

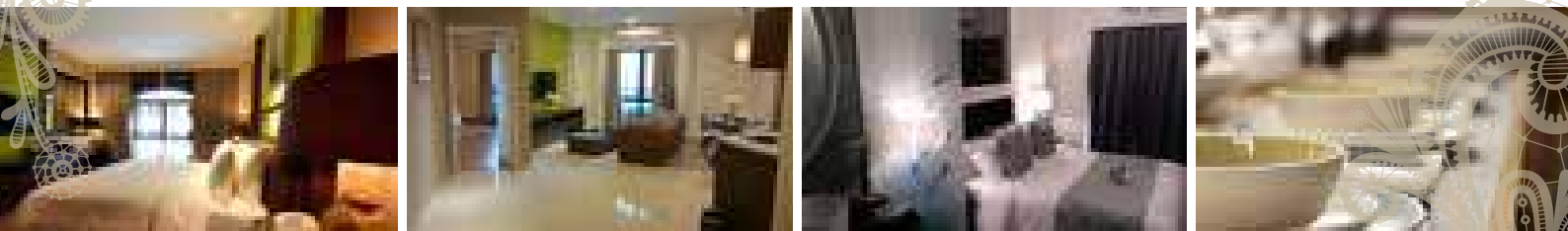


DIGISTAR 2016

ANNUAL REPORT



THE IMPERIAL HERITAGE



THE IMPERIAL HERITAGE MELAKA

Imperial Heritage, the newest boutique hotel cum full service apartments, consists of 329 units with some units containing multiple rooms.

Melaka is a popular family tourist destination and Imperial Heritage Hotel is designed and built to all your family needs. The Imperial Heritage is located in the heart of Melaka where all key attractions and tourist spots are within walking distance.

Visit www.imperialheritage.com for further information or reservation.

Please quote "KLK002-17" for 10% discount when you make hotel reservations (subject to availability).

WORRY NO MORE!



**GUARANTEE WORKS OR
MONEY BACK GUARANTEED!***

PLEASE CONTACT US FOR **FREE** SECURITY CONSULTATION

Email: ceo@panther911.com

SMS: "CALL ME" at 019-227 1911

Website: www.panther911.com | www.panthermobile.com.my

24^{hrs} REAL TIME MONITORING CENTRE



Panther 911 has four 24hrs Real Time Monitoring CMS Centres located at Kuala Lumpur, Melaka, Penang, Johor Bahru, Sabah and Sarawak

CONTENTS

Corporate Information	2
Group Structure and Corporate Division	3
Group Financial Highlights	4
Board of Directors	6
Directors' Profile	7
Profile of Key Senior Management	11
Chairman's Statement	13
Managing Director's Report	15
Management Discussion and Analysis	17
Significant Events and Awards	20
Corporate Social Responsibility	22
Statement to the Shareholders	24
<small>In Relation to the Proposed Renewal of Share Buy-back Authority for the Purchase by Digistar Corporation Berhad of Its Own Ordinary Share</small>	
Statement of Corporate Governance	31
Additional Compliance Information	40
Audit and Risk Management Committee Report	42
Statement on Risk Management and Internal Control	44
Statement on Directors' Responsibilities	46
Report and Financial Statements	47
Analysis of Shareholdings	137
Analysis of Warrant A	140
Analysis of Warrant B	143
List of Properties	146
Notice of Annual General Meeting	148
Form of Proxy	

BOARD OF DIRECTORS

Tan Sri Datuk Mohd Zaman Khan
@ Hassan B Rahim Khan
Independent Non-Executive Chairman

Mejar (K) Datuk Wira Lee Wah Chong
Managing Director

Dato' Haji Ishak Bin Haji Mohamed
Senior Independent Non-Executive Director

Thee Kok Chuan
Independent Non-Executive Director

Lee Mely
Executive Director

Lee Jin Jean
Executive Director

Lee Chun Szen
Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman

Tan Sri Datuk Mohd Zaman Khan
@ Hassan B Rahim Khan
Independent Non-Executive Chairman

Members

Dato' Haji Ishak Bin Haji Mohamed
Senior Independent Non-Executive Director

Thee Kok Chuan
Independent Non-Executive Director

NOMINATION COMMITTEE

Chairman

Tan Sri Datuk Mohd Zaman Khan
@ Hassan B Rahim Khan
Independent Non-Executive Chairman

Members

Dato' Haji Ishak Bin Haji Mohamed
Senior Independent Non-Executive Director

Thee Kok Chuan
Independent Non-Executive Director

REMUNERATION COMMITTEE

Chairman

Tan Sri Datuk Mohd Zaman Khan
@ Hassan B Rahim Khan
Independent Non-Executive Chairman

Members

Mejar (K) Datuk Wira Lee Wah Chong
Managing Director

Dato' Haji Ishak Bin Haji Mohamed
Senior Independent Non-Executive Director

Thee Kok Chuan
Independent Non-Executive Director

COMPANY SECRETARIES

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

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel: +6(03) 2783 9191 Fax: +6(03) 2783 9111

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

Crowe Horwath
Chartered Accountants
Level 16, Tower C
Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 03-2788 9999 Fax: 03-2788 9998

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel: +6(03) 2783 9299 Fax: +6(03) 2783 9222

PRINCIPAL BANKERS

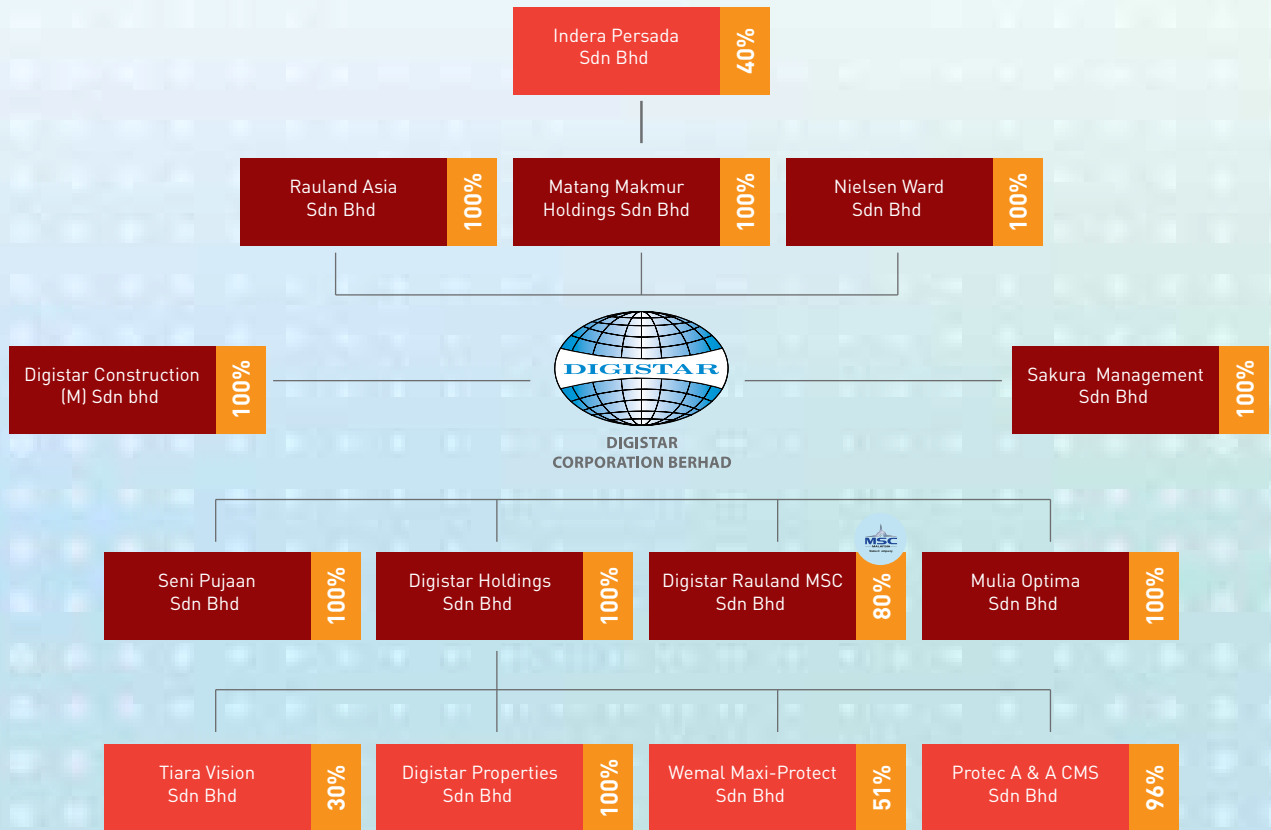
United Overseas Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

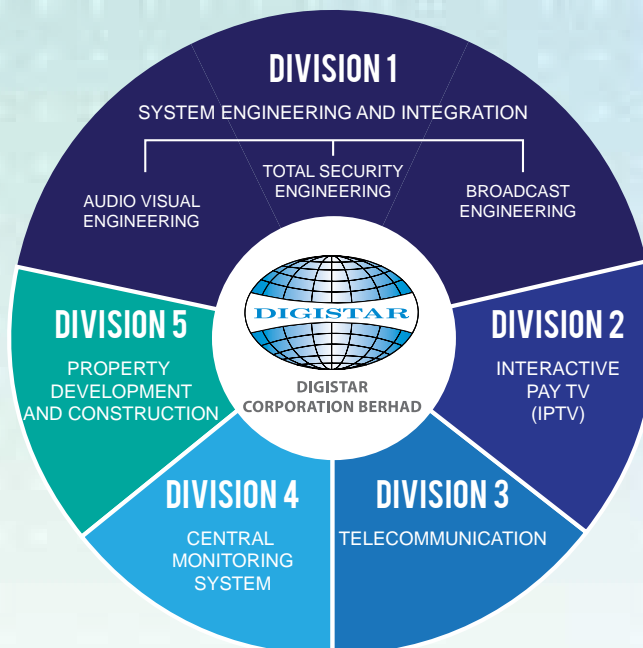
Main Market of the Bursa Malaysia Securities Berhad
Stock Name : DIGISTA
Stock Code : 0029

GROUP STRUCTURE

AS AT 26 JANUARY 2017



CORPORATE DIVISION



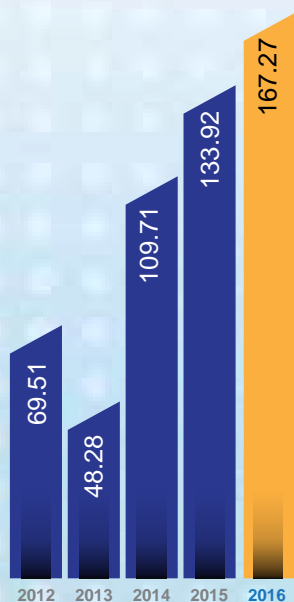
GROUP FINANCIAL HIGHLIGHTS

GROUP 5 YEARS FINANCIAL PERFORMANCE

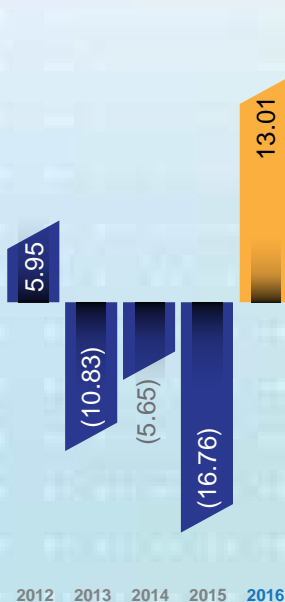
4

DIGISTAR CORPORATION BERHAD (603652 - K)
Annual Report 2016

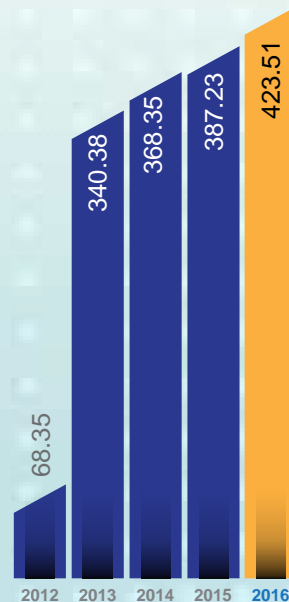
REVENUE (RM'Million)



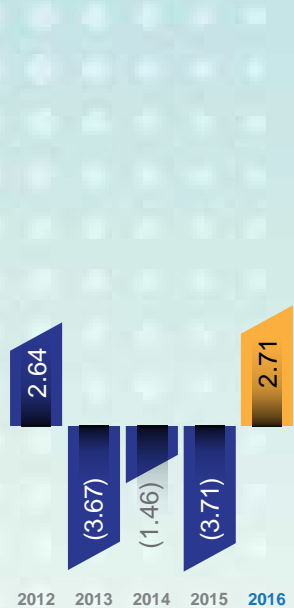
PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RM'Million)



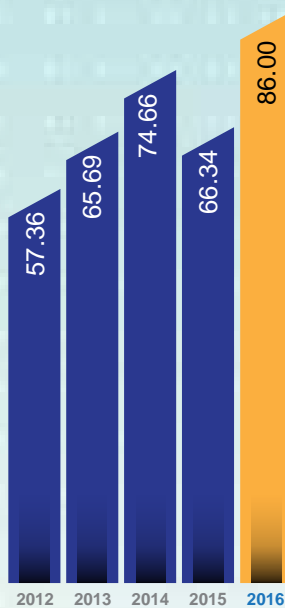
TOTAL ASSETS (RM'Million)



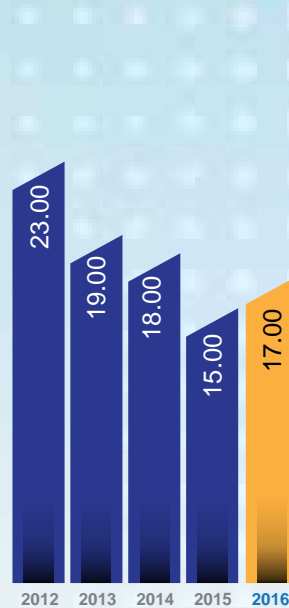
EARNING PER SHARE (Sen)



SHAREHOLDERS' EQUITY (RM'Million)



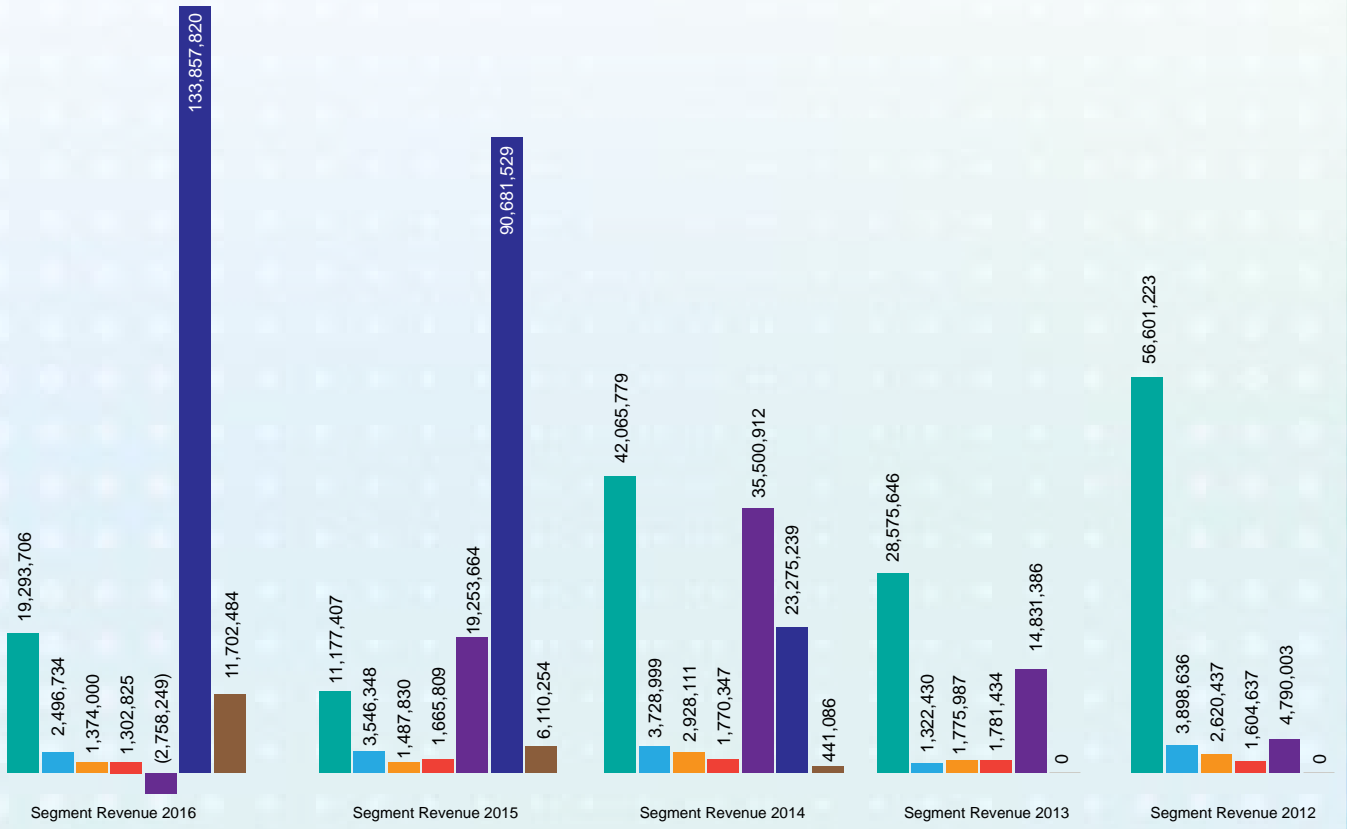
NET ASSETS PER SHARE (Sen)



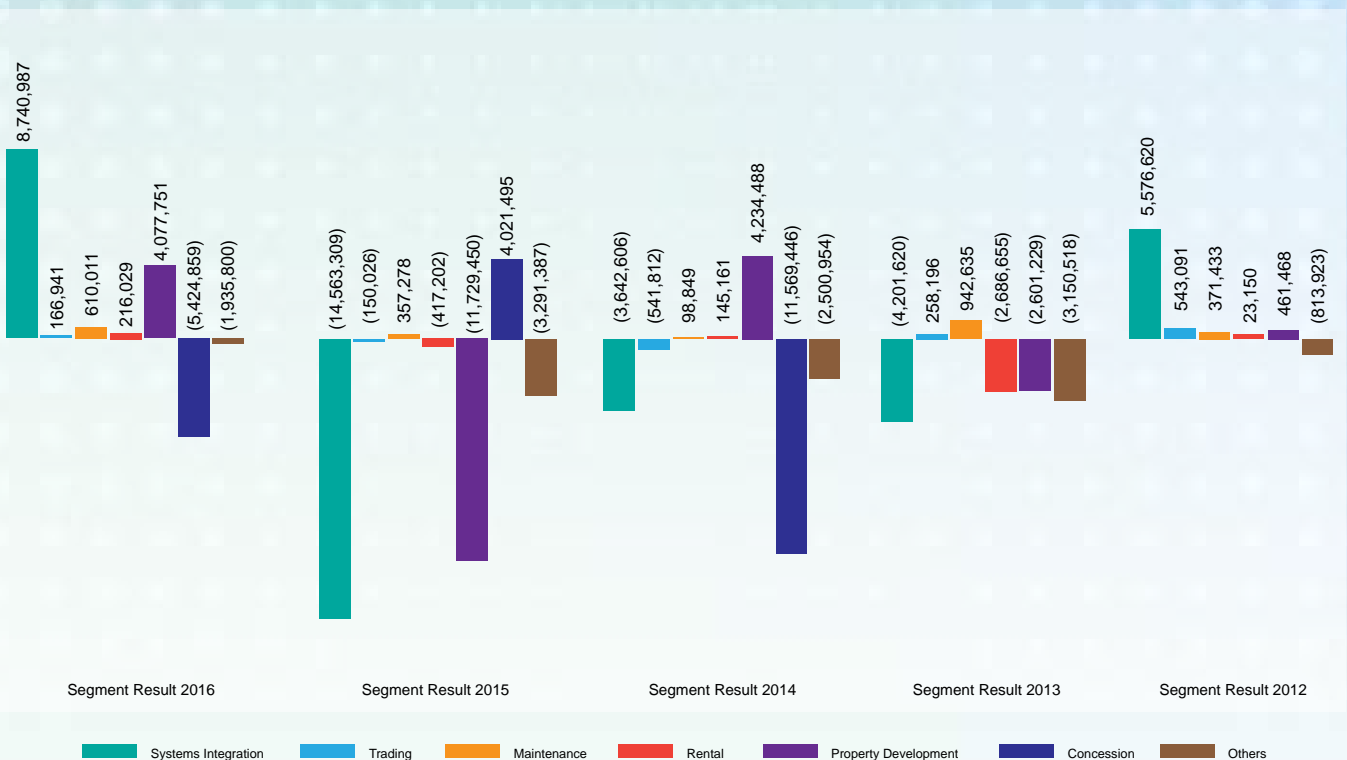
GROUP FINANCIAL HIGHLIGHTS

GROUP 5 YEARS FINANCIAL PERFORMANCE

SEGMENT REVENUE ANALYSIS (RM'Million)



SEGMENT RESULTS ANALYSIS (RM'Million)



BOARD OF DIRECTORS

6

DIGISTAR CORPORATION BERHAD (603652 - K)
Annual Report 2016

01 TAN SRI DATUK MOHD ZAMAN KHAN @ HASSAN B RAHIM KHAN

Independent Non-Executive Chairman

02 MEJAR (K) DATUK WIRA LEE WAH CHONG

Managing Director

03 DATO' HAJI ISHAK BIN HAJI MOHAMED

Senior Independent Non-Executive Director

04 THEE KOK CHUAN

Independent Non-Executive Director

05 LEE MELV

Executive Director

06 LEE JIN JEAN

Executive Director

07 LEE CHUN SZEN

Executive Director





TAN SRI DATUK MOHD ZAMAN KHAN @ HASSAN B RAHIM KHAN

Independent Non-Executive Chairman

Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan, Malaysian, male, aged 74, was appointed as an Independent Non-Executive Director of the Company on 27 May 2011 and appointed as the Board Chairman on 30 May 2013. He is currently the Chairman of the Audit and Risk Management Committee, Nomination Committee and Remuneration 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 namely as Commissioner of Police, Director of Criminal Investigation and Director-General for the Prisons Department. On his retirement, he became active in prevention and rehabilitation with PEMADAM. He was inducted into the Harm Reduction Working Group with the Malaysian Aids Council and subsequently inducted into the National Task Force on Harm Reduction. He is currently the President of Malaysian Aids Council and Trustee of Malaysian Aids Foundation.

He has no conflict of interest with the Company, and he has no conviction for any offences (except for traffic offences, if any) within past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

His present directorship in public companies includes RCE Capital Berhad.

Tan Sri Datuk Mohd Zaman Khan has attended all five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016.



MEJAR (K) DATUK WIRA LEE WAH CHONG

Managing Director

Mejar (K) Datuk Wira Lee Wah Chong, Malaysian, male, aged 58, was appointed as the Managing Director of the Company on 18 August 2003. He is currently a member of the Remuneration Committee.

Datuk Lee graduated with a Diploma in Electronic Engineering from the Federal Institute of Technology in 1982. He continued to enhance his technical knowledge by attending courses on advanced system applications in the United States of America. He is the founder of Digistar Group which started as an audio visual system provider in 1982 which expanded to a total solution provider in design, supply, installation and integration of information technology infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems. As the Managing Director of the Group, Datuk Lee has been the main driving force of the Group since 1982. His sound technical background and management skills have taken the Group to the forefront of the system integration industry.

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

Datuk Lee has no conflict of interest with the Company, and he has no conviction for any offences (except for traffic offences, if any) within past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

His sister, Madam Lee Mely, his daughter, Ms Lee Jin Jean and his son, Mr Lee Chun Sze are members of the Board.

Datuk Lee has attended all five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016.



DATO' HAJI ISHAK BIN HAJI MOHAMED

Independent Non-Executive Director

Dato' Haji Ishak Bin Haji Mohamed, Malaysian, male, aged 63, was appointed as an Independent Non-Executive Director of the Company on 27 May 2011 and was appointed as Senior Independent Non-Executive Director on 28 May 2014. He is currently a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

Dato' Haji Ishak 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.

Dato' Haji Ishak has no conflict of interest with the Company, and he has no conviction for any offences (except for traffic offences, if any) within past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Dato' Haji Ishak 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 has attended four (4) out of five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016.

THEE KOK CHUAN

Independent Non-Executive Director

Mr Thee Kok Chuan, Malaysian, male, aged 40, was appointed as an Independent Non-Executive Director of the Company on 26 May 2016. He is currently a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

Mr Thee began his accounting profession as an Audit Assistant where he served the firm for four years. Thereafter, he joined a medium-size audit firm as a Senior Auditor and promoted to the Head of Audit thereafter. He has more than 12 years of audit, accounts, GST advisor practice experience, he handled small and medium-sized audits, accounts and GST for companies engaged in trading, manufacturing, plantation, construction, property holding and service industries. He has been involved in government agencies audit. He actively involved in the society to carry out his social responsibility and contribution. Mr. Thee started his own practice, an accounting firm, in the year 2005. Mr. Thee is Chartered Accountant by profession and a member of the Malaysian Institute of Accountants ("MIA"), Chartered Tax Institute of Malaysia ("CTIM") and fellow member of the Association of Chartered Certified Accountants ("ACCA") of United Kingdom.

Mr Thee has no conflict of interest with the Company, and he has no conviction for any offences (except for traffic offences, if any) within past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Mr Thee does not have any directorship in other public companies.

Mr Thee has attended two (2) out of two (2) Board of Directors' Meetings held during the financial year ended 30 September 2016 since his appointment on 26 May 2016.





LEE MELY

Executive Director

Madam Lee Mely, Malaysian, female, aged 55, was reappointed as an Executive Director of the Company on 27 May 2011. Previously she was a non-independent and non-executive director of the Company in 2003 until 2007.

Madam Lee 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

Madam Lee has no conflict of interest with the Company, and she has no conviction for any offences (except for traffic offences, if any) within past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

She does not have any directorship in other public companies.

Her brother, Mejar (K) Datuk Wira Lee Wah Chong, her niece, Ms Lee Jin Jean and her nephew, Mr Lee Chun Szen are members of the Board. Her brother, Datuk Lee is also a substantial shareholder of the Company.

Madam Lee has attended all five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016.



LEE JIN JEAN

Executive Director

Ms Lee Jin Jean, Malaysia, female, aged 29, was appointed as Executive Director on 7 August 2013.

Ms Lee completed her professional studies at the Australia National University, graduating with a degree in economic and finance. She has gained experience in the banking industry.

Ms Lee has no conflict of interest with the Company, and she has no conviction for any offences (except for traffic offences, if any) within past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Ms Lee does not have any directorship in other public companies.

Her father, Mejar (K) Datuk Wira Lee Wah Chong, her aunty, Madam Lee Mely and her brother, Mr Lee Chun Szen are members of the Board. Her father, Datuk Lee is also a substantial shareholder of the Company.

Ms Lee has attended all five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016.



LEE CHUN SZEN

Executive Director

Mr Lee Chun Szen, Malaysian, male, aged 25, was appointed as Executive Director of the Company on 10 April 2015.

Mr Lee has completed his studies in Royal Melbourne Institute of Technology as a graduate and obtaining his Diploma studies in Engineering. He has gained experience in the industry of Engineering. Mr Lee owns his own IT business in Australia having experience in the IT business. Mr Lee has worked for few months in the emerging Oil & Gas company in Australia during his school days.

Mr Lee has no conflict of interest with the Company, and he has no conviction for any offences (except for traffic offences, if any) within past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Mr Lee does not have any directorship in other public companies.

His father, Mejar (K) Datuk Wira Lee Wah Chong, and his aunty, Madam Lee Mely and his sister, Ms Lee Jin Jean are members of the Board. His father, Datuk Lee is also a substantial shareholder of the Company.

Mr Lee has attended four (4) out of five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016.

KOH YONG KUN

Chief Financial Officer

Koh Yong Kun, male, Malaysian, aged 47 joined Digistar Group on 18 July 2016 and appointed as the Chief Financial Officer of Digistar Corporation Berhad ("Digistar") on 14 December 2016.

He is Member of Malaysian Institute of Accountants (MIA) and Member of Malaysian Institute of Certified Public Accountants (MICPA).

He started his professional career with KPMG Peat Marwick in 1993 and joined Lafarge Roofing from 1998 to 2007 and Malayan Flour Mills Berhad from 2008 to 2016.

He has more than 24 years of working experiences in the areas of finance, accounting, auditing, taxation, corporate exercise, human resource management, administrative and general management.

CHLOE CHOONG LEE CHIN

Senior Human Resource Director

Ms Chloe Choong, female, Malaysian, aged 55, joined Digistar Group on 7 July 2014. As Senior Human Resource Director, she provides leadership, direction and guidance in all areas of HR. Her responsibilities include people planning & strategy, talent acquisition & retention, learning & development, compensation & benefits, employee relations and Group policy.

In addition, she plays an instrumental role in striking for a high-performing organization of diversified workforce and cultivate the company culture to reinforce the Group's guiding principles and core mission values of professionalism, teamwork, commitment, innovation, integrity, sustainability and technology advancement.

She holds a Diploma in Management from Institute of Administrative Management, United Kingdom and she possess nearly 20 years of experience in human resources. Her work achievements span over 3 decades in various industries including automotive, electronic security, engineering, construction, education and hospitality. She started her career with Kah Motor Sdn Bhd in 1980 and joined Shangri-La Hotel, Kuala Lumpur, APM Management Consultant, Tyco Engineering & Construction (M) Sdn Bhd and Tyco ADT Fire & Security Sdn Bhd.

ACE WONG TIEN SUNG

Chief Executive Officer (CMS/TELCO DIVISION)

Mr. Ace Wong Tien Sung aged 39, joined Digistar Group in 1 July 2013.

Ace Wong started as a Network Solution Consultant with Hong Kong Telecom - Pacific Century Cyber Works (PCCW). He later joined NasionCom Berhad as Product Manager by managing complete product life cycle for Wireless Broadband and Voice-over-IP (VoIP) services. Ace was then being appointed as Senior Management in JARING Communications Sdn Bhd with the responsibilities of identifying new business exploration and partnership establishment.

He has also joined GTC Global as the General Manager of Gapurna Group (The Group whom acquired MRCB Corporation Berhad), who is market leader in deploying project-based hi-tech surveillance systems for Malaysia councils, Polis Di-Raja Malaysia and KLIA. Ace was head-hunted to form a new company setup for Telecom-MVNO business with the brand TRON and Genting WorldCard Mobile in partnership with DiGi and Resort World Genting. He has succeeded in this venture and secured 250,000 mobile subscribers over a year period in Genting Highland.

Ace Wong has graduated in Melbourne Australia with a Bachelor of Science (Bsc.) in Business Information Technology and Computing from Monash University and obtained his Master of Business Administration (MBA) from Multimedia University in Malaysia.

Ace Wong is responsible for the CMS and Telco division.

PROFILE OF KEY SENIOR MANAGEMENT

LEE MEY LING

Cost Controller

Lee Mey Ling, female, Malaysian, aged 44, joined Digistar Group on 1 June 2014, she graduated from University Of Curtin University of Technology, Western Australia with Bachelor of Accountancy in 1997. She admitted as a member of Malaysia Institute of Accountants and The Associate of Practising Accountants (CPA) in 2003.

She started her career with Deloitte in 1998 and resigned as Audit Senior in 2003. She joined Glomac Berhad as Assistant Manager for three (3) years from 2003 to 2006 before joining multinational company –Sumiden Electronic Material (M) Sdn Bhd – a subsidiary company of Sumitomo Electronic in Japan.

Lee Mey Ling is the sister of Mejar (K) Datuk Wira Lee Wah Chong who is the Managing Director of Digistar Corporation Berhad (“Digistar”).

MICHAEL LOW HON MING

Purchasing Manager

Michael Low, aged 52, joined Digistar Group on 16 February 2009, He graduated with a Bachelor of Business Studies/Administration/Management from Universiti Sains Malaysia in 1990, and obtained a Master in Business Management from Universiti Kebangsaan Malaysia.

He has accumulated over 20 years of experience in the areas of purchasing, logistics and inventories management through working with various companies including Sony Technology Malaysia Sdn Bhd from 1991 to 1999, Gandour (Malaysia) Sdn Bhd from 2000 to 2005 and FMP Automotive (Malaysia) Sdn Bhd from 2005 to 2008.

Michael Low s responsible for all matters pertaining to sourcing, purchasing, logistics and inventory of our Group.

Additional information:

- (1) None of the other Key Senior Management has any directorship in public companies and listed issuers.
- (2) Save for Lee Mey Ling, none of the above Key Senior Management has any family relationship with any Director and /or major shareholder of shareholder of Digistar Corporation Berhad (“Digistar”).
- (3) None of the above Key Senior Management has any conflict of interest with Digistar.
- (4) None of the above Key Senior Management of Digistar has been convicted of any offence (other the traffic offences) within the past five (5) years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT



“DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report for Digistar Corporation Berhad “Digistar” the financial year ended 30 September 2016”.

REVIEW OF PERFORMANCE

The Group recorded revenue of RM167 million for financial year 2016, 25% higher than the previous year of RM134 million. Our profit before tax at RM9.13 million, a turnaround as compared to losses for past 3 years.

Earnings per share ended at 2.71 sen in 2016 as compared to loss per share of 3.71 sen in 2015. The Group shareholder funds for FY2016 improved to RM86 million as compare to RM66.34 million for FY2015 while the Net Asset Share was 17 sen for FY 2016 as compared to 15 sen for FY 2015.

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

CHAIRMAN'S STATEMENT

The system integration segment's revenue constituted 11.5% of our Group's revenue and the revenue for concession segment has increased significantly due to completion of Pusat Kecemerlangan Teknologi Nasional Institut Latihan JKR. The concession period for this project will start from 1 September 2016 and end on 31 August 2031.

For hospitality segment, the revenue has increased by 242% as compared to previous year and we expect the double digit growth in revenue for this segment for the next few years.

OUTLOOK

In the light of current global economic environment continues to be uncertain whilst the foreign exchange rates remain volatile, we will continue to manage our business prudently.

On another positive note, Malaysia economy is projected to grow by 4%. In view of this, we are positive to achieve further growth in our businesses.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our sincere appreciation to the management and employees at all levels in the Group for the support and commitment.

We also thank you, our shareholders as well as our customers, suppliers, bankers, business associates, government agencies and regulatory authorities, for the support in Digistar during the year.

TAN SIR DATUK MOHD ZAMAN KHAN @ HASSAN B RAHIM KHAN

Independent Non-Executive Chairman

18 January 2017

MANAGING DIRECTOR'S REPORT



“The Group reported a revenue of RM167.27 million as compared to RM133.92 million in the previous year.”

The Group reported a revenue of RM167.27 million as compared to RM133.92 million in the previous year. The Group has a profit of RM6.45 million as compared to a loss of RM25.77 million in preceding year.

The project Malaysia National Technology Advancement Centre (MATC), Public Works Department (PWD) institute at Alor Gajah, Melaka has been completed 2 months ahead of schedule and handed over to JKR on 30 June 2016. MATC, with a gross floor area of 160,000 square feet will be used to train PWD's workforce about 30,000 in various engineering disciplines.

Under a 15 years concession agreement with the Government of Malaysia, we will receive availability charges of RM2.48 million per month and RM0.54 million per month for the monthly maintenance service from 1 September 2016 to 31 August 2031.

MEJAR (K) DATUK WIRA LEE WAH CHONG
Managing Director

MANAGING DIRECTOR'S REPORT

The Imperial Heritage serviced apartment cum hotel in the heart of Melaka (a UNESCO World Heritage Site) has contributed positively to the group results. The revenue for the hotel has reached RM8.2 million for FY 2016 and we hope to double the revenue in FY 2017.

The 24 hours real time Central Monitoring System (CMS) will continue to growth in coming years is expected to increase the Group revenue and profit.

STRATEGY MOVING FORWARD AND FUTURE PROSPECTS

The Group continued to grow through acquisition and tie-ups that complement the business. We need to manage our business prudently.

In 2017, the Group will launch Panther 911 mobile security service based on existing Panther 911 platform together with telco companies. As safety and security system are becoming more receptive to the public, we are confident that we will be able to capture a wider market segment.

On the Imperial Heritage hotels, we have added 6 meeting rooms in FY 2016 to cater for the demand of corporate clients. This will further enhance the revenue during the weekdays.

Our Group's competitive advantages and key strengths that will enable the group to compete successfully as well as to provide the Group with growth prospects. The competitive advantages and key strengths of the group are set below:

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

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

I believe that FY2017 will be a positive year for Digistar. 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 2016. 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 in to the future.

MEJAK (K) DATUK WIRA LEE WAH CHONG

Managing Director
18 January 2017

“This Management Discussion & Analysis [MD & A] of Financial Condition and Results of Operations formally cover from 1 October 2015 to 30 September 2016.

OVERVIEW OF RESULTS

We are an Investment holding company. Though 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 and 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 specialized 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.

The Group has been keep on growing, expanding and venture into new businesses. Among of the new businesses and division that have been set up are the property development division and central monitoring system (CMS) division.

Our Group is also involved in the provision of interactive Pay TV, 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 FY 30 September 2016, 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 RM167.27 million and was mainly generated from the provision of Concession for the FY 2016, which contributed approximated RM133.86 million or 80.03% of our Group's revenue. The systems integration division contributed RM19.29 million for the Group's revenue which constitute 11.53% of the total revenue. The remaining were contributed from hotel management, trading of electronic and electrical components and products, electronic systems maintenance and support services, interactive Pay TV as well as rental income received from out (2) rented properties to third parties.

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

- Digistar Holdings Sdn Bhd, which is principally involved in designed, 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 MSC Sdn Bhd, which is principally a health television operator, involved in the provision of interactive Pay TV services to local hospitals;
- Rauland Asia Sdn Bhd, which is principally involved trading of electronic equipment and Central Monitoring System (CMS) services.
- Digistar Properties Sdn Bhd, which is principally involved in property holding and property management, which include the renting, maintaining and upkeep of properties;
- Seni Pujaan Sdn Bhd, which is principally involved in property developments;
- Matang Makmur Holdings Sdn Bhd, which is currently principally engaged in the business of investment holding.

MANAGEMENT DISCUSSION AND ANALYSIS

- Indera Persada Sdn Bhd, which is currently undertaken the construction and provide asset management service for the concession asset.
- Digistar Construction (M) Sdn Bhd, which is currently involved in construction work of concession asset.
- Protec A & A CMS Sdn Bhd, which is principally involved in Central Monitoring System (CMS) services.
- Wemal Maxi-Protect Sdn Bhd, which is principally involved in Central Monitoring System (CMS) services.
- Sakura Management Sdn Bhd, which is principally involved in Property management.
- Mulia Optima Sdn Bhd, which is principally involved in Property development.

OUR BUSINESS ACTIVITIES, PRODUCTS AND SERVICES.

We focus on the provision of a range of systems engineering and integration solutions. Although our solutions can be customized for use in any industry, we are currently focusing on the audio-visual, broadcasting and security sectors, besides sourcing software and equipment for our system engineering and integration services, we also trade hardware and software as part of our business model. We also provide after-sales support to our customers by providing systems and equipment maintenance services.

Our other business activities are in provision of interactive Pay TV, property holding, central monitoring system, telecommunication, property development and construction activities.

• **System engineering and integration**

The provision of systems engineering and integration solutions is undertaken by our subsidiary, Digistar Holdings Sdn Bhd. Our system engineering and integration solution mainly cover the audio-visual sectors, broadcasting system and security systems. The division contributed revenue and result of RM19.29 million and a net profit of RM8.74 million respectively as disclosed in the Group Financial Highlights.

• **Interactive Pay TV services**

The provision of interactive pay TV services is undertaken by our subsidiary in Digistar Rauland MSC Sdn Bhd. Our interactive Pay TV services is market under the brand name of "Haha TV". This division contributed revenue of RM1.37 million and a net profit of RM0.61 million.

• **Central Monitoring System (CMS)**

The ICT business continues to contribute "consistent recurring income" even though the industry faced more challenges. As part of this recurring income plan, the company would be launching a hi-tech central monitoring system (CMS). The CMS, called Parther 911, was expected to generate long-term recurring income for the company. The company has invested RM5 million over past two years to develop the system, including set-up of our CMS command centres in Kuala Lumpur, Penang, Malaka and Johor. The second phase of this security systems business involved expanding to Sabah and Sarawak.

Digistar's CMS offers monitoring services via a comprehensive internet protocol-based platform and hi-tech surveillance system. It can switch to run on 3G, 4G and LTE networks during the power disruptions. The 24-hour real-time monitoring services would be offered to residential, commercial, industrial and public properties, covering a wide range of surveillance including alarms system for the elderly, infant, vehicle and self-monitoring. The system is licenced under the Home Affairs Ministry, this CMS can act as a bridge between the police and the public. This division generated revenue of RM3.5 million to the Group and incurred net loss of RM1.4 million due to operating and marketing cost incurred for this division.

- **Construction division**

Our subsidiary, Indera Persada Sdn Bhd, have entered into an agreement with the Government of Malaysia to carry out the design, development, construction and completion of the buildings, structures, equipment plants, machinery, installation, facilities and infrastructure (together with the necessary amenities, utilities and fittings and fixtures) which are to be designed, constructed, installed, developed and completed on a parcel of leasehold and held under land title details Pt 3287 H.S(D) 21930 measuring approximately 110 acres situated in Mukim Taboh Naning, Daerah Alor Gajah, Malaka ie for construction of Malaysia national Technology Advancement Centre or JKR Institute. The concession period for the project are 18 years which covered the construction period for 3 years and asset management services period for 15 years from 1 September 2016 – 31 August 2031. This division generated revenue of RM134 million to the Group and incurred net loss of RM5.4 million due to payment of bond coupon interest amounting to RM16.4 million.

- **Property Development – The Heritage**

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

THE HERITAGE is a unique and exciting development that combine the elements of classical architectural design & ingenuity, features modern and contemporary lifestyle in the heart of Melaka town, a UNESCO World Heritage Site, One of the most vibrant states and rich in historical influence in the country. Strategically, located within walking distance to the most popular tourism spots. The HERITAGE offer our valued customer and exclusive property investment in Melaka, Malaysia to meet the demands more than 10 million visitors every year. THE HERITAGE complete with facilities such as centralized MATV & IPTV systems, WIFI and internet access, 24 hours security systems.

This division generated revenue of RM8.2 million to the Group and incurred net profit of RM0.1 million. In 2017, we are confident to achieve better performance than 2016 with our aggressive marketing effort via e-commerce.

SIGNIFICANT EVENTS AND AWARDS



IMPERIAL HERITAGE OFFICIAL LAUNCHING WAS HELD ON ON 22 NOVEMBER 2016

Imperial Heritage has invited YAB Deputy Prime Minister Datuk Seri Ahmad Zahid Hamidi and Melaka Chief Minister Datuk Seri Utama Ir. Hj. Idris Bin Hj. Haron to officiate the launching of the Imperial Heritage boutique hotel and serviced apartments.

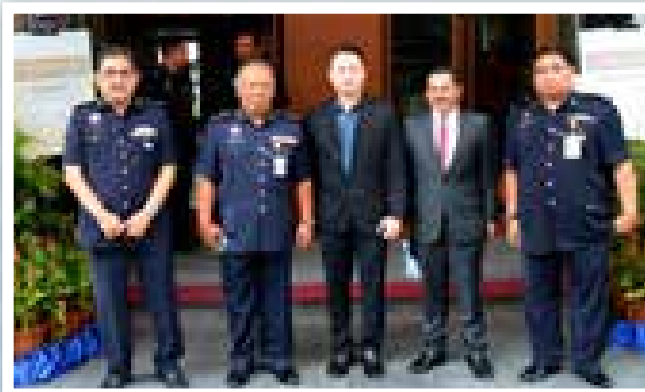
Imperial Heritage (IH) is superbly located in the heart of the historical centre of Melaka town, a UNESCO World Heritage site. The hotel combines element of classical architectural design with contemporary lifestyle. All major tourist attractions and premier shopping are within walking distance as well as many of the authentic restaurants serving the famous cuisines (Nyonya, Malay, Chinese and Portuguese) that make Melaka a food lovers delight. The hotel features 329 rooms with different interior themes such as Balinese, Classic and Modern Lifestyle to cater for different tastes and individuality

MODERN CRIME PREVENTION: STRATEGY & TECHNOLOGY EXPO IN MELAKA FROM 26 DECEMBER 2016 TO 31 DECEMBER 2016

Digistar Corporation Berhad has enlisted three of our companies – Imperial Heritage Hotel Melaka, Panther911 and Panther Mobile to co-host the “Modern Crime Prevention: Strategy & Technology” event in Melaka. This end-of-year event for 2016 event brings together PDRM and MBMB to introduce their latest crime prevention strategies. These presentations are complemented by briefings by Digistar on our innovative security and surveillance technologies which include Panther911 smart video monitoring and our Panther Mobile SOS Alert system. These products leverage the investment we have made to establish Central Monitoring Stations throughout Peninsular and Eastern Malaysia.

Digistar has been undertaking Research and Development with technology companies from the USA for more than 2 years to develop our professional, hi-technology surveillance platform that offer 24 / 7 monitoring of our surveillance products. Our Central Monitoring Stations provide real-time monitoring services for homes, business premises and corporations which also support personal safety for children, ladies and the elderly. We have CMS Command Centre located in 6 states, namely Kuala Lumpur, Melaka, Johor, Penang, Sabah and Sarawak. These centres are provide command and monitoring services for our Panther 911 and Panther Mobile products to offer support to customers in any part of Malaysia.

Panther 911 and Panther Mobile are currently available throughout the nation through its CMS Command Centre located in 6 states, Kuala Lumpur, Melaka, Johor, Penang, Sabah and Sarawak. The six (6) centres are capable to provide command and monitoring services to any parts of the nation.



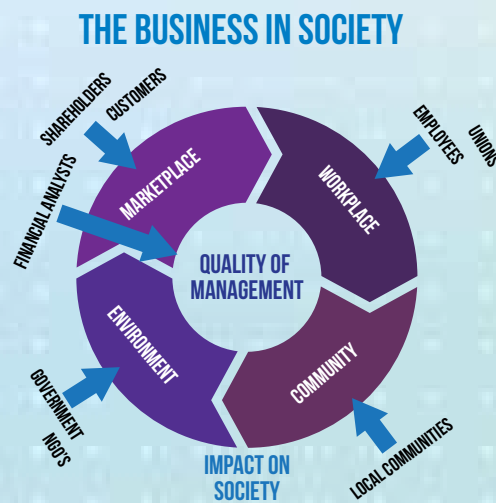
Our video surveillance solution, Panther 911 was launched on 25th April 2014. Our goal was to prevent crimes rather than just record them and we have achieved more than 6,000 customers (corporate and individual). We are proud to have a 100 percent success rate in that none of the installations protected by Panther 911 have been broken into and we have actively prevented intrusions at more than 100 locations nationwide. The technology is highly sophisticated and our system will cover the whole range of security functions and in doing so, we can proudly say that we are effectively reducing crime and providing support and assistance to PDRM.

Key features of Panther 911 include:

- * Immediate response when the alarm is triggered.
- * Audible warning and siren alert are issued to deter any criminal activities
- * All site intrusions are visually verified with detection technology to avoid false alarms.
- * Support for dual internet connections (fixed line Broadband and 3G/4G-LTE (GSM-SIM).
- * Cameras with night vision for clear live footage and picture snap functions
- * First tier facilitator and communicator to authorities.
- * Monitoring agents are able to give direct support before the authorities arrive.
- * Android and IOS apps enable personal off-site monitoring
- * Wireless & portable panic button (Panther Mobile) gives customers a quick and easy means of connecting with our CMS in the event of an emergency

CORPORATE SOCIAL RESPONSIBILITY

The Group strives to be beyond Corporate Social Responsibility (CSR) and integrate sustainability in everything that we do. We believe that firm commitment to the CSR form the foundation of good corporate citizenship and upholds the utmost level of corporate governance. We endeavor to manage our business in a socially responsible manner that align to our Group's business strategy. Apart from looking into the interest of our stakeholders, customers, investors, employees and suppliers, we also pay attention in creating a favourable influence on the larger community.



Our CSR provides the framework that emphasizes our commitment to the following pivotal areas:

WORKPLACE

The Group is committed to treat our employees with respect and dignity. We continually strive to create an inspiring conducive environment.

HUMAN CAPITAL DEVELOPMENT

The Group fosters a conducive and dynamic working environment to encourage development of all employees. Employees are given the opportunity to develop and upgrade their skills, knowledge and attitudes. Continuous training and development programs are provided for employees internally and externally.

MARKETPLACE

As part of its on-going efforts of enhancing relationship between the Group and its suppliers, customers and other stakeholders, programs for interaction and networking are organised on regular basis. The Group continuously cultivate a transparent and open relationship with its multiple stakeholders

COMMUNITY

The Group recognizes the importance of adhering to the environment and social needs of the community and will take proactive action in relation to our CSR activities, Digistar had contributed philanthropically towards the community in support of charitable event and education.

REWARDS AND RECOGNITION

Digistar Group appreciates and recognises its employees who form the backbone and the pillar of success in the Group. Digistar offers a competitive remuneration package and attractive work place in order to retain quality and high standard workforce.

HEALTH AND SAFETY

Digistar has developed a comprehensive Health and Safety framework and create safety awareness among the employees to ensure a safe and healthy working condition for the employees. Safety measures in place include security guards, surveillance equipment at relevant work locations, appropriate notices on safety measures and ensure that equipment and building system are functioning properly and well maintained.

PROFESSIONAL DEVELOPMENT AND TRAINING SCHOLARSHIP

Digistar Group believes that education is an integral component in empowering and enlightening the young to become leaders of tomorrow.

Under the Scholarship, the students required to undergo a Company-selected course at an institution determined by the Company on a full-time basis. Thereafter, the students shall undergo a full time practical training which may be conducted in-house or at selected institutions and organizations, both local and oversea training.

Upon completion of the Training Period, successful students will be offered employment as well as opportunity to undergo further trainings overseas and career advancements with the Group.

The Group shall sponsor the costs of the full time course and practical training, provide monthly allowance and hostel accommodation.

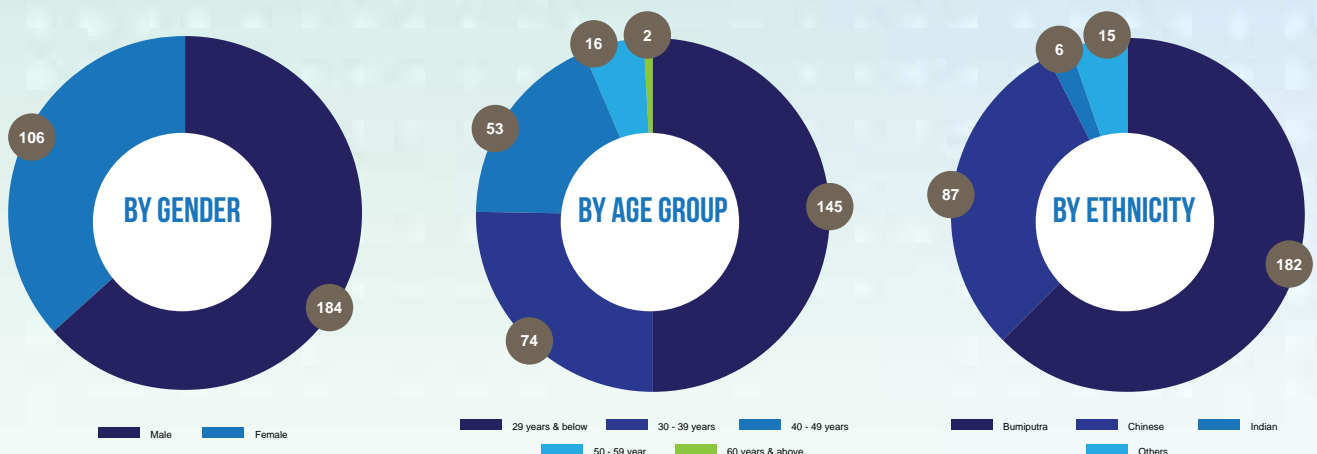


INTERSHIP PROGRAMME - A LEARNING PATHWAY TO EXCEL IN CAREER AND LIFE EXPERIENCE

Interns are hired to work hands-on with technical support. The Program provides a salary during internship, free lodging and monthly allowance.

Interns will work in various department namely broadcasting, electronic and electrical engineering, hospitality and security solutions. Interns will have the opportunity to enhance their technical skills through series of practical training in various departments.

Upon completion of the internship programme, successful students will be offered employment and career enhancement with the Group.



STATEMENT TO THE SHAREHOLDERS

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

STATEMENT TO THE SHAREHOLDERS IN RELATION TO PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD OF ITS OWN ORDINARY SHARES OF RM0.10 EACH UP TO TEN PER CENT (10%) OF ITS ISSUED AND PAID-UP SHARE CAPITAL (“PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY”)

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. 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 (“DIGISTAR SHARE(S)” OR “SHARE(S)”) 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 of Bursa Securities 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 2016, the retained profits and share premium account of the Company stood at RM714,931 and RM31,120,927 respectively. Based on the unaudited First Quarter financial results for the period ended 31 December 2016, the retained profits and share premium account of the Company stood at RM2,215,876 and RM31,120,927 respectively.

4. SOURCE OF FUNDS

The funding for the Proposed Renewal will be from Company’s 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 to be 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.

STATEMENT TO THE SHAREHOLDERS

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

In the event of 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 ("Board") of Digistar does not foresee any difficulty in the serving 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 2016, the Group has a net cash and cash equivalent balance of approximately RM33,751,794.

5. DIRECT AND INDIRECT INTEREST 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, Substantial Shareholders of Digistar and persons connected with them as at 31 December 2016 are set out in the tables below together with the effect of the Proposed Renewal assuming 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 98,066,911 Warrants A and 74,024,334 Warrants B ("Outstanding Warrants") are exercised.

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

(a) Direct and Indirect Interest of the Director 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	%
Mejar (K) Datuk Wira Lee Wah Chong	56,811,149	11.24	67,519,731	13.36	56,811,149	12.51	67,519,731	14.87

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	%
Mejar (K) Datuk Wira Lee Wah Chong	61,595,130(a)	9.09	81,124,917(b)	11.97	61,595,130(a)	10.11	81,124,917(b)	13.32

Notes:

- (i) The share purchased and held as treasury shares as at 31 December 2016 is 7,372,808 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 purchased under the respective scenarios.
- (a) Mejar (K) Datuk Wira Lee Wah Chong holds 4,783,981 Warrants B as at 31 December 2016.
- (b) LWC Capital Sdn Bhd and Datin Wira Wa Siew Yam hold 13,595,019 and 10,167 Warrants B respectively as at 31 December 2016.
- # Deemed interested by virtue of his shareholding in LWC Capital Sdn Bhd pursuant to section 6A of the Companies Act, 1965 ("the Act") and the shareholding of his spouse pursuant to Section 134(12)(c) of the Act.

STATEMENT TO THE SHAREHOLDERS

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

(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	%
LWC Capital Sdn Bhd	65,098,526	12.88	-	-	65,098,526	14.34	-	-
Mejar (K) Datuk Wira Lee Wah Chong	56,811,149	11.24	67,519,731	13.36	56,811,149	12.51	67,519,731	14.87

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	%
LWC Capital Sdn Bhd	78,693,545 ^(a)	11.62	-	-	78,693,545 ^(a)	12.92	-	-
Mejar (K) Datuk Wira Lee Wah Chong	61,595,130 ^(b)	9.09	81,124,917	11.97	61,595,130 ^(b)	10.11	81,124,917	13.32

Notes:

- (i) The share purchased and held as treasury shares as at 31 December 2016 is 7,372,808 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) LWC Capital Sdn Bhd holds 13,595,019 Warrants B as at 31 December 2016.
- (b) Mejar (K) Datuk Wira Lee Wah Chong holds 4,783,981 Warrant B as at 31 December 2016
- # Deemed interested by virtue of his shareholding in LWC Capital Sdn Bhd pursuant to section 6A of the Act and the shareholding of his spouse pursuant to Section 134(12)(c) of the Act.

STATEMENT TO THE SHAREHOLDERS

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

(c) Direct and Indirect Interests of Persons Connected with the Director 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	0.01	-	-	54,400	0.01	-	-
Lee Hwa Beng	441,000	0.09	-	-	441,000	0.10	-	-
Chua Mooi Hua	-	-	-	-	-	-	-	-
Lee Seng Gak	50	0.00	-	-	50	0.00	-	-
Loo Ah Moy @ Loh Ng Looi	14,281,000	2.83	-	-	14,281,000	3.14	-	-
Lee Hwa Yang	4,200	0.00	-	-	4,200	0.00	-	-
Datin Wira Wa Siew Nam	1,921,205	0.38	-	-	1,921,205	0.42	-	-

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	0.01	-	-	54,400	0.01	-	-
Lee Hwa Beng	761,731	0.11	-	-	761,731	0.13	-	-
Chua Mooi Hua	1,052	0.00	-	-	1,052	0.00	-	-
Lee Seng Gak	50	0.00	-	-	50	0.00	-	-
Loo Ah Moy @ Loh Ng Looi	14,281,000	2.11	-	-	14,281,000	2.35	-	-
Lee Hwa Yang	9,290	0.00	-	-	9,290	0.00	-	-
Datin Wira Wa Siew Nam	1,931,372	0.29	-	-	1,931,372	0.32	-	-

Notes:

- (i) The share purchased and held as treasury shares as at 31 December 2016 is 7,372,808 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 purchased under the respective scenarios.
 - (a) Lee Hwa Beng holds 226,231 Warrants A and 94,500 Warrants B as at 31 December 2016
 - (b) Chua Mooi Hua holds 1,052 Warrants A as at 31 December 2016.
 - (c) Lee Hwa Yang holds 5,090 Warrants A as at 31 December 2016.
 - (d) Datin Wira Wa Siew Yam holds 10,167 Warrants B as at 31 December 2016.

STATEMENT TO THE SHAREHOLDERS

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

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.

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	Maximum Scenario
	No. of Shares	No. of shares
As at 31 December 2016	512,749,092	512,749,092
Upon full exercise of all Outstanding Warrants	-	172,091,245
	512,749,092	684,840,337
Proposed Renewal (assuming that all the Digistar Shares purchased are fully cancelled)	*(51,274,909)	*(68,484,034)
Resultant share capital	461,474,183	616,356,303

Note:

* Includes the 7,372,808 Digistar Shares purchased and held as treasury shares as at 31 December 2016.

STATEMENT TO THE SHAREHOLDERS

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

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 to be purchased, the purchase price of the Digistar Shares, the effective cost of funding and the treatment of the purchased Digistar Shares.

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 2016. Barring unforeseen circumstances, the dividends to be declared by Digistar, if any, in respect of the current financial year ending 30 September 2017 would depend on amongst others, the cash availability, retained profits, cash flow 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 TAKEOVERS AND MERGERS 2016 (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 Malaysia ("SC") under the Code.

As at 31 December 2016, the collective percentage shareholding of the substantial shareholders of Digistar, LWC Capital Sdn Bhd ("LWC") and parties acting in concert ("PAC") is 27.4%. Based on their collective shareholdings as at 31 December 2016 and assuming LWC and PAC do not acquire any Digistar Shares, the implementation of share buy-back pursuant to the Proposed Renewal may result in a mandatory offer obligations being triggered by LWC 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, LWC and PAC are required to seek SC's approval for a waiver from the obligation to undertake a GO under the Code ("Proposed Waiver").

STATEMENT TO THE SHAREHOLDERS

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

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 2016, the Company did not purchase any Digistar Shares from the open market.

10. PUBLIC SHAREHOLDING SPREAD

According to Digistar's Record of Depositors as at 31 December 2016 and based on the Substantial Shareholders' filling with the Company as at 31 December 2016, the public shareholding of the Company is 72.6%.

Based on the issued and paid up share capital of the Company as at 31 December 2016 and under the Maximum Scenario as stated in Section 5 above, the public shareholding spread of the Company is expected to be increased to 74.2% . 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 the best interests of the Company and its shareholders. Accordingly, your Directors recommend that you vote in favour of the resolution in relation to the Proposed Renewal to be tabled at the forthcoming Annual General Meeting.

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 an 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 corporate governance statement (“Statement”) sets out how the Company has applied the 8 Principles of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and observed the 26 Recommendations supporting the Principles during the financial year from 1 October 2015 to 30 September 2016 (“financial year”) following the release of the MCCG 2012 by the Securities Commission Malaysia in late March 2012. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof and where appropriate, the alternative practice, if any, is mentioned in this statement.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principle responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Company’s , which also addresses the sustainability of the Group’s business ;
- overseeing the conduct of the Company’s and subsidiaries (“Group”) business and evaluating whether or not its business are being properly managed ;
- identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks. Please refer to Statement of Risk Management and Internal Control for further details;
- ensuring that all candidates appointed to senior management positions are of sufficient caliber, including having in place a process and programmes to provide for the orderly succession of senior management personnel and members of the Board ;
- overseeing the development and implementation of a shareholder communications policy ; and
- reviewing the adequacy and integrity of the Group’s internal control and management information systems . Please refer to Statement of Risk Management and Internal Control for further details.
- ensuring that the Group adheres to high standards of ethics and corporate behavior
- delegates certain responsibilities to the various Board Committees with clearly defined terms of reference (which are made available in corporate website: www.digistar.com.my) to assist the Board in discharging its responsibilities
- establish and formalise strategies on promoting sustainability . Attention shall be given to environment, social and governance aspects of business which underpin sustainability

To assist in the discharge of its stewardship role, the Board has established Board Committee, namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee, to examine specific issues within their respective terms of reference s as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

(i) Board Composition and Balance

The Board consists of qualified individuals with diverse professional backgrounds, age, gender and specialisations with vast range of experience in the field of information and technology, finance and management to enable them to discharge their duties and responsibilities effectively. The composition and the size of the Board is such that it facilitates the decision making of the Company. Pursuant to the Articles of Association of the Company, the Board shall not be less than two (2) Directors and more than nine (9) Directors.

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the Company must ensure that at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, are Independent Directors. If the number of Directors of the Company is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) must be used. The Board currently has seven (7) members comprising the following:-

- One (1) Independent Non-Executive Chairman
- One (1) Senior Independent Non-Executive Director
- One (1) Independent Non-Executive Director
- One (1) Managing Director; and
- Three (3) Executive Directors.

The basis for the presence of an independent voice on the Board is to ensure that objectivity in decision-making of the Board is achieved and that no single party can dominate such decision-making in the Company.

On boardroom diversity, the Board will review the appropriate skills, experience and knowledge required of the Board members, in the context of the needs of the Group. The Board will review its composition and size from time to time to ensure its appropriateness.

(ii) Board Charter

The Board has established clear functions reserved for the Board and those delegated to Management to enhance accountability. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include inter-alia, quarterly and annual financial statements for announcement, investment and divestment, as well as monitoring of the Group's financial statements and operating performance. Such delineation of roles is clearly set out in the Board Charter ("Charter"), which serves as a reference point for the Board activities. The Charter provides guidance for directors and Management regarding the responsibilities of the Board, its Committees and management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities. The salient features of the Charter are disclosed in the Company's website at www.digistar.com.my in line with recommendation 1.7 of the MCCG 2012.

(iii) Code of Ethics and Whistle-blowing Policy

At the date of this statement, the Board has formalised a Director's Code of Ethics, setting out the standards of conduct expected from Directors. To inculcate good ethical conduct, the Group has established a Code of Conduct for employees.

The Board has also formalised a Whistle-blowing Policy, with the aim of providing an avenue for raising concerns relating to possible breaches of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The board recognises the importance of adhering to the Code of Ethics and has taken measures to put in place a process to ensure its compliance.

(iv) Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. The Group also embraces sustainability in its operations. The Group's activities on corporate social responsibilities for the financial year under review are disclosed Report in the Corporate Social Responsibility Report section of this Annual Report.

(v) Access to Information and Advice

Directors are provided with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior management of the Group and external advisers were invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures set out in the Board Charter in furtherance of their duties.

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experience and competent on statutory and regulatory requirements and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities.

(vi) Separation of Positions of the Chairman and Managing Director

There is clear division of the roles and responsibilities between the Company's Chairman and Managing Director to ensure a balance of control, power and authority. The Board is led by Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan as Independent Non-Executive Chairman and the executive management is led by Mejar (K) Datuk Wira Lee Wah Chong, the Managing Director.

The Chairman is responsible for ensuring Board effectiveness and conduct of the Board. The Managing Director assumes the overall responsibility for the Group's operational activities and effectiveness and implements the Board's policies, strategies and decisions. The Managing Director is responsible to the Board for day-day management of the Company and the Group. The roles of the Chairman and the Managing Director are clearly defined in the Board Charter.

(vii) Qualified and Competent Company Secretary

The Board is supported by Company Secretaries in discharging its duties and functions who are members of the Malaysia Institute of Chartered Secretaries & Administrators (MAICSA). The appointment of Company Secretaries are based on the capability and proficiency as determined by the Board. The Directors have unrestricted access to the advice and services of the Company Secretaries to enable the Directors to discharge their duties effectively.

The Company Secretaries ensure that the Board is regularly updated on their obligations under relevant regulatory requirements such as Main Market Listing Requirements ("MMLR") of Bursa, codes or new statutes issued from time to time and are fulfilled in a timely manner.

PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD

During the financial year under review, the Board consist of seven (7) members, comprising four (4) Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfills the requirements as set out in the MMLR, which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be independent. The profile of each Director is set out in the Directors' Profile section of this Annual Report. The Directors, with their diverse backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as engineering, entrepreneurship, finance, taxation, accounting and audit, legal and economics.

(i) Nomination Committee – Selection and Assessment of Directors

The Nomination Committee conducted an assessment of the performance of the Board, as a whole, the Audit and Risk Management, Nomination and Remuneration Committees and individual Directors, based on a self and peer assessment approach. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board considered and approved the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting.

STATEMENT OF CORPORATE GOVERNANCE

The Nomination Committee recognises the importance of the roles the Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance which the Committee can assist the Board to discharge its fiduciary and leadership functions. The Nomination Committee comprises the following members:

Chairman:

- Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan (Independent Non-Executive Chairman);

Members:

- Dato' Haji Ishak Bin Haji Mohamed (Independent Non-Executive Director); and
- See Tai Soon -resigned on 26 May 2016 (Independent Non-Executive Director)
- Thee Kok Chuan -appointed on 26 May 2016 (Independent Non-Executive Director)

The Board has stipulated specific terms of reference for the Nomination Committee, which cover, inter-alia, assessing and recommending to the Board the candidacy of Directors, appointment of Directors to Board Committees and training programmes for the Board. The terms of reference require the Nomination Committee to review annually the required mix of skills and experience of Directors; succession plans and board diversity, including gender diversity ; training courses for Directors and other qualities of the Board, including core-competencies which the Independent Non-Executive Directors should bring to the Board, The Committee is also entrusted to assess annually the effectiveness of the Board, as a whole, Board Committees and contribution of each individual Director. Insofar as board diversity is concerned, the Board does not have a specific policy on setting targets for women candidates. The evaluation of candidates' suitability is solely based on their competency, character, time commitment, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be.

(ii) Directors' Remuneration

The Remuneration Committee, established by the Board, is responsible for setting the policy framework and recommending to the Board the remuneration of Directors so as to ensure that the Company is able to attract and retain its Directors needed to run the Group successfully. The components of Directors' 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. Directors do not participate in discussion of their individual remuneration.

Details of the aggregate remuneration of the Directors for the financial year ended 30 September 2016 were as follows:

Remuneration Components	Group		Total 2016	Total 2015
	Executive Directors	Non- Executive Directors		
Fees	-	90,000	90,000	180,000
Salaries	2,088,000	-	2,088,000	1,877,000
Bonuses	-	-	-	-
EPF	246,384	-	246,384	223,000
SOCSSO	2,120	-	2,120	-
Allowance	75,097	40,000	115,097	100,000
Total	2,411,601	130,000	2,541,601	2,380,000

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

Range of Remuneration	Group	
	Executive Directors	Non-Executive Directors
RM50,000 and below	-	3
RM50,001 to RM100,000	-	1
RM100,001 to RM500,000	3	-
RM1,300,001 to RM1,350,000	1	-
Total	4	4

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

The positions of Chairman and Chief Executive Officer of the Company are held by the Independent Non-Executive Chairman and Managing Director respectively. The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. The Nomination Committee and the Board have upon their annual assessment, concluded that each of the three (3) Independent Non-Executive Directors continues to be independent minded, demonstrates conduct and behavior that are essential indicators of independence, and that each of them continues to fulfill the definition of independence as set out in MMLR.

The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at board meetings to ensure that contributions from Directors and forthcoming on matters being deliberated and that no Board member dominates discussion. As the Managing Director, supported by fellow Executive Directors and an Executive Management team, he implements the Group's strategies, policies and decision adopted by the Board and oversees the operations and business development of the Group.

The Independent Non-Executive Directors bring the objective and independent views, advice and judgment on interest, not only of the Group, but also of shareholders, employees, customers, suppliers and the communities in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors based on criteria set out in the MMLR. The Board Charter provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. However, an Independent Director may continue to serve on the Board upon reaching the 9-year limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of nine (9) years, the Board will justify the decision and explain the basis before propose the independent directors to the shareholders for approval at general meeting. In justifying the decision, the Board is required to assess the candidate's suitability to continue as an Independent Director based on the criteria on independence as adopted by the Board.

At the date of this Statement, none of the Independent Directors has exceeded the 9-year independence tenure.

STATEMENT OF CORPORATE GOVERNANCE

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

The Board ordinarily meets at least five (5) times a year, scheduled well in advance before the end of the preceeding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meeting are convened as and when urgent and important decisions needs to be made between scheduled meetings. Board and Board Committees papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committees members before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board Meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings. During the financial year under review, the board convened four (6) scheduled Board meetings attended by the Directors as follows:

Directors	Attendance
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan (Chairman)	5/5
Mejar (K) Datuk Wira Lee Wah Chong	5/5
Dato's Haji Ishak Bin Haji Mohamed	4/5
Lee Mely	5/5
Lee Jin Jean	5/5
Lee Chun Szen	4/5
Thee Kok Chuan (appointed on 26.5.2016)	2/2
See Tai Soon (resigned on 26.5.2016)	3/4

All the Directors have complied with the minimum 50% attendance requirements in respect of board meetings as stipulated by the MMLR.

As stipulated in the Board Charter, the Directors shall devote sufficient time and efforts to carry out their responsibilities. The board shall obtain this commitment from Directors at the time of their appointment . Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

Directors Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group.

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 the on-going basis. During the financial year, the Directors have attended various seminars or briefings which they have collectively or individually considered it useful in discharging their stewardship responsibilities.

All the directors (save and except for Lee Mely) attended a training programme on “Business Sustainability” and “Directors’ Dealing in Securities and Insider Trading” conducted by Tricor Knowledge House Sdn. Bhd on 25 August 2016.

The Company Secretaries circulates the relevant guidelines on statutory and regulatory requirements from time to time for the Board’s reference and brief the Board on these updates, where applicable. The Accountant and External Auditors also brief the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group’s financial statement during the financial year under review . The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

(a) Financial Reporting

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa Securities, the annual financial statements of the Group and Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant.

(b) Audit and Risk Management Committee

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended. To assist in its discharge of its duties on financial reporting, the Board has established an Audit and Risk Management Committee, comprising exclusively Independent Non-Executive Directors, with Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan as the Audit and Risk Management Committee Chairman. The composition of the Audit and Risk Management Committee, including its roles and responsibilities, are set out in the Audit and Risk Management Committee Report section of this Annual Report. One of the key responsibilities of the Audit and Risk Management Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act, 1965. Such financial statements comprise of the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit and Risk Management Committee, which assists the Board in overseeing the financial reporting process of the Company, has adopted a policy for the types of non-audit services permitted to be provided by the external auditors, including the need for the Audit and Risk Management Committee's approval in writing before such services can be provided by the external auditors. To address the "self-review" threat faced by the external audit firm, the procedures included in the policy require the engagement team conducting the non-audit services to be different from the external audit team.

The Audit and Risk Management Committee meets with the external auditors at least twice a year without the presence of the management to review the scope and adequacy of the audit process, the annual financial statements and their audit findings. The Audit and Risk Management Committee also meets additionally with the external auditors whenever it deems necessary. The external auditors highlight to the Audit and Risk Management Committee and the Board on matters that require the Audit and Risk Management Committee's or the Board's attention together with the recommended corrective actions thereof.

The Audit and Risk Management Committee has met with external auditors three times during the financial year without the presence of the Management as this allows for free and honest exchange of views and opinions on matters related to the external auditors' audit and their findings. The Management of the Company is held responsible for ensuring that all these corrective actions are undertaken within an appropriate time frame.

The service provided by the external auditors includes statutory audits and non-audit services. The term engagement and fees for external and internal auditors are reviewed by the Audit and Risk Management Committee and subsequently recommended to the Board for approval.

The activities carried out by the Audit and Risk Management Committee during the year is set out under the Audit and Risk Management Committee on pages 42 to 43 of this annual report.

(c) Assessment of External Auditors

In assessing the independence of external auditors, the Audit and Risk Management Committee requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

The Audit and Risk Management Committee had considered the provision of non-audit services by the external auditors during the financial year under review and concluded that the provision of these services did not compromise the external auditors' independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the external auditors of RM234,200. The non-audit fees incurred for services rendered to the Group by the external auditors and its affiliates for the financial year ended 30 September 2016 was RM78,000.

The Audit and Risk Management Committee reviewed the suitability and independence of the external auditors and recommended their re-appointment to the Board for the ensuing financial year.

The external auditors confirmed their independence to the Audit and Risk Management Committee that they were and had been independent throughout the conduct of the audit engagement during the financial year ended 30 September 2016 in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA By-Laws"). The Board, on the recommendation of the Audit and Risk Management Committee, is of the view that the declaration of independence, integrity and objectivity made by the external auditors in their audit report for each financial year under review would suffice to serve as a written assurance from the external auditors on their independence and integrity throughout the conduct of the audit engagement in accordance with the MIA By-Laws.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS OF THE GROUP

The Board regards risk management and internal controls as an integral part of the overall management processes. The following represents the key elements of the risk management and internal control structure:

- a) The establishment of a Risk Management Unit ("RMU") which is entrusted to ensure the implementation of an effective risk management system and to review the adequacy and integrity of the Group's internal control and management information system.
- b) An organisational structure in the Company with formally defined lines of responsibility and delegation of authority.
- c) Review and approval of annual business plan and budget of all major business units by the Board. This plan sets out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;
- d) Quarterly review of the Group's business performance by the Board, which also covers the assessment of the impact of changes in business and competitive environment; and
- e) Active participation and involvement by the Managing Director, supported by his fellow Executive Directors in the day-to-day running of the major businesses and regular discussions with senior management personnel on operational issues.
- f) Monthly financial reporting by the subsidiaries to the holding company.

Recognising the importance of having risk management processes and practices, the Board has formalised a risk management framework to enable Management to identify, evaluate, control, monitor and report to the Board the principle business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

The Board has an overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations and compliance with the applicable laws and regulations, as well as with internal procedures and guidelines.

The size and complexity of the operations of the Company and the Group involve the management of a wide variety of risks. The nature of these risks means that events may occur which would give rise to unanticipated or unavoidable losses. The Company's and the Group's system of internal controls are designed to provide reasonable and not absolute assurance against the risk of material errors, frauds or losses occurring.

The effectiveness of the system of internal controls of the Company and the Group is reviewed by the Audit and Risk Management Committee during its periodic meetings. The review covers the financial, operational and compliance controls as well as the process for identification, evaluation and management of the significant risks faced by the Company and the Group.

The Statement of Risk Management and Internal Control, which provides an overview of the state of internal controls within the Company and the Group, is set out on pages 44 to 45 of this annual report.

In line with the MCCG 2012 and the MMLR, the Company outsourced its internal audit function to an independent professional firm to assess the adequacy and effectiveness of the Group's governance, risk management and internal control systems. The internal audit function, which reports directly to the Audit and Risk Management Committee, is guided by professional standards promulgated by the Institute of Internal Auditors Inc, a globally recognised professional body for internal auditors. The internal audit function is independent of the activities it audits and the scope of work covered by the internal audit during the financial year under review is provided in the Audit and Risk Management Committee Report section of this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board has adopted and formalised pertinent corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the MMLR, but also setting out the persons authorise and responsible to approve and disclose material information to regulators, shareholders and stakeholders. To augment the process of disclosure, the Board has earmarked a section on the Company's website, where information on the Company's announcement to the regulators, the salient features of the Board Charter and the Company's Annual Report may be accessed.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

i) Shareholder participation at general meeting

The Annual General Meeting ("AGM"), which is the principal forum for shareholders' dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question & answer session was held where the Chairman of the meeting invited shareholders to raise questions with responses from the Board and Senior Management. The Notice of AGM is circulated at least twenty-one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM is announced to Bursa on the same meeting day.

ii) Communication and engagement with shareholders and prospective investors

The Board recognises the importance of being transparent and accountable to the Company's shareholders and prospective investors. The various channels of communication are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meeting and access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, i.e. digista@digistar.com.my to which shareholders can direct their queries or concerns.

COMPLIANCE WITH CODE

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

This Statement is issued in accordance with a Board resolution date 18 January 2017.

ADDITIONAL COMPLIANCE INFORMATION

In conformance with Main Market Listing Requirement of Bursa Malaysia Securities Berhad (“Bursa Securities”), the following information is provided:

1. STATUS OF UTILISATION OF PROCEEDS

PRIVATE PLACEMENT

On 23 June 2014, Digistar proposed to undertake a private placement of up to 10% of the issued and paid-up share capital of Digistar, at an issue price to be determined later (“Private Placement”). On 27 June 2014, Bursa Securities has approved the listing of and quotation for up to 59,778,270 new ordinary shares of RM0.10 each in Digistar (“Digistar Share(s)”) to be issued pursuant to the Private Placement. The Proposed Private Placement pursuant to Section 132D of the Companies Act, 1965 was passed by the shareholders at the Annual General Meeting of the Company convened on 28 March 2014.

On 23 October 2014, Digistar fixed the issue price for first tranche of Private Placement comprising 41,453,637 Digistar Shares (“Placement Shares”) at RM0.22 per Placement Shares. The issue price of RM0.22 per Placement Share represents a discount of 8.52% to the five (5)-day weighted average market price of Digistar Shares up to and including 21 October 2014 of RM0.2405 per Digistar Shares.

On 4 November 2014, the 41,453,637 Placement Shares were granted listing quotation on the Main Market of Bursa Malaysia Securities Berhad and marking the completion of the Private Placement.

As of 30 June 2016, the company had utilised all the proceeds raised of RM9.12 million as follows:

Details of Utilisation	Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Amount Unutilise RM'000
General working capital	within 24 months	8,938	8,938	-
Defraying of Expenses incidental to the Private Placement	upon completion	182*	182	-
Total		9,120	9,120	-

* Initial proposed estimated expenses was RM0.23 million but the actual incurred was RM0.18 million. The proposed utilisation has been amended to the actual incurred.

Save for the above, the Company did not have any unutilised proceeds raised from corporate proposals for the financial year.

2. MATERIAL CONTRACTS

There was no material contracts other than those in the ordinary course of business or loans entered into by the Company and its subsidiary companies involving the interests of the directors, chief executive who is not director and major shareholders' interests either still subsisting at the end of the financial year ended 30 September 2016 or entered into since the end of previous financial year ended 30 September 2015.

3. AUDIT AND NON-AUDIT FEES

The auditor's remuneration including non-audit fees for the Company and the Group for the financial year ended 30 September 2016 is as follows:

Details of Utilisation	Group RM'000	Company RM'000
Audit fees:		
- statutory audit fees	234,200	69,000
- Non-audit fees	78,000	-
Total	312,200	69,000

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPTS")

The details of the RRPTs entered into by the Company and its subsidiaries during the financial year are disclosed in Note 41 to the financial statements on page 114.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of Digistar Corporation Berhad is pleased to present the Audit and Risk Management Committee (ARMC) Report for the financial year ended 30 September 2016. The primary objective of the Audit and Risk Management 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 and Risk Management Committee is also responsible for evaluating the internal and external audit processes.

The Audit and Risk Management Committee changed to its present name on 25 August 2016.

1. COMPOSITION AND DESIGNATION OF AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee currently comprises the following members:-

Chairman

Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan (Independent Non-Executive Chairman)

Members

Dato' Haji Ishak Bin Haji Mohamed (Senior Independent Non- Executive Director)

Thee Kok Chuan* (appointed on. 26 May 2016) (Independent Non- Executive Director)

See Tai Soon (resigned on. 26 May 2016) (Independent Non-Executive Director)

* a member of Malaysian Institute of Accountants

2. TERMS OF REFERENCE

The Terms of Reference of the Audit and Risk Management Committee outlining the Audit and Risk Management Committee's composition, proceeding of meeting, authority and duties and responsibilities are available on the corporate website at www.digistar.com.my.

3. MEETINGS

There were five (5) Audit and Risk Management Committee Meetings held during the financial year ended 30 September 2016. The details of the attendance are as follows:

Directors	Attendance
Tan Sri Datuk Mohd Zaman Khan @ Hassan Bin Rahim Khan (Independent Non-Executive Chairman)	5 / 5
Dato' Haji Ishak Bin Haji Mohamed (Senior Independent Non-Executive Director)	5 / 5
Thee Kok Chuan (Independent Non-Executive Director) (appointed w.e.f. 26 May 2016)	2 / 2
See Tai Soon (Independent Non-Executive Director) (resigned w.e.f. 26 May 2016)	3 / 4

4. SUMMARY OF THE WORK OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

During the financial year ended 30 September 2016, the Audit and Risk Management Committee met with the external auditors twice to discuss any matters without the presence of the executive board members of the Company.

The Chief Financial Officer, Internal Auditors, External Auditors and other Board Members have attended the Audit and Risk Management Committee meeting during the year as and when they were invited.

In line with the Terms of Reference of the Audit and Risk Management Committee, the following activities were carried out by the Audit and Risk Management Committee during the financial year ended 30 September 2016:-

1. Financial Reporting

- a) Reviewed all the four (4) Quarter's Financial Statements and the annual Audited Financial Statements of the Company at the AC meetings and recommended the same for the Board's approval. Discussion focused particularly on any change in the accounting policies and its implementation, significant and unusual events arising from the audit, the going concern assumption: and compliance with the accounting standards and other legal requirements
- b) Reported its findings on the financial and Management performance, other material matters to the Board

2. Internal Audit

- a) Reviewed and approved the Annual Internal Audit Plan for FY 2016 proposed by the Finfield Corporate Services Sdn Bhd (Finfield), an independent consulting firm who is performing the internal audit function for Digistar Group.
- b) Reviewed the Internal Audit programme and results of Internal Audit together with the recommendations from the Internal Auditors. The ARMC considered the Internal Auditors' recommendations taken into account the Managements responses and upon which approved the Internal Auditors' proposal for rectification and implement the recommendations for improvement.
- c) Undertook assessment of the performance of Finfield Corporate Services Sdn Bhd in providing internal audit function and reviewed its effectiveness of the audit process and assessed the performance of Finfield Corporate Services Sdn Bhd.
- d) Held separate meetings to discuss the result of assessment with the Internal Auditors and other areas of Internal Audit's concern, without the presence of Executive Directors and Management.

3. External auditors

- a) Discussed with the External Auditors before the audit commences, the nature and scope of audit.
- b) Discussed and deliberated on the External Auditors' reports and recommendations regarding opportunities for improvement to the significant risk areas, internal controls and financial matters based on observations made in the course of interim and final audits.
- c) Held two (2) private meetings with the External Auditors without the presence of the Executive Directors to discuss on the areas of audit concern
- d) Reviewed the performance of the External Auditors and recommended its re-appointment and remuneration to the Board.

4. Related party Transactions

Reviewed and recommended the related party transactions declared by the Management to the Board for approval, to ensure that these transactions are undertaken in the best interest of the Company, fair, reasonable and on normal commercial terms as well as not detrimental to the interest of the minority shareholders.

5. Annual Reporting

Reviewed the ARMC Report, Statement of Risk Management & Internal Control and Corporate Governance Statement to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.

5. SUMMARY OF THE WORK OF 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 and Risk Management 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 2016, the internal auditors had conducted risk management assessment in relation to Digistar Group's operations. Further details are disclosed in the Statement of Risk Management and Internal Control as set out in page 44 to 45.

The total cost incurred for the Group's internal audit function in respect of the financial year ended 30 September 2016 was RM16,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) requires that a listed corporation establish an internal audit function which is independent of the activities it audits and reports 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.

The Board of Directors of Digistar Corporation Berhad is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

In accordance with the Malaysian Code on Corporate Governance 2012, 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 risk management for the continuing review of its adequacy, effectiveness and integrity. Additionally, the Managing Director and the Chief Financial Officer have given assurance to the Board that the Group’s risk management and internal control systems are operating adequately and effectively to meet the Group’s objectives.

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 risk.

The senior management is responsible for identifying, evaluating, managing and reporting on significant risks on an ongoing basis faced by the Group in its achievement of objectives and strategies. 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.

Internal audit assignments were 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 meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

- Government concession agreement – Project completion and revenue
- Hotel operations – Revenue management

The findings arising from the above reviews have been reported to the 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.

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 define 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 attended by employees with the objective of enhancing their knowledge and competency; and
- iv) Management accounts and reports are prepared regularly for the monitoring of operational and financial performances.

The internal control system will continue to be reviewed, added on or updated in line with the changes in the Group's 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 controls that would require disclosure in this annual report.

CONCLUSION

Based on inquiry, information and assurance provided by the Managing Director and the Chief Financial Officer, the Board is of the opinion that the systems of risk management and internal control were been in place for the year under review and up to the date of approval of Statement on Risk Management and Internal Control for inclusion in the annual report, was generally satisfactory and adequate for its purpose. There will be continual focus on measures to protect and enhance shareholders' value and business sustainability.

This statement was approved by the board of director on 18 January 2017.

REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with Recommended Practice Guide (RPG) 5 (revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

STATEMENT OF DIRECTORS'S RESPONSIBILITIES

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 2016 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 2016, the Directors have:

- a) adopted the relevant and appropriate accounting policies consistently;
- b) made judgments 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.