Nurturing Engagement for Board Effectiveness – Principles and Practices organized by Malaysian Alliance of Corporate Directors
- Microsoft World Wide Events : Tips and Tricks – The Business Efficiency Guru organized by Microsoft (Malaysia) Sdn Bhd.
- CFO Workshop : Making The Most of The Chief Financial Officer Role – Everyone's Responsibility organized by ICAEW supported by Bursa Malaysia.
- Microsoft Office 2010 : Change and Improve The Way Your Business Operates organized by Microsoft (Malaysia) Sdn Bhd.
- CCM Training Workshop : Licensed Secretaries Training Programme organized by Companies Commission of Malaysia

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 Information is detailed out in section of the Audit Committee Report in this 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	(Independent Non-Executive Director)
	Mr Cheong Yee Kiong	(Independent Non-Executive Director)

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)
	Mr Cheong Yee Kiong	(Independent Non-Executive Director)
	Datuk Wira 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.

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 2012 were as follows:

	Group			
Remuneration Components	**Executive Directors RM**	**Non-Executive Directors RM**	**Total 2012 RM**	**Total 2011 RM**
Fees	100,000	150,000	250,000	180,000
Salaries	1,935,000	–	1,935,000	1,554,000
Bonuses	1,600,000	–	1,600,000	1,729,000
EPF	418,308	–	418,308	200,280
Allowance	175,926	135,400	311,326	139,900
Total	4,229,234	285,400	4,514,634	3,803,180

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

	Group	
Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,000 and below	–	1
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	1	1
RM400,001 to RM450,000	1	–
RM600,001 to RM650,000	1	–
RM1,000,001 to RM1,050,000	1	–
RM1,900,001 to RM1,950,000	1	–
Total	5	4

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.

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 2012 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 2012, 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 Main 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 private placement amounted to RM7,280,000 with the listing of 22,400,000 new Digistar Corporation Berhad shares in Main Market of Bursa Malaysia Securities Berhad on 18 September 2012. During the financial year, the proceeds raised from the corporate exercise have been utilised as follows:

Purpose	Propose Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilise RM'000
Private Placement [22.40M @ RM0.325]			
Working capital	7,196	2,836	4,360
Incidental expenses	84	84	–
Total	7,280	2,920	4,360

2. TREASURY SHARES

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

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

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

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

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

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no exercise of options, warrants or convertible securities during the financial year ended 30 September 2012.

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 2012 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 2012. 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 @ Hassan B Rahim Khan	(Independent Non-Executive Director)
	Dato' 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 Main Market ("MMLR"). 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 a 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.

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.

(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 four (4) Audit Committee meetings held during the financial year ended 30 September 2012, the details of the attendance are as follows:

Directors	**Attendance**
YB Datuk Md. Sirat Bin Abu	3/4
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan	3/4
Dato' Haji Ishak Bin Haji Mohamed	2/4
Cheong Yee Kiong	4/4

4. SUMMARY OF ACTIVITIES

During the financial year ended 30 September 2012, 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 2012 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 MMLR 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 2012 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. 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 2012, 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 2012 was RM 9,550.00.

STATEMENT ON INTERNAL CONTROL

Based on the Main 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, Practise Note 9 of the MMLR, 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 reviews on Digistar Group's operations were undertaken by the internal auditors:

- Human resource management - payroll
- Human resource management – staff development
- Capitalisation of staff costs to project costs
- Purchasing management
- Accounts payable
- Treasury management
- Sub-contractor management

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 paragraph [15.26 (b)] of the MMLR has been reviewed by the external auditors as required under paragraph [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 2012.

PRINCIPAL ACTIVITIES

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

RESULTS

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

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 RM23,172,065 to RM25,412,065 by the issuance of 22,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.325 per share for the purpose of working capital. The shares were issued for cash consideration.

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

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

TREASURY SHARES

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

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

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

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.

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.10.2011	BOUGHT	SOLD	AT 30.9.2012
DIRECT INTERESTS				
DATUK WIRA LEE WAH CHONG	14,977,007	–	–	14,977,007
DATIN WIRA WA SIEW YAM	4,633,891	–	4,600,000	33,891
ONG FEE CHONG	2,520,115	–	1,000,000	1,520,115
YB DATUK MD. SIRAT BIN ABU	25,000	–	–	25,000
INDIRECT INTERESTS				
DATUK WIRA 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 1.10.2011	BOUGHT	SOLD	AT 30.9.2012
DIRECT INTERESTS				
DATUK WIRA LEE WAH CHONG	4,812,400	–	–	4,812,400
DATIN WIRA WA SIEW YAM	1,210,000	–	–	1,210,000
ONG FEE CHONG	1,200,055	–	–	1,200,055
INDIRECT INTERESTS				
DATUK WIRA LEE WAH CHONG [1]	21,600,000	–	–	21,600,000
ONG FEE CHONG [1]	21,600,000	–	–	21,600,000

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

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

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

DIRECTORS' BENEFITS

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

AUDITORS

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

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

Datuk Wira Lee Wah Chong

Lye Siang Long

STATEMENT BY DIRECTORS

We, Datuk Wira Lee Wah Chong and Lye Siang Long, being two of the directors of Digistar Corporation Berhad, state that, in the opinion of the directors, the financial statements set out on pages 54 to 108 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 September 2012 and of their results and cash flows for the financial year ended on that date.

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

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

Datuk Wira Lee Wah Chong

Lye Siang Long

STATUTORY DECLARATION

I, Lye Siang Long, I/C No. 700723-07-5143, being the director primarily responsible for the financial management of Digistar Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 108 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

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

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 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 108.

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 2012 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

The supplementary information set out in Note 42 on page 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

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

30 January 2013

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

At 30 September 2012

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

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

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

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 30 September 2012

		THE GROUP		THE COMPANY	
	NOTE	2012 RM	2011 RM	2012 RM	2011 RM
REVENUE	26	69,514,936	97,829,712	4,074,528	9,575,141
COST OF SALES		(42,087,560)	(58,841,771)	–	–
GROSS PROFIT		27,427,376	38,987,941	4,074,528	9,575,141
OTHER INCOME		1,109,842	1,681,156	4,118	3,845
		28,537,218	40,669,097	4,078,646	9,578,986
ADMINISTRATIVE EXPENSES		(14,492,892)	(10,039,824)	(1,304,554)	(320,569)
MARKETING EXPENSES		(1,775,930)	(1,469,211)	–	–
OTHER EXPENSES		(2,120,174)	(2,558,596)	–	–
FINANCE COSTS		(160,536)	(609,206)	(253)	(134)
		(18,549,532)	(14,676,837)	(1,304,807)	(320,703)
PROFIT BEFORE TAXATION	27	9,987,686	25,992,260	2,773,839	9,258,283
INCOME TAX EXPENSE	28	(3,825,847)	(6,543,631)	(923,340)	(2,348,612)
PROFIT AFTER TAXATION		6,161,839	19,448,629	1,850,499	6,909,671
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		6,161,839	19,448,629	1,850,499	6,909,671
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		5,950,454	19,527,590	1,850,499	6,909,671
Non-controlling interest		211,385	(78,961)	–	–
		6,161,839	19,448,629	1,850,499	6,909,671
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		5,950,454	19,527,590	1,850,499	6,909,671
Non-controlling interest		211,385	(78,961)	–	–
		6,161,839	19,448,629	1,850,499	6,909,671
Earnings per ordinary share	29				
- basic		2.64 sen	9.67 sen		
- diluted		2.10 sen	7.98 sen		

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2012

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

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2012 (cont'd)

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

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

STATEMENTS OF CASH FLOWS

For the financial year ended 30 September 2012

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

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

STATEMENTS OF CASH FLOWS

For the financial year ended 30 September 2012 (cont'd)

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

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

1. GENERAL INFORMATION

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

Registered office	:	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.
Principal place of business	:	B5/5/5, 4th Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor Darul Ehsan.

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

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

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

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

FRSs and IC Interpretations (including the Consequential Amendments)

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

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

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

Amendments to FRS 7: Improving Disclosures about Financial Instruments

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

IC Interpretation 18 Transfers of Assets from Customers

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

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

Annual Improvement to FRSs (2010)

3. BASIS OF PREPARATION (CONT'D)

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

(i) Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy, as shown in Note 39(e) to the financial statements. Comparatives are not presented by virtue of the exemption given in the amendments.

(ii) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes. These amendments have no material impact on the financial statements of the Group upon their initial application, notwithstanding the fact that the Group could be required by the counterparty to settle in shares at any time.

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

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

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

3. BASIS OF PREPARATION (CONT'D)

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

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

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

(ii) FRS 10 replaces the consolidation guidance in FRS 127 and IC Interpretation 112. Under FRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control. The amendment is expected to have no material impact on the financial statements of the Group upon initial application.

(iii) FRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. FRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(iv) FRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of FRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in FRS 13 are more extensive than those required in the current standards and therefore there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(v) The amendments to FRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

3. BASIS OF PREPARATION (CONT'D)

(c) On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs") that are equivalent to International Financial Reporting Standards.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

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

(i) Depreciation of Property, Plant and Equipment

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

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

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

(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) Write-down for Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

(ix) Classification of Leasehold Land

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

(x) Property Development

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

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

(b) Basis of Consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

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

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

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

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

<u>Business combinations from 1 July 2010 onwards</u>

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

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

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

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

<u>Business combinations before 1 July 2010</u>

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill

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

Business combinations from 1 July 2010 onwards

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

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

Business combinations before 1 July 2010

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

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

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.

- *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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

(h) Impairment

(i) Impairment of Financial Assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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. The stage of completion is determined based on survey of work performed.

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

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

(m) Progress Billings/Accrued Billings

In respect of progress billings:-

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

(ii) where billings to purchasers exceed the revenue recognised in profit or loss, the balance is shown as progress billings under current liabilities.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Borrowing Costs

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

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

(p) Income Taxes

Income taxes for the year comprise current and deferred tax.

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

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

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

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

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

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

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

(q) Cash and Cash Equivalents

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plans

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

(s) Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

(t) Contingent Liabilities and Contingent Assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revenue Recognition

(i) Contract Revenue

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

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

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

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

(ii) Sale of Goods and Services

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

(iii) Rental Income

Rental income is recognised on an accrual basis.

(iv) Interest Income

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

(v) Dividend Income

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

(v) Non-Current Assets Held for Sale

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

(w) Operating Segments

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

5. INVESTMENTS IN SUBSIDIARIES

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

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

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

* Subsidiary held through Digistar Holdings Sdn. Bhd.
# Subsidiary disposed during the current financial year (Note 30)

6. PROPERTY, PLANT AND EQUIPMENT

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

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

THE GROUP	AS PREVIOUSLY REPORTED AT 1.10.2010 RM	EFFECTS OF FRS 117 RM	RESTATED AT 1.10.2010 RM	RECLASSIFI-CATION RM	RECLASSIFIED TO TRADE RECEIVABLES RM	NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 30.9.2011 RM
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	(595,621)	2,243,087
Capital work-in-progress	286,601	–	286,601	(170,248)	(20,770)	–	–	–	95,583
	9,930,619	2,585,468	12,516,087	–	(20,770)	(176,677)	3,850,312	(1,703,273)	14,465,679

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

	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
THE GROUP			
At 30.9.2012			
Office lot, shophouse and office units	5,730,760	(1,077,185)	4,653,575
Leasehold land	5,018,187	(182,301)	4,835,886
Computers and printers	1,015,305	(726,153)	289,152
Site office cabins, plant and machinery, furniture and fittings	547,281	(373,867)	173,414
Office equipment and renovation	5,595,445	(3,603,585)	1,991,860
Motor vehicles	3,851,393	(2,008,402)	1,842,991
Capital work-in-progress	1,755,748	–	1,755,748
	23,514,119	(7,971,493)	15,542,626
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

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

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

7. INVESTMENT PROPERTY

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

The carrying amount of the property approximated its fair value.

8. INVENTORIES HELD FOR RESALE

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

None of the inventories is carried at net realisable value.

9. PROPERTY DEVELOPMENT COSTS

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

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.

10. TRADE RECEIVABLES

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

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

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

12. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

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

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

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

14. FIXED DEPOSITS WITH LICENSED BANKS

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

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

15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

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

16. SHARE CAPITAL

	THE COMPANY			
	2012 NUMBER OF SHARES	2011 NUMBER OF SHARES	2012 RM	2011 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	231,720,650	191,580,650	23,172,065	19,158,065
Issuance of shares	22,400,000	40,140,000	2,240,000	4,014,000
At 30 September	254,120,650	231,720,650	25,412,065	23,172,065

17. TREASURY SHARES

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

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

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

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

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

18. RESERVES

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

18. RESERVES (CONT'D)

(a) Share Premium

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

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

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 RM4,271,000 (2011 - RM4,910,000) out of its retained profits.

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

19. HIRE PURCHASE PAYABLES

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

19. HIRE PURCHASE PAYABLES (CONT'D)

	THE GROUP 2012 RM	THE GROUP 2011 RM
Current:		
- not later than one year	560,697	498,783
Non-current:		
- later than one year and not later than five years	1,020,707	1,399,352
	1,581,404	1,898,135

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

20. TRADE PAYABLES

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

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

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

21. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

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

22. AMOUNT OWING TO A RELATED PARTY

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

23. BANKERS' ACCEPTANCES

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

(i) legal charges over certain properties belonging to certain subsidiaries;

(ii) a pledge of fixed deposits belonging to one of the subsidiaries; and

(iii) a corporate guarantee of the Company.

24. BANK OVERDRAFTS

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

25. NET ASSETS PER ORDINARY SHARE

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

26. REVENUE

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

27. PROFIT BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Audit fee:				
- for the financial year	113,000	89,000	38,000	28,000
- under/(over)provision in the previous financial year	26,000	718	10,000	(2,000)
Bad debts written off	1,450	–	–	–
Depreciation of property, plant and equipment	1,862,877	1,703,273	–	–
Directors' remuneration:				
- fees	250,000	180,000	190,000	120,000
- non-fee emoluments	3,846,326	3,422,900	142,900	62,400
- defined contribution plans	418,308	200,280	–	–
Interest expense:				
- bank overdrafts	39,898	31,569	–	–
- bankers' acceptances	8,953	312	–	–
- hire purchase	94,595	105,356	–	–
- trust receipts	785	15,056	–	–
Accretion of receivables	(96,056)	342,356	–	–
Impairment losses on receivables	255,055	873,153	–	–
Inventories written off	–	134,621	–	–
Gain on disposal of a subsidiary	(9,306)	–	–	–
Rental of equipment	24,224	17,729	–	–

27. PROFIT BEFORE TAXATION (CONT'D)

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Rental of motor vehicle	8,913	9,854	–	–
Rental of premises	161,822	99,234	–	–
Staff costs:				
- salaries, wages, bonuses and allowances	8,066,558	5,619,374	–	–
- defined contribution plans	857,535	756,001	–	–
- other benefits	478,284	390,318	–	–
Equipment written off	792	–	–	–
Accretion of payables	(67,682)	(44,551)	–	–
Loss/(Gain) on foreign exchange - realised	8,902	(12,441)	–	–
Write-back of impairment losses on receivables	(328,064)	(612,250)	–	–
Gain on disposal of property, plant and equipment	–	(3,837)	–	–
Gain on disposal of property, plant and equipment held for sale	(8,886)	–	–	–
Deposit forfeited	–	(3,850)	-	–
Dividend income	–	–	(4,074,528)	(9,575,141)
Interest income	(669,113)	(984,463)	(4,118)	–
Rental income	(1,506,470)	(1,342,381)	–	–

28. INCOME TAX EXPENSE

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

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

28. INCOME TAX EXPENSE (CONT'D)

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

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

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

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

29. EARNINGS PER SHARE

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

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

30. DISPOSAL OF A SUBSIDIARY

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

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

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

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

31. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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

32. CASH AND CASH EQUIVALENTS

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

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

33. DIRECTORS' REMUNERATION

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

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

33. DIRECTORS' REMUNERATION (CONT'D)

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

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

34. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has related party relationships with:-

(i) its subsidiaries as disclosed in Note 5 to the financial statements;

(ii) the key management personnel including the directors; and

(iii) entity in which certain directors have financial interests.

34. RELATED PARTY DISCLOSURES (CONT'D)

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

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

35. OPERATING SEGMENTS

BUSINESS SEGMENTS

The following are the Group's main business segments:

(i) Systems integration segment - involved in design, supply, installation and integration of information technology infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.

(ii) Trading segment - involved in the trading of all kinds of specialised electronic and electrical components and products throughout Malaysia.

(iiii) 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 properties.

35. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

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

35. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

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

35. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

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

35. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

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

35. OPERATING SEGMENTS (CONT'D)

MAJOR CUSTOMERS

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

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

36. FOREIGN EXCHANGE RATES

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

	2012 RM	2011 RM
United States Dollar	3.06	3.19
Pound Sterling	–	4.97

37. CAPITAL COMMITMENT

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

38. CONTINGENT LIABILITIES

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

39. FINANCIAL INSTRUMENTS

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

(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 United States Dollar and Pound Sterling. Foreign currency risk is monitored closely and managed to an acceptable level.

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

THE GROUP	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
2012			
Financial assets			
Trade receivables	–	11,881,546	11,881,546
Other receivables and deposits	–	4,051,864	4,051,864
Fixed deposits with licensed banks	–	15,960,481	15,960,481
Cash and bank balances	–	664,730	664,730
	–	32,558,621	32,558,621
Financial liabilities			
Trade payables	812,248	1,618,791	2,431,039
Other payables, deposits received and accruals	–	1,648,586	1,648,586
Amount owing to a related party	–	13,353	13,353
Bankers' acceptances	–	911,000	911,000
Hire purchase payables	–	1,581,404	1,581,404
Bank overdrafts	–	1,365,661	1,365,661
	812,248	7,138,795	7,951,043
Net financial (liabilities)/ assets	(812,248)	25,419,826	24,607,578
Less: Net financial assets denominated in the entity's functional currency	–	(25,419,826)	(25,419,826)
Currency exposure	(812,248)	–	(812,248)

39. 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 assets				
Trade receivables	–	–	13,065,055	13,065,055
Other receivables and deposits	–	–	1,907,754	1,907,754
Fixed deposits with licensed banks	–	–	28,752,591	28,752,591
Cash and bank balances	–	–	914,355	914,355
	–	–	44,639,755	44,639,755
Financial liabilities				
Trade payables	51,360	272,993	4,172,790	4,497,143
Other payables, deposits received and accruals	–	–	1,694,277	1,694,277
Hire purchase payables	–	–	1,898,135	1,898,135
Bank overdrafts	–	–	90,032	90,032
	51,360	272,993	7,855,234	8,179,587
Net financial (liabilities)/assets	(51,360)	(272,993)	36,784,521	36,460,168
Less: Net financial assets denominated in the entity's functional currency	–	–	(36,784,521)	(36,784,521)
Currency exposure	(51,360)	(272,993)	–	(324,353)

39. 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
2012		
Financial assets		
Other receivables and deposits	1,364,001	1,364,001
Amount owing by subsidiaries	25,297,212	25,297,212
Cash and bank balances	72,499	72,499
	26,733,712	26,733,712
Financial liabilities		
Other payables and accruals	160,620	160,620
Amount owing to subsidiaries	75,497	75,497
Amount owing to a related party	13,353	13,353
	249,470	249,470
Net financial assets	26,484,242	26,484,242
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
	31,988,150	31,988,150
Financial liabilities		
Other payables and accruals	88,873	88,873
Amount owing to subsidiaries	55,868	55,868
	144,741	144,741
Net financial assets	31,843,409	31,843,409

39. 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	
	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM
Effects on profit after taxation/equity		
United States Dollar:		
- strengthened by 5%	(30,459)	(2,568)
- weakened by 5%	30,459	2,568
Pound Sterling:		
- strengthened by 5%	–	(13,650)
- weakened by 5%	–	13,650

(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 39(a)(iii) to the financial statements.

Exposure to interest rate risk

	THE GROUP	
	2012 RM	2011 RM
Fixed rate instrument		
Bankers' acceptances	(911,000)	–
Hire purchase payables	(1,581,404)	(1,898,135)
	(2,492,404)	(1,898,135)
Floating rate instrument		
Short-term deposits with licensed banks	15,960,481	28,752,591
Bank overdrafts	(1,365,661)	(90,032)
	14,594,820	28,662,559

39. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

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	
	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM
Effects on profit after taxation/equity		
Increase of 100 basis points	109,461	286,625
Decrease of 100 basis points	(109,461)	(286,625)

(iii) Equity Price Risk

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

(ii) Credit Risk

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

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

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by one (1) customer which constituted approximately 22% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

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

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

39. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables as at 30 September 2012 is as follows:-

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	COLLECTIVE IMPAIRMENT RM	CARRYING VALUE RM
2012				
Not past due	5,424,966	–	–	5,424,966
Past due:-				
- less than 3 months	2,482,228	–	–	2,482,228
- 3 to 6 months	388,410	–	–	388,410
- over 6 months	9,414,532	(5,828,590)	–	3,585,942
	17,710,136	(5,828,590)	–	11,881,546
2011				
Not past due	9,942,882	–	–	9,942,882
Past due:-				
- less than 3 months	1,790,763	–	–	1,790,763
- 3 to 6 months	1,066,542	–	–	1,066,542
- over 6 months	6,166,467	(5,901,599)	–	264,868
	18,966,654	(5,901,599)	–	13,065,055

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.

39. FINANCIAL INSTRUMENTS (CONT'D)

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

(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
2012						
Trade payables	–	2,431,039	2,431,039	2,431,039	–	–
Other payables, deposits received and accruals	–	1,648,586	1,648,586	1,648,586	–	–
Amount owing to a related party	–	13,353	13,353	13,353	–	–
Hire purchase payables	4.72 - 7.16	1,581,404	1,704,838	628,992	1,075,846	–
Bank overdrafts	7.85	1,365,661	1,365,661	1,365,661	–	–
Bankers' acceptances	4.42	911,000	911,000	911,000	–	–
		7,951,043	8,074,477	6,998,631	1,075,846	–
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	–

39. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Liquidity Risk (Cont'd)

THE COMPANY	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 – 5 YEARS RM	OVER 5 YEARS RM
2012						
Other payables and accruals	–	160,620	160,620	160,620	–	–
Amount owing to subsidiaries	–	75,497	75,497	75,497	–	–
Amount owing to a related party	–	13,353	13,353	13,353	–	–
		249,470	249,470	249,470	–	–
2011						
Other payables and accruals	–	88,873	88,873	88,873	–	–
Amount owing to subsidiaries	–	55,868	55,868	55,868	–	–
		144,741	144,741	144,741	–	–

(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.

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

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

	THE GROUP 2012 RM	THE GROUP 2011 RM
Trade payables	2,431,039	4,497,143
Other payables and accruals	1,648,586	1,694,277
Amount owing to a related party	13,353	–
Hire purchase payables	1,581,404	1,898,135
Bankers' acceptances	911,000	–
Bank overdrafts	1,365,661	90,032
	7,951,043	8,179,587
Less: Fixed deposits with licensed banks	(15,960,481)	(28,752,591)
Less: Cash and bank balances	(664,730)	(914,355)
	(8,674,168)	(21,487,359)
Total equity	57,362,679	57,875,523
Debt-to-equity ratio	Not applicable	Not applicable

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

(c) Classification of Financial Instruments

	THE GROUP 2012 RM	THE GROUP 2011 RM	THE COMPANY 2012 RM	THE COMPANY 2011 RM
Financial assets				
Loans and receivables financial assets				
Trade receivables	11,881,546	13,065,055	–	–
Other receivables and deposits	4,051,864	1,907,754	1,364,001	6,344
Amount owing by subsidiaries	–	–	25,297,212	31,979,929
Fixed deposits with licensed banks	15,960,481	28,752,591	–	–
Cash and bank balances	664,730	914,355	72,499	1,877
	32,558,621	44,639,755	26,733,712	31,988,150

39. FINANCIAL INSTRUMENTS (CONT'D)

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

	THE GROUP		THE COMPANY	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Financial liabilities				
<u>Other financial liabilities</u>				
Trade payables	2,431,039	4,497,143	–	–
Other payables and accruals	1,648,586	1,694,277	160,620	88,873
Amount owing to subsidiaries	–	–	75,497	55,868
Amount owing to a related party	13,353	–	13,353	–
Hire purchase payables	1,581,404	1,898,135	–	–
Bank overdrafts	1,365,661	90,032	–	–
Bankers' acceptances	911,000	–	–	–
	7,951,043	8,179,587	249,470	144,741

(d) Fair Values of Financial Instruments

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

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

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments. There is no material difference between the fair values and the carrying values of these liabilities as at the end of the reporting period.

(e) Fair Value Hierarchy

As at 30 September 2012, there were no financial instruments carried at fair values.

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

(i) On 24 October 2011, the Company disposed of the entire 30,000 ordinary shares of RM1.00 each in Digistar Vision Sdn. Bhd., representing 60% of the issued and paid-up share capital, for a cash consideration of RM30,000.

(ii) During the current financial year, the Company bought back 2,130,700 ordinary shares RM0.10 each representing approximately 3% of the issued and paid-up share capital of the Company for a total cash consideration of RM948,022.

(iii) On 8 March 2012, the Company entered into a Sale and Purchase Agreement with persons connected with the directors of the Company ("Related parties"), for the sale of 5 units of suites for a total cash consideration of RM1,144,320 ("Sale of properties").

(iv) On 20 July 2012, the Company purchased 100,000 ordinary shares of RM1.00 each in Seni Pujaan Sdn. Bhd., representing the remaining 40% of the issued and paid-up share capital, for a cash consideration of RM13,000,000 from the non-controlling shareholders.

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

(v) On 19 September 2012, the Company increased its issued and paid-up share capital from RM21,072,065 to RM25,412,065 by the allotment of 22,400,000 new ordinary shares at an issue price of RM0.325 per share.

(vi) On 28 September 2012, the Company subscribed for the additional 392,000 new ordinary shares of RM1.00 each in Digistar Rauland MSC Sdn. Bhd., for a total cash consideration of RM392,000 to retain its equity interest of 80%.

41. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The significant events subsequent to the end of the reporting period are as follows:-

(i) On 21 November 2012, the Company entered into two separate Share Sale Agreements to acquire a total of 2 ordinary shares of RM1.00 each representing a 100% of the equity interest in Matang Makmur Holdings Sdn. Bhd. ("MMHSB") for a total cash consideration of RM1,500,000.

Upon the completion of the proposed acquisition, MMHSB will become a wholly-owned subsidiary of the Company.

(ii) On 4 December 2012, the Company:-

(a) proposed a renounceable rights issue of up to 137,664,390 new ordinary shares of RM0.10 each on the basis of two (2) rights shares for every five (5) existing shares held on an entitlement date to be determined later together with up to 103,248,292 free detachable warrants on the basis of three (3) free warrants for every four rights shares subscribed;

(b) proposed to increase its authorised share capital from RM50,000,000 comprising 500,000,000 ordinary shares to RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each; and

(c) proposed amendments to its Memorandum of Association.

(iii) On 21 January 2013, Digistar Rauland MSC Sdn. Bhd., the 80% owned subsidiary of the Company has been awarded three (3) Individual Licenses namely Network Facilities Providers, Network Services Providers and Content Applications Services Providers from the Malaysian Communication and Multimedia Commission ("MCMC").

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

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

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits - realised	37,051,900	30,889,701	9,211,526	7,361,027
Less: Consolidation adjustments	(15,710,461)	(2,787,792)	–	–
At 30 September	21,341,439	28,101,909	9,211,526	7,361,027

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	111	5,021	0.00
100 to 1,000 shares	127	62,241	0.02
1,001 to 10,000 shares	1,381	8,602,054	3.49
10,001 to 100,000 shares	1,592	54,572,456	22.12
100,001 to less than 5% of issued shares	240	122,242,730	49.54
5% and above of issued shares	2	61,263,340	24.83
	3,453	246,747,842	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	%#
1	Kenangan Lampiran Sdn Bhd	45,316,733	17.83
2	Datuk Wira Lee Wah Chong	15,946,607	6.28
3	Siow Mee Fong	11,200,000	4.41
4	Lee Poh Chau	7,538,000	2.97
5	Digistar Corporation Berhad Share Buy Back Account	7,372,808	2.90
6	Koo Yin @ Koo Kwee Yin	4,616,300	1.82
7	Chang Mui Lang	4,050,000	1.59
8	Public Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Cheng Nyoh Moy (E-TMR))	3,050,000	1.20
9	Rozilawati Binti Mustafa	3,013,750	1.19
10	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Wong Hoong Kheong)	2,078,500	0.82
11	Lee Choon Hor @ Lee Choon Tho	2,050,200	0.81

ANALYSIS OF ORDINARY SHAREHOLDINGS

As at 31 January 2013 (cont'd)

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES (CONT'D)
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	%#
12	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kwee Sow Fun (8089481))	2,043,135	0.80
13	Fang Chee Peng	2,000,000	0.79
14	Lee Kok Choong	1,996,400	0.79
15	Citigroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kwee Sow Fun (004060431))	1,952,940	0.77
16	Shirley Jong Suk Jee	1,853,600	0.73
17	Lim Keng Chuan	1,552,800	0.61
18	Ong Fee Chong	1,520,115	0.60
19	ECML Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chong Fut Ling (001))	1,500,070	0.59
20	Lee Choon Hor @ Lee Choon Tho	1,434,900	0.56
21	Lim Chin Kiong	1,300,000	0.51
22	Rozilawati Binti Mustafa	1,243,600	0.49
23	Maybank Securites Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Yong Chin (REM157))	1,230,000	0.48
24	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kwee Sow Fun (M96022)	1,218,400	0.48
25	Bakti Capaian Sdn Bhd	1,207,600	0.48
26	Low Chit Sin	1,200,000	0.47
27	CIMSEC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chan Foong Cheng (Tmn Cheras-CL)	1,101,700	0.43
28	Gan Wee Peng	1,085,005	0.43
29	Loh Chia Shing	1,003,000	0.39
30	Kenangan Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ding Lian Cheon)	1,000,000	0.39

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	18.37	–	–
2	Datuk Wira Lee Wah Chong	15,946,607	6.46	45,316,733*	18.37
3	Ong Fee Chong	1,520,115	0.62	45,316,733*	18.37

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 Wira Lee Wah Chong	15,946,607	6.46	45,316,733*	18.37
Ong Fee Chong	1,520,115	0.62	45,316,733*	18.37
Datin Wira Wa Siew Yam	33,891	0.01	–	–
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 Wira 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 RM25,412,065, comprising 254,120,650 ordinary shares less 7,372,808 treasury shares retained by the Company as per Record of Depositors.*

ANALYSIS OF ORDINARY SHAREHOLDINGS

As at 31 January 2013 (cont'd)

ANALYSIS OF WARRANT 2007/2017 HOLDINGS

AS AT 31 JANUARY 2013

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	4	220	0.00
100 to 1,000 warrants	39	24,850	0.03
1,001 to 10,000 warrants	387	2,450,000	2.72
10,001 to 100,000 warrants	536	20,457,400	22.72
100,001 to less than 5% of issued warrants	123	40,695,455	45.20
5% and above of issued warrants	2	26,412,400	29.33
	1,091	90,040,325	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANTS

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

No.	Name	No. of Shares Held	%#
1	Kenangan Lampiran Sdn Bhd	21,600,000	23.99
2	Datuk Wira Lee Wah Chong	4,812,400	5.34
3	Maybank Nominees (Tempatan) Sdn Bhd Tang Sing Ling	1,755,900	1.95
4	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kwee Sow Fun (M96022)	1,365,000	1.52
5	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ong Siew Eng @ Ong Chai (8040800))	1,343,100	1.49
6	Ng Hock Lai	1,320,000	1.47
7	JF Apex Nominees (Tempatan) Sdn Bhd Huatai Financial Holding (HK) Limited for Huatai HK SPC-Huatai Von Malaysia Fund Segregated Portfolio	1,282,400	1.42
8	Datin Wira Wa Siew Yam	1,210,000	1.34

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANTS (CONT'D)
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	%#
9	Lim Keng Chuan	1,200,100	1.33
10	Ong Fee Chong	1,200,055	1.33
11	Cheah Teik Chuan	1,100,000	1.22
12	Maybank Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kerk Kheng Hock)	942,700	1.05
13	Chua Mooi Hua	910,000	1.01
14	Lim Keng Chuan	863,700	0.96
15	Maybank Nominees (Tempatan) Sdn Bhd Wong Hoong Kheong	809,200	0.90
16	Maybank Nominees (Tempatan) Sdn Bhd Lai Choi Sang	770,000	0.86
17	Lum Chee Fai	750,000	0.83
18	Choo Swee Shyang	670,000	0.74
19	Affin Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sim Kee (TAN0883C))	650,000	0.72
20	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kwee Sow Fun (8089481))	645,000	0.72
21	Ho Pun Ming	500,000	0.56
22	Ley Kok Hong	500,000	0.56
23	Hon Pansy	499,800	0.56
24	Voon Jye Wah	450,700	0.50
25	SJ Sec Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kwee Sow Fun (SMT))	443,300	0.49
26	Maybank Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Yong Chin (REM157))	430,000	0.48
27	Affin Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Kee Soit (TAN1006C))	400,000	0.44
28	Lein Hwa @ Lim Hwa Lin	400,000	0.44
29	Low Chit Sin	399,800	0.44
30	Bakti Capaian Sdn Bhd	384,000	0.43

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

Name of Directors	Direct Interest	%#	Indirect Interest	%#
Datuk Wira 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 Wira 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 Wira Lee Wah Chong and Ong Fee Chong are deemed interested in the warrants of the Company to the extent that KLSB has an interest.*

Properties Owned By The Group as at 30 September 2012

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	34 years	52,080	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	17 years	376,816	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	17 years	426,885	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	17 years	305,332	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	17 years	319,449	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	17 years	289,895	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	17 years	303,312	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	17 years	326,100	2002

LIST OF PROPERTIES

As at 30 September 2012 (cont'd)

Properties Owned By The Group as at 30 September 2012 (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	17 years	470,186	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	12 years	151,731	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	10 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	19 years	1,078,732	2005
500, Jalan Ampang Utama 1/1, Taman Ampang Utama, 68000, Selangor.	Double storey commercial building	Build-up area: 8,938 Land area: 6,175	Leasehold for 99 years expiring on 02/02/2076	20 years	2,887,893	2010
499, Jalan 5, Taman Ampang Utama, 68000, Selangor.	Vacant land	Land area: 8,150	Leasehold for 99 years expiring on 25/01/2077	N/A	2,501,051	2011

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of Digistar Corporation Berhad will be held at Executive Meeting Room 3, Level 2, De Palma Hotel Ampang, Jalan Selaman 1/2, Palm Square, Jalan Ampang, 68000 Ampang, Selangor Darul Ehsan on Friday, 29 March 2013 at 10.30 a.m. for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 30 September 2012 together with the Reports of the Directors and Auditors thereon. *(Refer to Explanatory Note 1)*

2. To re-elect the following Directors who are retiring under Article 86 of the Articles of Association of the Company:

   2.1 Datuk Wira Lee Wah Chong *(Ordinary Resolution 1)*
   2.2 Datin Wira Wa Siew Yam *(Ordinary Resolution 2)*
   2.3 Lye Siang Long *(Ordinary Resolution 3)*

3. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:

   "THAT, Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan retiring pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company and to hold office until the conclusion of the next Annual General Meeting." *(Ordinary Resolution 4)*

4. To approve the sum of RM250,000 being the Directors' fees for the financial year ended 30 September 2012. *(Ordinary Resolution 5)*

5. To re-appoint Messrs Crowe Horwath as Auditors for the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 6)*

As Special Businesses:
To consider and if thought fit, pass the following Ordinary Resolutions:

6. **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 7)*

7. **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 Main 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 2012, the retained profits and share premium account of the Company were RM9,211,526 and RM13,354,858 respectively. Based on the unaudited First Quarter results for the period ended 31 December 2012, the retained profits and share premium account of the Company were RM9,084,402 and RM13,354,858 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 dividend 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 8)*

BY ORDER OF THE BOARD

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

Kuala Lumpur
7 March 2013

Notes:-

1. For the purpose of determining a member who shall be entitled to attend and vote at the Tenth Annual General Meeting, the Company shall be requesting the Record of Depositors as at 25 March 2013. Only a depositor whose name appears on the Record of Depositors as at 25 March 2013 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.

2. 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 proportions of his/her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.

4. 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.

5. 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 48 hours before the time appointed for holding of the meeting.

6. If the Form of Proxy is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy.

Explanatory Notes

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Item 6 of the Agenda

The Ordinary Resolution 7 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.

As at the date of this Notice, 22,400,000 new shares in the Company were issued pursuant to the mandate granted to the Directors at the Ninth Annual General Meeting held on 22 March 2012 and which will lapse at the conclusion of the Tenth Annual General Meeting. The proceeds of RM7,280,000 raised from the issuance of 22,400,000 shares via the Private Placement as at the date of this Notice were utilised for working capital of the Company and to defray expenses related to the Private Placement.

The general mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited for 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.

3. Item 7 of the Agenda

The proposed Ordinary Resolution 8, 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.

DIGISTAR CORPORATION BERHAD
(603652-K)
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No. [(i)] ....

No. of Shares held ....

I/We ....NRIC/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 Tenth Annual General Meeting of the Company to be held at Executive Meeting Room 3, Level 2, De Palma Hotel Ampang, Jalan Selaman 1/2, Palm Square, Jalan Ampang, 68000 Ampang, Selangor Darul Ehsan on Friday, 29 March 2013 at 10.30 a.m. and at any adjournment thereof.

*My/our proxy is to vote as indicated below:

	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		

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

(i) Applicable to shares held through a nominee account.
* Delete where applicable

Signed this .... day of 2013

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

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

....
Signature/Common Seal of Member

Notes:

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 proportions of his/her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 48 hours before the time appointed for holding of the meeting.
5. If the Form of Proxy is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

DIGISTAR CORPORATION BERHAD

COMPANY SECRETARY

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

1st fold here

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

DIGISTAR

www.digistar.com.my

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