

Board Of Directors



- 1 **TAN SRI DATO' IR. HJ. ZAINI BIN OMAR**
Independent Non-Executive Chairman
- 2 **MEJAR (K) DATUK WIRA LEE WAH CHONG**
Group Managing Director
- 3 **DATO' HAJI ISHAK BIN HAJI MOHAMED**
Senior Independent Non-Executive Director
- 4 **THEE KOK CHUAN**
Independent Non-Executive Director

- 5 **LEE MELY**
Executive Director
- 6 **LEE JIN JEAN**
Executive Director
- 7 **LEE CHUN SZEN**
Executive Director

Directors' Profile



TAN SRI DATO' IR. HJ. ZAINI BIN OMAR

Independent Non-Executive Chairman

Tan Sri Dato' Ir. Hj. Zaini Bin Omar, a Malaysian aged 68, was appointed as the Chairman of the Company on 10 March 2017. He graduated with a Bachelor of Engineering from James Cook University of North Queensland, Australia and Bachelor of Laws from University of London. He obtained his Professional Engineering status in 1986 and was admitted as an Advocate and Solicitor in 1988. He started as electrical engineer serving from 1975 to 1989. From 1990 to 1994, he was seconded to the Department of Electricity Supply, ending up as the Deputy Director General. From 1995 to 1999, he was the Director General of Department of Civil Aviation ("DCA"). He saw over the construction of the KLIA and he was also responsible for stabilising the DCA which was in turmoil for many years. He also oversaw the growth of the aviation sector.

In year 2000, he returned to JKR as the Deputy Director General 1. In October, the same year, he was promoted to the post of Director General and retired in 2005. He was then appointed as the first Chairman of Suruhanjaya Pengurusan Air Negara, the water regulatory body. He was also appointed as the Head of the Special Unit for Overseas Project at Unit Perancang Ekonomi until 2009.

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 ten years.

Tan Sri Dato' Ir. Hj. Zaini Bin Omar attended two (2) out of seven (7) Board of Directors' Meeting held during the financial year ended 30 September 2017.



MEJAR (K) DATUK WIRA LEE WAH CHONG

Group Managing Director

Mejar (K) Datuk Wira Lee Wah Chong, a Malaysian aged 59, was appointed as the Managing Director of the Company on 18 August 2003. He is also a member of the Remuneration Committee. He graduated with a Diploma in Electronic Engineering from the Federal Institute of Technology in 1982. He continued to enhance his technical knowledge by attending courses on advanced system applications in the United States of America. He is the founder of Digistar Group which started as an audio visual system provider in 1982 which expanded to a total solution provider in design, supply, installation and integration of information technology infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems. As the Managing Director of the Group, Mejar (K) Datuk Wira Lee has been the main driving force of the Group since 1982. His sound technical background and management skills have taken the Group to the forefront of the system integration industry.

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

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 ten years.

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

Mejar (K) Datuk Wira Lee Wah Chong attended all seven (7) Board of Directors' Meeting held during the financial year ended 30 September 2017.

Directors' Profile



DATO' HAJI ISHAK BIN HAJI MOHAMED

Senior Independent Non-Executive Director

Dato' Haji Ishak Bin Haji Mohamed, a Malaysian aged 64, was appointed as an Independent Non-Executive Director of the Company on 27 May 2011. He was also simultaneously appointed as a member of the Audit Committee, Nomination Committee and Remuneration Committee. He graduated from University of Wisconsin USA with a Masters in Public Policy in 1992 and Universiti Sains Malaysia with a Bachelor of Social Science 1983. He last served the Malaysian Immigration Department as the Director of Enforcement and previously held several key positions, namely as Director of Immigration for Perak, Secretary General of the Welfare and Sports Council, Intan and Assistant Principal Director of Public Service Department.

He has no conflict of interest with the Company, and he has no conviction for any offences (except for traffic offences, if any) within past ten years.

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

Dato' Haji Ishak Bin Haji Mohamed attended all seven (7) Board of Directors' Meeting held during the financial year ended 30 September 2017.



THEE KOK CHUAN

Independent Non-Executive Director

Mr Thee Kok Chuan, a Malaysian aged 41, was appointed as an Independent Non-Executive Director of Digistar Corp. Bhd on 26 May 2016. 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 is 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.

He does not have any directorship in other public companies.

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 ten years.

Mr Thee attended seven (7) Board of Directors' Meeting held during the financial year ended 30 September 2017.

Directors' Profile



LEE MELY

Executive Director

Madam Lee Mely, a Malaysian aged 56, 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. She is a Licensed Company Secretary under Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) since 1997. She graduated with a Certificate in Business Studies from Goon Institute, Petaling Jaya in 1981. She served with Hagemeyer Industries (M) Sdn Bhd as an Assistant Accountant for two (2) years. She left Hagemeyer Industries (M) Sdn Bhd in 1986 to join Segabina Sdn Bhd as an Accounts Executive. She was promoted to the position of Administration Manager in 1992, a position she held for six (6) years before being promoted to the position of General Manager.

She does not have any directorship in other public companies.

Her brother, Mejar (K) Datuk Wira Lee Wah Chong, and her niece Ms Lee Jin Jean and her nephew, Mr Lee Chun Sze are members of the Board.

She has no conflict of interest with the Company, and she has no conviction for any offences (except for traffic offences, if any) within past ten years.

Lee Mely attended all seven (7) Board of Directors' Meeting held during the financial year ended 30 September 2017.



LEE JIN JEAN

Executive Director

Ms Lee Jin Jean, a Malaysian aged 30, was appointed as Executive Director on 7 August 2013. She 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.

She does not have any directorship in other public companies.

Her father, Mejar (K) Datuk Wira Lee Wah Chong, and her auntie Madam Lee Mely and her brother, Mr Lee Chun Sze are members of the Board.

She has no conflict of interest with the Company, and she has no conviction for any offences (except for traffic offences, if any) within past ten years

Ms Lee Jin Jean attended six (6) out of seven (7) Board of Directors' Meeting held during the financial year ended 30 September 2017.

Directors' Profile



LEE CHUN SZEN

Executive Director

Mr Lee Chun Szen, a Malaysian aged 26, was appointed as Executive Director of the Company on 10 April 2015. He 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.

He 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.

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 ten years

Mr Lee attended all seven (7) Board of Directors' Meeting held during the financial year ended 30 September 2017.

Profile Of Key Senior Management

KOH YONG KUN

Chief Financial Officer

Koh Yong Kun, male, Malaysian, aged 48 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 56, 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.

Profile Of Key Senior Management

LEE MEY LING

Cost Controller

Lee Mey Ling, female, Malaysian, aged 45, 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 was 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").

PETER TAN PE TEIK

General Manager of Imperial Heritage Hotel Melaka

Peter Tan, male, Malaysian, aged 50, joined Digistar Group on 15 December 2016. He graduated with a Certificate in Food & Beverage Management from The Singapore Hotel & Tourism Education Centre, Singapore in 1991.

He has served in the hospitality industry for the past 27 years starting as a Steward Supervisor in Orchard Hotel Singapore, left in 1994 to join TGI Fridays Inc (Kuala Lumpur/Singapore/Melbourne) as Assistant General Manager. He was the Director of Operations for Paradise Sandy Beach Resort and Hydro Majestic Hotel Penang for eight (8) years before joining Paling Construction to open GoldenBay Hotel Bintulu as the General Manager in 2015.

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 2017".

REVIEW OF PERFORMANCE

The Group recorded revenue of RM63.4 million for financial year 2017, 62% lower than the previous year of RM167.3 million. Our profit before tax at RM6.30 million.

Loss per share ended at 0.30 sen in 2017 as compared to earning per share of 2.71 sen in 2016. The Group shareholder funds for FY2017 improved to RM96 million as compared to RM86 million for FY2016 while the Net Asset Per Share was 16 sen for FY2017 as compared to 17 sen for FY2016.

TAN SRI DATO' IR. HJ. ZAINI BIN OMAR

Independent Non-Executive Chairman

Chairman's Statement

The concession asset continues to be the main revenue for the group, follow by system integration and hospitality.

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 5.2% in Year 2018. 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 their support and commitment.

We would also like to thank, 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 SRI DATO' IR. HJ. ZAINI BIN OMAR

Chairman

16 January 2018

Managing Director's Report



MEJAR (K) DATUK WIRA LEE WAH CHONG

Group Managing Director

The Group continued to focus its existing core business, namely hospitality, security, telecommunication and concession of government asset. The group continues to remain vigilant in its action and proactive in management while operating in a robust and highly competitive business environment. The Group reported a revenue of RM63 million and net profit of RM3 million.

In 2017, the Group launched Panther 911 mobile security services based on existing Panther 911 platform together with leading Telco companies. As safety and security are becoming more receptive to the public, we are confident, security business will further enhance the growth and contribute further to the revenues of the Group's income.

On hospitality business, The Imperial Heritage Hotel in Melaka historical city shall continue to contribute to the growth of the Group's revenue. We target additional 20 to 25% growth in year 2018. We target to add a ballroom with seating capacity of 600 to 800 pax and the biggest children's playground in the city of Melaka.

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 RM12.4 million for FY2017, an increase of 51% as compared to previous year. The average occupancy rate for the period from 1 April to 30 September 2017 is at 75.9%.

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 out 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.

I believe that FY2018 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 FY2017. 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

Group Managing Director
16 January 2018

Management Discussion And Analysis

“This Management Discussion & Analysis [MD & A] of Financial Condition and Results of Operations formally cover from 1 October 2016 to 30 September 2017.”

OVERVIEW OF RESULTS

We are an Investment holding company. Through our subsidiaries, we are principally involved in the system integration i.e. 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.

For the past 5 years, the group diversified into construction, property development, central monitoring system (CMS) and hotel management.

Our Group's revenue and result for the past 5 years up to FY 30 September 2017, 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 RM63.4 million and was mainly generated from concession. For the FY2017, the concession contributed approximated RM29.9 million or 47% of our Group's revenue. The systems integration division contributed RM13.04 million for the Group's revenue which constitute 21% 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 rented out (2) properties to third parties.

Our operations are carried out through our subsidiaries as follows:

- **Digistar Holdings Sdn Bhd**, which is principally involved in design, supply, installation and integration of IT infrastructure, tele-conferencing, LANs, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems, and other related electronic systems;
- **Digistar Rauland 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 in 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 and hotel operator;
- **Matang Makmur Holdings Sdn Bhd**, which is currently principally engaged in the business of investment holding;
- **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;
- **Protecs 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 dormant;
- **Nielsen Ward Sdn Bhd**, which is principally involved in the business of money lender business.

Management Discussion And Analysis

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 customised 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 RM13.04 million and a net loss of RM6.45 million respectively as disclosed in the Group Financial Highlights.

- **Central Monitoring System (CMS)**

The ICT business continues to contribute “consistent recurring income” even though the industry faced more challengers. As part of this recurring income plan, the company would be launching a hi-tech central monitoring system (CMS). The CMS, called Parther 911, are expected to generate long-term recurring income for the company.

Digistar’s CMS offers monitoring services via a comprehensive internet protocol-based platform and hi-tech surveillance system. It can switch to sun 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 in licenced under the Home Affairs Ministry, this CMS can act as a bridge between the police and the public. This division generated revenue of RM4.4 million to the Group and incurred net loss of RM0.37 million.

- **Concession assets**

Our subsidiary, Indera Persada Sdn Bd, has 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 i.e. 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 RM29.9 million to the Group and a net profit of RM9.3 million.

- **Hotel Management – 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 centralised MATV & IPTV systems, WIFI and internet access, 24 hours security systems.

This division generated revenue of RM12.4 million to the Group and incurred net profit of RM2.4 million. In 2018, we are confident to achieve better performance than 2017 with our aggressive marketing effort via e-commerce.

Significant Events And Awards

LAUNCHING OF "PANTHER MOBILE" AND SIGNING CEREMONY BETWEEN DIGISTAR CORPORATION BERHAD AND REACT MOBILE LTD ON 15 MARCH 2017.

Digistar Corporation Berhad ("Digistar" or "Company") officially launch its newly developed and comprehensive security system and services - **"PANTHER MOBILE"**, which is the expansion from the state-of-the-art Panther 911 Central Monitoring Station (CMS) Command Centre on 15 March 2017.

The Agreement signing ceremony and launching was witnessed by Digistar's invited Guests of Honor for the event:

- **YB Datuk Seri Dr Salleh Said Keruak, Malaysian Minister Of Communication & Multimedia**
- **Kamala Shirin Lakhdar, US Ambassador to Malaysia**



'PANTHER MOBILE' is the brainchild of Digistar Corporation Berhad, Group Chief Executive Officer, Mejar (K) Datuk Wira Lee Wah Chong, where we emphasized on affordable security solutions for people from all walks of life, namely the elderlies, children, ladies, families and even for residential areas, retail outlets, factories and etc. It is security **"ON-THE-GO"**.

The Company has spent more than 3 years of research and development with the expertise and technology provider from USA, React Mobile Ltd, a trusted leader in the industry in the United States. Digistar and React Mobile have signed an exclusive partnership for South East Asia market to offer the comprehensive yet affordable security solution for home, business and personal safety.

Back in 2012, Digistar was awarded by The Malaysian Communications & Multimedia Commission (MCMC) with Network Facilities (NFP - Individual License), Network Service (NSP - Individual License) and Content Applications Service (CASP - Individual License) telecommunication and broadcasting license which allows the Company to embark into telecommunication businesses.

Significant Events And Awards



In Malaysia, there are various telecommunication and mobile operators that consume the total market size of approximately 10 million postpaid active subscribers as data source referred from The Malaysian Communications & Multimedia Commission (MCMC). Digistar aims to be the value-added service provider with security solutions that confidently target to capture 3% of the market share with an expected 300,000 customers over a period of 5 years.

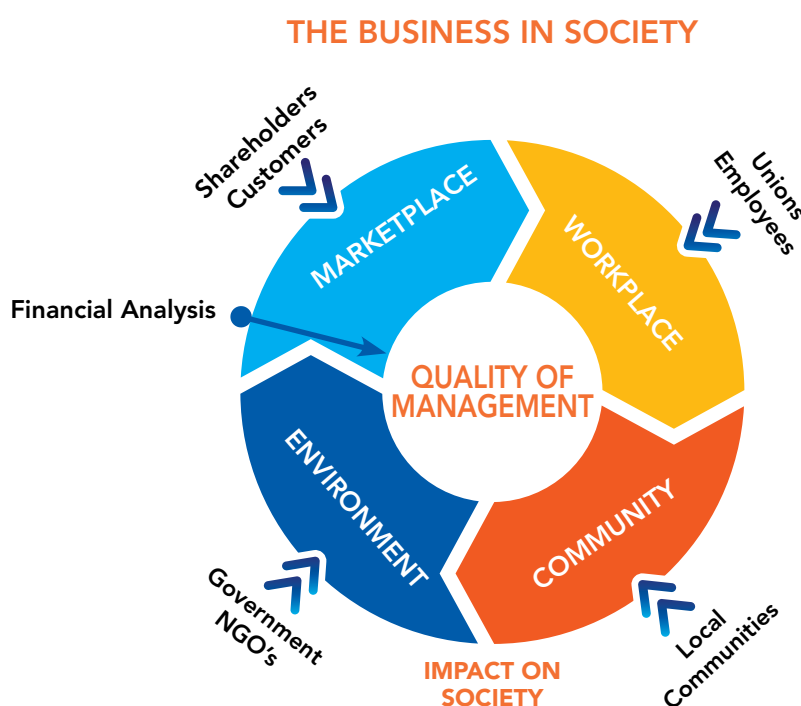
“PANTHER MOBILE” launched its first portable panic button namely “The Sidekick” that comes with mobile smart application that integrates with round the clock Panther 911 CMS Command Centre. The service provides 24 hours SOS response, filtering all false alarms or alerts and immediately escalate incidents to local authorities and Polis Di raja Malaysia (PDRM). The system also tracks the accurate global GPS location of the device and triggers immediate alert upon pressing the panic button during distress situation at anywhere and anytime.

The “Panther Mobile” - Telco & Security 2-in-1 Solutions value propositions are as follows:

- To retain their existing mobile number by having Mobile Number Portability (MNP) to port to CELCOM network with best 3G/4G coverage and best Data Plans.
- To enjoy DIGISTAR value-added security panic button and 24-Hours CMS Monitoring Services that offer security to personal safety, premises (residential) and business (retail and office) security.
- To ride on CELCOM strongest mobile coverage signal and high-speed data (3G/4G) network throughout nationwide.
- To collaborate and leverage on CELCOM nationwide 200 Blue Cube Retail and Dealers Channel to promote and market Panther Mobile Service bundle with CELCOM Postpaid Data Plans on a win-win revenue sharing model.
- To support global network of GPS positioning and able to trigger SOS alerts at anywhere and anytime internationally around the world via global data roaming connecting to DIGISTAR Panther911 CMS Centres.
- To subscribe niche and specialized contents via the web and mobile portal (e.g. Healthcare Contents, Games, Entertainment, IP-TV and etc). As additional revenue generator via contents streaming platform over the cloud portal.

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.

Corporate Social Responsibility

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 overseas 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.

Corporate Social Responsibility

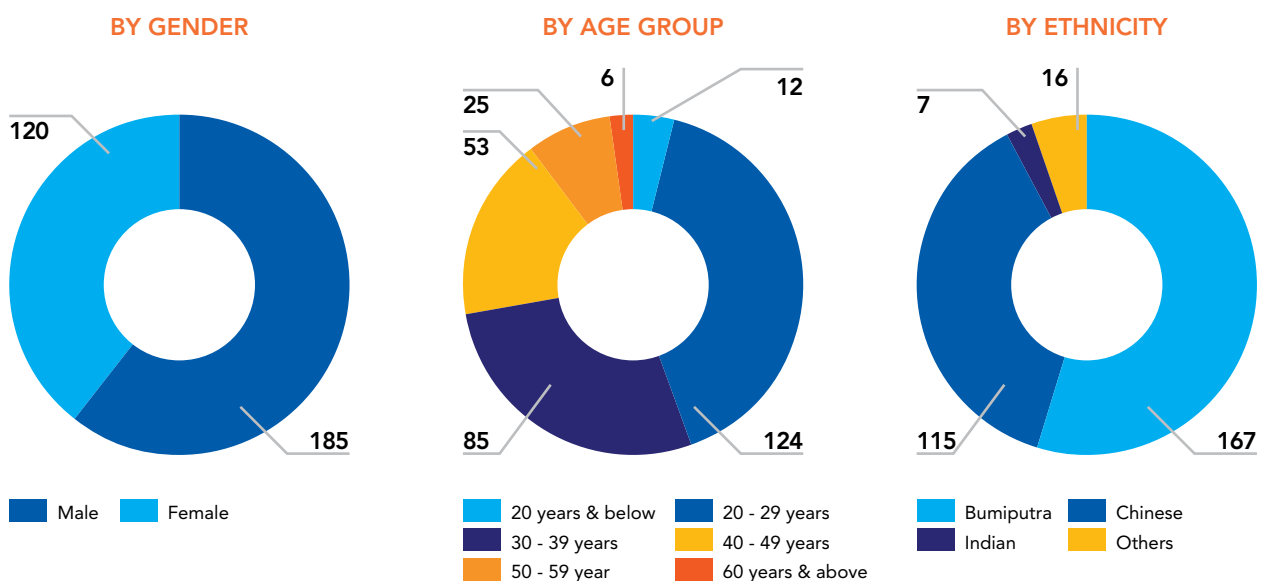


INTERNSHIP PROGRAMME - A LEARNING PATHWAY TO EXCEL IN CAREER AND LIFE EXPERIENCE

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 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 ("DIGISTAR" OR "THE COMPANY") OF ITS OWN ORDINARY SHARES UP TO TEN PER CENT (10%) OF ITS TOTAL NUMBER OF ISSUED SHARES ("PROPOSED SHARE BUY-BACK" OR "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 SHARE BUY-BACK AUTHORITY FOR THE PURCHASE BY DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR THE "COMPANY") OF ITS OWN ORDINARY SHARES ("DIGISTAR SHARE(S)" OR "SHARE(S)") ON THE MAIN MARKET OF BURSA SECURITIES OF UP TO TEN PER CENTUM (10%) OF ITS EXISTING TOTAL NUMBER OF ISSUED SHARES ("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 number of issued shares 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

Based on the audited financial statements for the year ended 30 September 2017, the accumulated losses of the Company stood at RM967,047. Based on the unaudited First Quarter financial results for the period ended 31 December 2017, the accumulated losses of the Company stood at RM302,743.

4. SOURCE OF FUNDS

The funding for the Proposed Share Buy-Back 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 of the Company.

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In the event of the Company decides to utilise external borrowings to finance the Proposed Renewal, there will be a reduction 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 the borrowings used for the Proposed Share Buy-Back, if any. Based on the audited consolidated financial statements of Digistar as at 30 September 2017, the Group has a net cash and cash equivalent balance of approximately RM26,136,451.

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 Share Buy-Back, none of the Directors, Substantial Shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Share Buy-Back 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 29 December 2017 ("LPD") are set out in the tables below together with the effect of the Proposed Share Buy-Back assuming Digistar implements the Proposed Share Buy-Back in full and all the shares so purchased are fully cancelled under the following scenarios:

Minimum Scenario: Assuming that none of the 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:

Name	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of issued 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	59,815,049	9.19	66,019,731	10.14	59,815,049	10.21	66,019,731	11.27
Lee Jin Jean	328,571	0.05	-	-	328,571	0.06	-	-
Lee Chun Szen	328,571	0.05	-	-	328,571	0.06	-	-

Maximum Scenario:

Name	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of issued 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	64,599,030 ^(a)	8.91	79,624,917 ^(b)	10.98	64,599,030 ^(a)	9.90	79,624,917 ^(b)	12.20
Lee Jin Jean	328,571	0.05	-	-	328,571	0.05	-	-
Lee Chun Szen	328,571	0.05	-	-	328,571	0.05	-	-

Notes:

- (i) The Shares purchased and held as treasury shares as at 29 December 2017 is 7,372,808 shares.
- (ii) Assuming that the purchase of Digistar Shares pursuant to the Proposed Share Buy-Back is based on the maximum number of Digistar Shares that may be purchases under the respective scenarios.
- (a) Mejar (K) Datuk Wira Lee Wah Chong holds 4,783,981 Warrants B as at 29 December 2017.
- (b) LWC Capital Sdn Bhd and Datin Wira Wa Siew Yam hold 13,595,019 and 10,167 Warrants B respectively as at 29 December 2017.
- # Deemed interested by virtue of his shareholding in LWC Capital Sdn Bhd pursuant to section 8 of the Companies Act 2016 ("the Act") and the shareholding of his spouse pursuant to Section 59(11)(c) of the Act.

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

Minimum Scenario:

Name	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of issued 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	10.00	-	-	65,098,526	11.11	-	-
Mejar (K) Datuk Wira Lee Wah Chong	59,815,049	9.19	66,019,731	10.14	59,815,049	10.21	66,019,731	11.27

Maximum Scenario:

Name	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of issued 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)	10.85	-	-	78,693,545 ^(a)	12.06	-	-
Mejar (K) Datuk Wira Lee Wah Chong	64,599,030 ^(b)	8.91	79,624,917	10.98	64,599,030 ^(b)	9.90	79,624,917	12.20

Notes:

- (i) The share purchased and held as treasury shares as at 29 December 2017 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 29 December 2017.
- (b) Mejar (K) Datuk Wira Lee Wah Chong holds 4,783,981 Warrant B as at 29 December 2017.
- # Deemed interested by virtue of his shareholding in LWC Capital Sdn Bhd pursuant to section 8 of the Act and the shareholding of his spouse pursuant to Section 59(11)(c) of the Act.

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

Minimum Scenario:

Name	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of issued 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 Hwa Beng	441,000	0.07	-	-	441,000	0.08	-	-
Chua Mooi Hua	-	-	-	-	-	-	-	-
Lee Seng Gak	50	0.00	-	-	50	0.00	-	-
Lee Hwa Yang	4,200	0.00	-	-	4,200	0.00	-	-
Datin Wira Wa Siew Nam	921,205	0.14	-	-	921,205	0.16	-	-

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 Share

Maximum Scenario:

Name	Before Proposed Renewal taking into account the Shares purchased and held as treasury shares ⁽ⁱ⁾				After Proposed Renewal assuming 10% of issued 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 Hwa Beng	761,731	0.11	-	-	761,731	0.12	-	-
Chua Mooi Hua	1,052	0.00	-	-	1,052	0.00	-	-
Lee Seng Gak	50	0.00	-	-	50	0.00	-	-
Lee Hwa Yang	9,290	0.00	-	-	9,290	0.00	-	-
Datin Wira Wa Siew Nam	921,205	0.13	-	-	921,205	0.14	-	-

Notes:

- (i) The share purchased and held as treasury shares as at 29 December 2017 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 29 December 2017.
 - (b) Chua Mooi Hua holds 1,052 Warrants A as at 29 December 2017.
 - (c) Lee Hwa Yang holds 5,090 Warrants A as at 29 December 2017.
 - (d) Datin Wira Wa Siew Yam holds 10,167 Warrants B as at 29 December 2017.

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

For the potential advantages of the Proposed Share Buy-Back to the Company and its shareholders, kindly refer to section 2 of this Statement.

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:

- (a) the Proposed Share Buy-Back will reduce the financial resources of the Digistar and its subsidiaries ("Group") and may result in the Group forgoing 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 Share Buy-Back can only be made out of the retained profits 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 Share Buy-Back will 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.

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In Relation To Proposed Renewal Of Share Buy-Back Authority For The Purchase By Digistar Corporation Berhad Of Its Own Ordinary Share

7. FINANCIAL EFFECTS

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

(a) Share Capital

	Minimum Scenario No. of shares	Maximum Scenario No. of shares
As at 29 December 2017	658,339,134	658,339,134
Upon full exercise of all Outstanding Warrants	-	74,024,334
Proposed Renewal (assuming that all the Digistar Shares purchased are fully cancelled)	658,339,134 *(65,833,913)	732,363,468 *(73,236,346)
Resultant share capital	592,505,221	659,127,122

Note:

* Includes the 7,372,808 Digistar Shares purchased and held as treasury shares as at 29 December 2017.

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 number of issued shares 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 total number of issued shares 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 total number of issued shares 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 effect on the consolidated NA of the Company will depend 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 2017. Barring unforeseen circumstances, the dividends to be declared by Digistar, if any, in respect of the current financial year ending 30 September 2018 would depend on amongst others, the cash availability, retained profits, cash flow position and funding requirements of the Digistar Group.

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 Share

(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 29 December 2017, the collective percentage shareholding of the substantial shareholders of Digistar, LWC Capital Sdn Bhd ("LWC") and parties acting in concert ("PAC") is 21.5%. Based on their collective shareholdings as at 29 December 2017 and assuming LWC and PAC do not acquire any Digistar Shares, the implementation of share buy-back pursuant to the Proposed Renewal will not result in a mandatory offer obligations being triggered by LWC and the PAC.

9. PURCHASE, RESALE, TRANSFER AND CANCELLATION OF TREASURY SHARES IN THE PRECEDING 12 MONTHS

In the preceding 12 months from the LPD, the Company did not purchase any Digistar Shares from the open market or transfer, resale and/or cancel any treasury shares.

10. HISTORICAL SHARE PRICE

The monthly highest and lowest share prices of the Digistar Shares as traded on Main Market of Bursa Securities for the past 12 months from January 2017 to December 2017 are set out below:

	High (RM)	Low (RM)
2017		
January	0.170	0.160
February	0.180	0.175
March	0.205	0.200
April	0.215	0.200
May	0.170	0.170
June	0.170	0.165
July	0.165	0.160
August	0.150	0.145
September	0.150	0.145
October	0.150	0.145
November	0.140	0.135
December	0.130	0.120
Last transacted share price on LPD		0.125

(Source: Malaysiastock.biz)

Statement To The Shareholders

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10. PUBLIC SHAREHOLDING SPREAD

According to Digistar's Record of Depositors as at 29 December 2017 and based on the Substantial Shareholders' filling with the Company as at 29 December 2017, the public shareholding spread of the Company is 78.54%.

Based on the total number of issued shares of the Company as at 29 December 2017 and under the Maximum Scenario as stated in Section 5 above, the public shareholding spread of the Company is expected to be reduced to 78.30%. 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 under Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities 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 ("AGM").

13. OTHER INFORMATION

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

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APPENDIX

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they individually and collectively accept full responsibility for the accuracy of the information given in this Statement and confirm that after having made all reasonable enquiries to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents are available for inspection by shareholders of the Company at Digistar's registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur during normal business hours between Monday and Friday (except public holidays) from the date of this Statement up to and including the date of the AGM:

- (i) Constitution of Digistar;
- (ii) The audited consolidated financial statements of Digistar for the past two (2) financial years ended 30 September 2017; and
- (iii) The unaudited consolidated financial statements of Digistar for the financial period ended 31 December 2017.

Statement Of Corporate Governance

The Board of Directors ("Board") is committed to uphold the high standards of corporate governance within the Group, as it is a fundamental part of discharging its responsibility to protect and enhance shareholders value and the performance of the Group.

This 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 2016 to 30 September 2017 ("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, which also addresses the sustainability of the Group's business;
- overseeing the conduct of the Company 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;
- 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; and
- 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 references as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Statement Of Corporate Governance

(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 followings:

- 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.

Statement Of Corporate Governance

(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 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 Dato' Ir. Hj. Zaini bin Omar 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-to-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.

Statement Of Corporate Governance

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.

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 Dato' Ir. Hj. Zaini Bin Omar - appointed on 10 March 2017 (Independent Non-Executive Chairman);
- Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan - resigned on 10 March 2017 (Independent Non-Executive Chairman);

Members:

- Dato' Haji Ishak Bin Haji Mohamed (Senior Independent Non-Executive Director); and
- Thee Kok Chuan (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.

Statement Of Corporate Governance

Details of the aggregate remuneration of the Directors for the financial year ended 30 September 2017 were as follows:

Remuneration Components	Group		Total 2017	Total 2016
	Executive Directors	Non-Executive Directors		
Fees	-	160,000	160,000	90,000
Salaries	1,879,200	-	1,879,200	2,088,000
Bonuses	-	-	-	-
EPF	225,504	-	225,504	246,384
SOSCO	2,486	-	2,486	2,120
Allowance	79,200	18,000	97,200	115,097
Total	2,186,390	178,000	2,364,390	2,541,601

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	1
RM100,001 to RM500,000	2	-
RM1,400,001 to RM1,450,000	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.

Statement Of Corporate Governance

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-years 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-years independence tenure.

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 preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings 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 seven (7) scheduled Board meetings attended by the Directors as follows:

Directors	Attendance
Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan - resigned on 10 March 2017 (Chairman)	2/5
Tan Sri Dato Ir. Hj. Zaini Bin Omar – appointed on 10 March 2017 (Chairman)	2/2
Mejar (K) Datuk Wira Lee Wah Chong	7/7
Dato Haji Ishak Bin Haji Mohamed	7/7
Lee Mely	7/7
Lee Jin Jean	6/7
Lee Chun Szen	7/7
Thee Kok Chuan	7/7

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.

Statement Of Corporate Governance

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 of 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.

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 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 Boards 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 Dato Ir. Hj. Zaini bin Omar 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 the Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 2016. 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.

Statement Of Corporate Governance

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 highlights 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 43 to 45 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 RM164,900. 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 2017 was RM5,000.

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 2017 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.

Statement Of Corporate Governance

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;
- 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; and
- 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 46 to 48 of this annual report.

In line with the MCG 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.

Statement Of Corporate Governance

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. digistar@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 16 January 2018.

Additional Compliance Information

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

1. UTILISATION OF PROCEEDS

PRIVATE PLACEMENT

There were no proceeds raised from any proposal during 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 2017 or entered into since the end of previous financial year ended 30 September 2016.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, 90,142,485 warrant A exercised their holdings and additional 90,142,485 ordinary shares were issued.

4. AUDIT AND NON-AUDIT FEES

The auditor' remuneration including non-audit fees for the Company and the Group for the financial year ended 30 September 2017 is as follows:

	Group (RM'000)	Company (RM'000)
Audit fees:		
- statutory audit fees	164,900	49,100
- Non-audit fees	67,200	
Total	232,100	49,100

5. 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 34 to the financial statements on page 107.

Audit And Risk Management Committee Report

The Board of Directors of Digistar Corporation Berhad is pleased to present the Audit and Risk Management Committee Report for the financial year ended 30 September 2017. 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.

1. COMPOSITION AND DESIGNATION OF AUDIT AND RISK MANAGEMENT COMMITTEE

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

Chairman

Tan Sri Dato Ir. Hj. Zaini Bin Omar – appointed on 10 March 2017
(Independent Non-Executive Chairman)

Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan – resigned on 10 March 2017
(Independent Non-Executive Chairman)

Members

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

Thee Kok Chuan*
(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 ("ARMC") 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 six (6) Audit and Risk Management Committee Meetings ("AC Meetings") held during the financial year ended 30 September 2017. The details of the attendance are as follows:

Directors	Attendance
Tan Sri Dato' Ir. Hj. Zaini Bin Omar – appointed on 10 March 2017 (Independent Non-Executive Chairman)	2/2
Tan Sri Datuk Mohd Zaman Khan @ Hassan Bin Rahim Khan – resigned on 10 March 2017 (Independent Non-Executive Chairman)	2/4
Dato' Haji Ishak Bin Haji Mohamed (Senior Independent Non-Executive Director)	6/6
Thee Kok Chuan (Independent Non-Executive Director)	6/6

Audit And Risk Management Committee Report

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

During the financial year ended 30 September 2017, the ARMC 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 ARMC, the following activities were carried out by the Audit and Risk Management Committee during the financial year ended 30 September 2017:-

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 2017 proposed by the Finfield Corporate Services Sdn Bhd, 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.

Audit And Risk Management Committee Report

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 2017, 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 pages 46 to 48.

The total cost incurred for the Group's internal audit function in respect of the financial year ended 30 September 2017 was RM27,962 (2016: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, the Board is responsible for the Group's risk management and internal control systems. It should set appropriate policies on internal control and seek assurance that the systems are functioning effectively.

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.

Statement On Risk Management And Internal Control

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.

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

- (1) Central monitoring system
 - Revenue management
 - Accounts receivable
 - Manpower status
 - Confidentiality of information
- (2) Hotel operations
 - Revenue
 - Petty cash
 - Accounts receivable
 - Payments
 - Inventory

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.

Statement On Risk Management And Internal Control

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 16 January 2018.

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 2017 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 2017, 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.

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Directors' Report

For The Financial Year Ended 30 September 2017

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 September 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the year	3,054,975	(435,205)
Owners of the Company	(1,681,978)	
Non-controlling interest	4,736,953	
	3,054,975	

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

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

SHARE OPTIONS

No option was granted to any person to take up unissued shares of the Company during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year:

- (a) the Company increased its issued and paid-up share capital from 509,017,949 ordinary shares to 599,160,434 ordinary shares by way of issuance of 90,142,485 new ordinary shares from the exercise of Warrants 2007/2017 at the exercise price of RM0.13 per share in accordance with the Deed Poll dated 5 December 2006. The shares were issued for a cash consideration.

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

- (b) there was no issuance of debentures by the Company during the financial year.

Directors' Report

For The Financial Year Ended 30 September 2017

TREASURY SHARES

During the financial year, the Company held as treasury shares a total of 7,372,808 of its 599,160,434 issued and fully paid up ordinary shares, at a carrying amount of RM3,248,747. None of the treasury shares held were cancelled or resold during the financial year.

WARRANTS 2007/2017

Warrants 2007/2017 has been expired on 7 February 2017. The salient features of Warrants 2007/2017 as constituted in the Deed Poll dated 5 December 2006 are as follows:-

Terms	Details
Exercise Period	The Warrants shall be exercisable at any time within the period commencing from the date of issue of the Warrants expired on 7 February 2017. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	RM0.13 payable in full upon the exercise of each Warrant.
Exercise Rights	Each Warrant entitles the holder to subscribe for one new ordinary share of RM0.10 each in the Company at the exercise price at any time during the exercise period.
Mode of Exercise	The registered holder of the Warrants shall pay cash for the exercise price when subscribing for the new ordinary shares in the Company.
Listing	Approval in principle from Bursa Malaysia Securities Berhad ("Bursa Securities") was obtained on 8 December 2006 for admission of the Warrants to the official list as well as the listing of the new ordinary shares arising from the exercise of the Warrants.
Board Lots	The Warrants are tradable upon listing on Bursa Securities in board lots of 100 warrants carrying the right to subscribe for 100 new ordinary shares of the Company.
Ranking of the new ordinary shares to be issued pursuant to the exercise of the warrants	The new ordinary shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the issued and paid-up ordinary shares of the Company, save and except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date/books closure date of which precedes the date of allotment of the new ordinary shares to be issued pursuant to the exercise of the Warrants.

90,142,485 of the Warrants 2007/2017 in issue were exercised during the financial year.

Directors' Report

For The Financial Year Ended 30 September 2017

WARRANTS 2013/2023

At the end of the reporting period, the Company had 74,024,334 Warrants 2013/2023 in issue. The salient features of Warrants 2013/2023 as constituted in the Deed Poll dated 4 March 2013 are as follows:

Terms	Details
Exercise Period	The Warrants shall be exercisable at any time within the period commencing from the date of issue of the Warrants and will be expiring on 4 April 2023. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	RM0.26 payable in full upon the exercise of each Warrant.
Exercise Rights	Each Warrant entitles the holder to subscribe for one new ordinary share of RM0.10 each in the Company at the exercise price at any time during the exercise period.
Mode of Exercise	The registered holder of the Warrants shall pay cash for the exercise price when subscribing for the new ordinary shares in the Company.
Listing	Approval in principle from Bursa Securities was obtained on 11 April 2013 for admission of the Warrants to the official list as well as the listing of the new ordinary shares arising from the exercise of the Warrants.
Board Lots	The Warrants are tradable upon listing on Bursa Securities in board lots of 100 warrants carrying the right to subscribe for 100 new ordinary shares of the Company.
Ranking of the new ordinary shares to be issued pursuant to the exercise of the warrants	The new ordinary shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the issued and paid-up ordinary shares of the Company, save and except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date/books closure date of which precedes the date of allotment of the new ordinary shares to be issued pursuant to the exercise of the Warrants.

None of the Warrants 2013/2023 in issue was exercised during the financial year.

SUBSIDIARIES

Details of the subsidiaries are set out in note 3 to the financial statements.

There is no qualified auditors' report on the financial statements of the subsidiaries for the financial year in which this report is made.

As at the end of the financial year, the subsidiaries did not hold any shares in the holding company or in other related corporations.

Directors' Report

For The Financial Year Ended 30 September 2017

DIRECTORS

The directors in office since the date of the last report are:

Mejar (K) Datuk Wira Lee Wah Chong

Dato' Haji Ishak Bin Haji Mohamed

Lee Mely

Lee Jin Jean

Lee Chun Szen

Thee Kok Chuan

Tan Sri Dato' Ir Haji Zaini Bin Omar (*Appointed on 10 March 2017*)

Tan Sri Datuk Mohd Zaman Khan @ Hassan B Rahim Khan (*Resigned on 10 March 2017*)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1-10-2016	Bought	Sold	At 30-9-2017
Direct interests				
Mejar (K) Datuk Wira Lee Wah Chong	48,694,549	10,220,500	-	58,915,049
Lee Jin Jean	328,571	-	-	328,571
Lee Chun Szen	328,571	-	-	328,571
Indirect Interest				
Mejar (K) Datuk Wira Lee Wah Chong *	67,519,731	-	(1,500,000)	66,019,731

	Number of Warrants 2013/2023			
	At 1-10-2016	Alloted	Sold	At 30-9-2017
Direct interests				
Mejar (K) Datuk Wira Lee Wah Chong	4,783,981	-	-	4,783,981
Indirect Interest				
Mejar (K) Datuk Wira Lee Wah Chong *	13,605,186	-	-	13,605,186

* Deemed interested by virtue of his shareholding in LWC Capital Sdn Bhd and his spouse shareholding.

By virtue of the above directors' interests in shares of the Company, they are deemed to be interested in shares in all the subsidiaries to the extent the Company has an interest.

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

Directors' Report

For The Financial Year Ended 30 September 2017

DIRECTORS' BENEFITS

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

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

The details of the other benefits and remuneration of the directors are set out in note 34 to the financial statements.

OTHER INFORMATION

- (a) Before financial statements were made out, the directors took reasonable steps:
 - (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the allowance for doubtful debts of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability which has arisen in the Group or in the Company since the end of the financial year.
- (d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.
- (e) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Directors' Report

For The Financial Year Ended 30 September 2017

(f) In the opinion of the directors:

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

Auditors' remuneration is set out note 29 to the financial statements.

The auditors, Mazars PLT, Chartered Accountants, have expressed their willingness to accept re-appointment.

APPROVAL OF THE DIRECTORS' REPORT

This report is approved by the board of directors, and signed on behalf of the board of directors in accordance with a directors' resolution.

MEJAR (K) DATUK WIRA LEE WAH CHONG

Managing Director

LEE MELY

Executive Director

Kuala Lumpur

Independent Auditors' Report

To The Members Of Digistar Corporation Berhad (Incorporated In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Digistar Corporation Berhad, which comprise the statements of financial position as at 30 September 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 121.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Revenue recognition for contract revenue

The risk:

For the year ended 30 September 2017, the Group's revenue from contract revenue is RM13,038,661.

The Group's recognition of revenue from contracts is largely dependent on estimated contract revenue, estimated total contract costs as well as the estimated stage of completion of each project.

The stage of completion is determined based on the proportion of contract costs incurred for work performed to-date compared to the estimated total contract costs.

There is a risk that the estimated revenue, costs or margins may be different from actuals, resulting in material variance in the amount of revenue and/or profit recognised in the current period.

Independent Auditors' Report

To The Members Of Digistar Corporation Berhad (Incorporated In Malaysia)

Our response:

Our audit procedures included the following:

- (i) We assessed the reasonableness of management's key assumptions used in deriving at the estimates, and where possible compared them to historical evidence or results and retrospective review of the estimates.
- (ii) Tested the calculation of stage of completion including testing the costs incurred and recorded for occurrence and accuracy, and reperforming the percentage of completion calculations.
- (iii) Enquired key personnel regarding variances, if any, to the estimated revenue or costs in respect of ongoing or completed projects.

(b) Impairment of loans and receivables

As at 30 September 2017, the carrying amount of the Group's and the Company's trade and other receivables were RM215,790,886 and RM62,594 respectively. The collectability of these receivables is assessed on an ongoing basis. We have identified this to be a key audit matter as it requires management to make significant judgement in the assessment of realisation of these receivables based on their creditworthiness and past collection history.

Our response:

To address the risk identified, for those outstanding balance which are past due but not impaired, we checked collections received after year end, and for uncollected amount we challenged management's assessment on the recoverability. We have also assessed customer's ageing profile by checking the accuracy of aging bands.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report

To The Members Of Digistar Corporation Berhad (Incorporated In Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report

To The Members Of Digistar Corporation Berhad (Incorporated In Malaysia)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements of the Group and of the Company for the year ended 30 September 2016 were audited by another auditors whom have expressed an unmodified opinion on those statements on 18 January 2017.

MAZARS PLT
LLP0010622-LCA
AF 001954
Chartered Accountants

CHONG FAH YOW
03004/07/2018 J
Chartered Accountant

Kuala Lumpur

Statements Of Financial Position

At 30 September 2017

	Note	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
NON-CURRENT ASSETS					
Investments in subsidiaries	3	-	-	35,140,331	35,140,331
Investment in an associate	4	144,424	288,848	-	-
Property, plant and equipment	5	8,157,660	9,441,671	-	-
Investment properties	6	19,710,457	19,352,659	-	-
Intangible asset	7	2,470,976	3,253,007	-	-
Trade receivables	8	172,540,345	177,621,979	-	-
Deferred tax assets	9	-	313,000	-	-
		203,023,862	210,271,164	35,140,331	35,140,331
CURRENT ASSETS					
Inventories held for resale	10	62,769,815	63,870,936	-	-
Trade receivables	8	37,718,956	60,229,954	-	-
Other receivables, deposits and prepayments	11	7,419,379	15,097,822	89,937	61,504
Amounts owing by contract customers	12	4,201,504	864,151	-	-
Amounts owing by subsidiaries	13	-	-	99,048,916	225,751,390
Amount owing by an associate	14	966,221	2,068,221	-	-
Current tax assets		1,612,968	1,215,068	109,300	109,300
Fixed deposits with licensed banks	15	73,406,616	25,792,808	-	-
Cash and bank balances		5,024,962	44,100,760	269,819	359,923
		193,120,421	213,239,720	99,517,972	226,282,117
TOTAL ASSETS		396,144,283	423,510,884	134,658,303	261,422,448

The accompanying notes form an integral part of the financial statements

Statements Of Financial Position

At 30 September 2017

	Note	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
EQUITY					
Share capital	16	94,244,093	50,901,795	94,244,093	50,901,795
Treasury shares	17	(3,248,747)	(3,248,747)	(3,248,747)	(3,248,747)
Reserves	18	5,037,440	38,343,152	12,572,714	44,631,653
Capital and reserves attributable to equity holders of the Company		96,032,786	85,996,200	103,568,060	92,284,701
Non-controlling interests		(17,029,442)	(21,766,395)	-	-
TOTAL EQUITY		79,003,344	64,229,805	103,568,060	92,284,701
NON-CURRENT LIABILITIES					
Hire purchase liabilities	19	738,632	1,078,277	-	-
Bonds	20	214,399,715	270,938,893	-	-
Term loan	21	3,848,332	17,582,447	-	-
Deferred tax liabilities	9	3,362,599	1,600,139	-	-
		222,349,278	291,199,756	-	-
CURRENT LIABILITIES					
Trade payables	22	13,575,694	34,348,641	-	-
Other payables, deposits received and accruals	23	13,667,524	12,985,267	90,186	124,611
Amounts owing to contract customers	12	471,067	2,230,565	-	-
Amounts owing to subsidiaries	13	-	-	31,000,057	168,999,783
Amount owing to a related party	24	-	13,353	-	13,353
Amount owing to a director	25	142,200	142,200	-	-
Current tax liabilities		815,870	1,482,959	-	-
Hire purchase payables	19	514,130	602,281	-	-
Bonds	20	60,000,000	-	-	-
Term loan	21	151,071	169,091	-	-
Bankers' acceptances	26	1,644,000	5,758,000	-	-
Bank overdrafts	27	3,810,105	10,348,966	-	-
		94,791,661	68,081,323	31,090,243	169,137,747
TOTAL LIABILITIES		317,140,939	359,281,079	31,090,243	169,137,747
TOTAL EQUITY AND LIABILITIES		396,144,283	423,510,884	134,658,303	261,422,448
NET ASSETS PER ORDINARY SHARE		16 sen	17 sen		

The accompanying notes form an integral part of the financial statements

Statements Of Profit Or Loss And Other Comprehensive Income

For The Financial Year Ended 30 September 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
REVENUE	28	63,428,306	167,269,320	-	-
COST OF SALES		(12,464,731)	(112,512,398)	-	-
GROSS PROFIT		50,963,575	54,756,922	-	-
OTHER INCOME		4,603,992	6,290,197	-	-
SELLING AND MARKETING EXPENSES		(1,342,125)	(1,977,298)	-	-
ADMINISTRATIVE EXPENSES		(19,704,322)	(23,107,214)	(435,205)	(442,763)
OTHER EXPENSES		(8,955,834)	(8,160,375)	-	-
FINANCE COSTS		(19,117,087)	(18,302,272)	-	(259)
		6,448,199	9,499,960	(435,205)	(443,022)
SHARE OF RESULT IN ASSOCIATE		(144,424)	(371,171)	-	-
PROFIT/(LOSS) BEFORE TAX	29	6,303,775	9,128,789	(435,205)	(443,022)
INCOME TAX EXPENSE	30	(3,248,800)	(2,677,729)	-	-
PROFIT/(LOSS) FOR THE YEAR		3,054,975	6,451,060	(435,205)	(443,022)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		3,054,975	6,451,060	(435,205)	(443,022)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO :					
Owners of the Company		(1,681,978)	13,012,355	(435,205)	(443,022)
Non-controlling interests		4,736,953	(6,561,295)	-	-
		3,054,975	6,451,060	(435,205)	(443,022)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO :					
Owners of the Company		(1,681,978)	13,012,355	(435,205)	(443,022)
Non-controlling interests		4,736,953	(6,561,295)	-	-
		3,054,975	6,451,060	(435,205)	(443,022)
(LOSS)/EARNINGS PER ORDINARY SHARE					
- Basic	31	(0.30) sen	2.71 sen		
- Diluted	31	(0.30) sen	2.57 sen		

The accompanying notes form an integral part of the financial statements

Statement Of Changes In Equity

For The Financial Year Ended 30 September 2017

Group	Note	<----- Non-distributable reserve ----->					Distributable reserve		Total equity
		Share capital	Share premium	Warrant reserve	Treasury shares	(Accumulated losses)/ Retained profits	Total	Non-controlling interests	
		RM	RM	RM	RM	RM	RM	RM	RM
At 1 October 2015		46,341,282	29,225,123	6,507,304	(3,248,747)	(12,488,838)	66,336,124	(15,013,686)	51,322,438
- Issuance of shares	16 & 18(a)	4,560,400	1,960,972	-	-	-	6,521,372	-	6,521,372
- Issuance of shares upon exercise of warrants	16 & 18(a)	113	44	(10)	-	-	147	-	147
- Share issuance expenses	18(a)	-	(65,212)	-	-	-	(65,212)	-	(65,212)
- Acquisition of additional shares in a subsidiary resulting in changed in stake	3	-	-	-	-	191,414	191,414	(191,414)	-
Total comprehensive income/ (loss) for the year		-	-	-	-	13,012,355	13,012,355	(6,561,295)	6,451,060
At 30 September 2016		50,901,795	31,120,927	6,507,294	(3,248,747)	714,931	85,996,200	(21,766,395)	64,229,805
- Issuance of shares upon exercise of warrants	16 & 18(a)	10,403,045	1,711,753	(396,234)	-	-	11,718,564	-	11,718,564
- Transfer pursuant to Companies Act 2016	18(a)	32,832,680	(32,832,680)	-	-	-	-	-	-
- Transfer to share capital upon expiry of warrant reserve		106,573	-	(106,573)	-	-	-	-	-
Total comprehensive (loss)/ income for the year		-	-	-	-	(1,681,978)	(1,681,978)	4,736,953	3,054,975
At 30 September 2017		94,244,093	-	6,004,487	(3,248,747)	(967,047)	96,032,786	(17,029,442)	79,003,344

The accompanying notes form an integral part of the financial statements

Statement Of Changes In Equity

For The Financial Year Ended 30 September 2017

Company	Note	Share capital RM	Share premium RM	Warrant reserve RM	Treasury shares RM	Distributable reserve Retained profits RM	Total RM
At 1 October 2015		46,341,282	29,225,123	6,507,304	(3,248,747)	7,446,454	86,271,416
- Issuance of shares	16 & 18(a)	4,560,400	1,960,972	-	-	-	6,521,372
- Issuance of shares upon exercise of warrants	16 & 18(a)	113	44	(10)	-	-	147
- Share issuance expenses	18(a)	-	(65,212)	-	-	-	(65,212)
Total comprehensive loss for the year		-	-	-	-	(443,022)	(443,022)
At 30 September 2016		50,901,795	31,120,927	6,507,294	(3,248,747)	7,003,432	92,284,701
- Issuance of shares upon exercise of warrants	16 & 18(a)	10,403,045	1,711,753	(396,234)	-	-	11,718,564
- Transfer pursuant to Companies Act 2016	18(a)	32,832,680	(32,832,680)	-	-	-	-
- Transfer to share capital upon expiry of warrants		106,573	-	(106,573)	-	-	-
Total comprehensive loss for the year		-	-	-	-	(435,205)	(435,205)
At 30 September 2017		94,244,093	-	6,004,487	(3,248,747)	6,568,227	103,568,060

The accompanying notes form an integral part of the financial statements

Statements Of Cash Flows

For The Financial Year Ended 30 September 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	6,303,775	9,128,789	(435,205)	(443,022)
Adjustments for:				
Amortisation of deferred payment	3,460,822	2,276,544	-	-
Amortisation of intangible asset	357,267	454,881	-	-
Amortisation of investment properties	188,031	172,397	-	-
Depreciation of property, plant and equipment	2,233,444	2,042,157	-	-
Allowance for doubtful debts	5,219,709	3,920,592	-	-
Allowance for doubtful debts no longer required	(1,078,390)	(3,332,898)	-	-
Bad debts written off	170,348	-	-	-
Bad debts recovered	(57,120)	-	-	-
Interest expense	15,618,534	15,658,709	-	-
Intangible assets written off	424,764	312,607	-	-
Property, plant and equipment written off	4,694	64,555	-	-
Accretion of receivables	-	(12,607)	-	-
Unrealised (gain)/loss on foreign exchange	(122,292)	270,005	-	-
Gain on disposal of property, plant and equipment	(52,666)	(210,079)	-	-
Interest income	(2,315,795)	(2,352,910)	-	-
Interest income on concession assets	(25,188,796)	-	-	-
Share of results from an associate	144,424	371,171	-	-
Operating profit/(loss) before working capital changes	5,310,753	28,763,913	(435,205)	(443,022)
Changes in inventories	442,621	(5,806,062)	-	-
Changes in amount owing to contract customers	(5,096,851)	115,291,894	-	-
Changes in receivables	56,242,861	(219,967,038)	(28,433)	17,806
Changes in payables	(20,005,935)	(705,914)	(34,425)	19,789
Cash generated from/(used in) operations	36,893,449	(82,423,207)	(498,063)	(405,427)
Tax paid	(2,238,329)	(1,112,146)	-	-
Net cash generated from/(used in) operating activities	34,655,120	(83,535,353)	(498,063)	(405,427)

The accompanying notes form an integral part of the financial statements

Statements Of Cash Flows

For The Financial Year Ended 30 September 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Subscription of additional investment in a subsidiary	-	-	-	(249,998)
Interest received	2,315,795	2,352,910	-	-
Purchase of investment properties (note 33)	-	(4,501,809)	-	-
Purchase of property, plant and equipment (note 33)	(385,027)	(1,303,019)	-	-
Proceeds from disposal of property, plant and equipment	137,737	212,924	-	-
Repayment from subsidiaries	-	-	126,702,474	-
Repayment from/(Advances to) associate	1,102,000	(400,000)	-	(36,676,551)
Changing of surplus funds placed in fixed deposits with licensed banks	(23,773,571)	10,057,147	-	-
Net withdrawal of fixed deposit pledged with licensed bank	1,081,357	16,554,941	-	-
Net cash (used in)/generated from investing activities	(19,521,709)	22,973,094	126,702,474	(36,926,549)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	-	6,521,372	-	6,521,372
Repayment of term loans	(13,752,135)	(513,020)	-	-
Repayment of hire purchase obligations	(969,296)	(419,893)	-	-
(Repayment)/Drawdown of banker acceptance	(4,114,000)	5,758,000	-	-
Interest paid	(15,618,534)	(9,658,709)	-	-
(Repayment to)/Advances from subsidiaries	-	-	(137,999,726)	30,764,443
Advances from a director	-	142,200	-	-
Repayment to a related party	(13,353)	-	(13,353)	(13,353)
Share issuance expenses	-	(65,212)	-	(65,212)
Proceeds from issuance of shares upon exercise of warrant	11,718,564	147	11,718,564	4,047
Net cash (used in)/generated from financing activities	(22,748,754)	1,764,885	(126,294,515)	37,211,297
NET CHANGES IN CASH AND CASH EQUIVALENTS	(7,615,343)	(58,797,374)	(90,104)	(120,679)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	33,751,794	92,549,168	359,923	480,602
CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 32)	26,136,451	33,751,794	269,819	359,923

The accompanying notes form an integral part of the financial statements

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

1. CORPORATE INFORMATION

Digistar Corporation Berhad (the "Company") is a public limited liability company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are disclosed in page 2.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") and the requirements of the Companies Act 2016 in Malaysia.

The measurement bases applied in the preparation of the financial statements include historical cost, recoverable value, realisable value and fair value. Estimates are used in measuring these values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value measurements are categorised as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable inputs for the asset or liability.

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

(b) Application of new or revised standards

In current year, the Group and the Company have applied a number of new standards, amendments and interpretations that become effective mandatorily for the financial periods beginning on or after 1 October 2016.

The adoption of the new and revised standards, amendments and/or interpretations does not have significant impact on the financial statements of the Group and of the Company.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Standards issued that are not yet effective

The Group and the Company have not applied the following Amendments to FRSs that have been issued by the MASB and relevant to their operations but are not yet effective:

		Effective Date
Amendments to FRS 107	Disclosure Initiative	1 January 2017
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 12	Annual Improvements to FRS Standards 2014-2016 Cycle	1 January 2017

The above Amendments to FRSs are not expected to have any significant financial impact on the financial statements of the Group and the Company.

Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued a new approved accounting framework, i.e. Malaysian Financial Reporting Standards ("MFRS"). MFRS is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of *MFRS 141 Agriculture* and/or *IC Interpretation 15 Agreements for Construction of Real Estate*, including the entities' parent, significant investor and venturer (referred to as "Transitioning Entities" collectively). Transitioning Entities are allowed to defer adoption of MFRS, and continue to use the existing FRS framework until the MFRS framework is mandated by the MASB. The Group falls within the definition of Transitioning Entities and has opted to defer adoption of MFRS.

According to an announcement made by the MASB on 28 October 2015, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group will adopt the MFRS framework and will prepare its first set of MFRS financial statements for the financial year ending 30 September 2019. In presenting its first set of MFRS financial statements, the Group will quantify the financial effects arising from the differences between MFRS and the currently applied FRS. The majority of the adjustments required on transition are expected to be made, retrospectively, against opening retained earnings of the Group. Accordingly, the financial performance and financial position of the Group as presented in these financial statements for the year ended 30 September 2017 could be different if prepared in accordance with MFRS.

The Group and the Company will apply the following new standards, amendments and interpretations that have been issued by the MASB upon adoption of MFRS framework.

		Effective Date
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 1 and MFRS 128	Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Standards issued that are not yet effective (Cont'd)

Malaysian Financial Reporting Standards (Cont'd)

		Effective Date
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128	Long Term Interests in Associates and Joint Ventures	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by the MASB

Except as otherwise indicated below, the adoption of the above new standards, amendments and interpretations are not expected to have significant impact on the financial statements of the Group and of the Company.

MFRS 9, Financial Instruments

MFRS 9 addresses the classification, recognition, derecognition, measurement and impairment of financial assets and financial liabilities, as well as general hedge accounting. It replaces MFRS 139. MFRS 9 requires financial assets to be classified into two measurement categories, i.e. at fair value and at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to changes in an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. MFRS 9 contains a new impairment model based on expected losses (as opposed to the 'incurred loss' model under MFRS 139), i.e. a loss event need not occur before an impairment loss is recognised, which will result in earlier recognition of losses.

The Group and the Company are currently assessing the impact to the financial statements upon adopting MFRS 9, and intend to adopt MFRS 9 on the mandatory effective date.

MFRS 15, Revenue from Contracts with Customers

MFRS 15 introduces a new model for revenue recognition arising from contracts with customers. MFRS 15 will replace MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for the Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 31 Revenue - Barter Transactions Involving Advertising Services. The application of MFRS 15 may result in difference in timing of revenue recognition as compared with current accounting policies.

The Group is currently assessing the impact to the financial statements upon adopting MFRS 15, and will adopt MFRS 15 on the mandatory effective date.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Standards issued that are not yet effective (Cont'd)

Malaysian Financial Reporting Standards (Cont'd)

MFRS 16, Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases but not operating leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position, and recording of certain leases as off-balance sheet leases will no longer be allowed except for some limited exemptions. For a lessee that has material operating leases, the application of MFRS 16 may result in significant increase in assets and liabilities reported on its statement of financial position as compared with MFRS 117.

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is currently assessing the impact to the financial statements upon adopting MFRS 16, and will adopt MFRS 16 on the mandatory effective date.

(d) Significant accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the reporting date, and reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors, including expectations for future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Critical judgement made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed certain criteria based on FRS 140 Investment Property in making that judgement.

In making its judgement, the Group considers whether a property generates cash flow largely independently of other assets held by the Group. Owner-occupied property generates cash flows that are attributable not only to the properties, but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods and services or for administrative purposes.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Significant accounting judgements and estimates (Cont'd)

Critical judgement made in applying accounting policies (Cont'd)

If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately.

If the portions could not be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods and services or for administrative purposes.

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

Classification of concession assets

The Group entered into concession agreement with the grantor under a private finance initiative for the right and authority to undertake the design, develop, construct and complete the facilities and infrastructure for JKR Training Institute and to carry out the maintenance works in relation for the maintenance of the facilities and infrastructure.

Under these arrangements, JKR will pay the Group throughout the concession period the availability charges for the availability of the facilities and infrastructure and maintenance charges for the provision of maintenance works in accordance with the provision of the concession agreements. These amounts receivable are accounted for using the financial assets model.

Revenue recognition in relation to concession arrangement

Interest income resulting from the accretion of discount on concession asset using the effective interest method is described in note 2(t).

Significant judgement is required in determining the profit margin used in estimating the relative fair value of various services provided in concession agreements. In making these judgements, management evaluates by marking reference to the current condition and operating environment of companies in the similar industry in Malaysia.

Recognition of revenue from contracts

The Group recognises contract revenue based on the percentage of completion method. The stage of completion of the contracts is measured in accordance with the accounting policies set out in note 2(m) below.

Significant judgement is required in determining the percentage of completion, the extent of the contract costs incurred, the estimated total revenue and total costs and the recoverability of the contract. In making these judgements, management relies on past experience and the work of specialists.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Significant accounting judgements and estimates (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources associated with estimation uncertainty at each reporting date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for doubtful debts

The collectibility of receivables is assessed on an ongoing basis. An allowance for doubtful debt is made for any account considered to be doubtful for collection.

The allowance for doubtful debts is made based on a review of all outstanding accounts at the reporting date. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Depreciation and impairment of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at each reporting date. Changes in the expected useful lives of property, plant and equipment could impact future depreciation charges.

Property, plant and equipment are assessed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, an estimation of the recoverable amount is required. Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the property, plant and equipment or the related cash generating unit.

Impairment of investments in subsidiaries and associate

Investments in subsidiaries and associate are assessed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, an estimation of their recoverable amount is required.

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the subsidiaries and associate and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of all its subsidiaries and entities controlled by the Company (including structured entities) made up to the end of the financial year.

The Company controls an investee if and only if the Company has all the following:

- (i) power over the investee;
- (ii) exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect the amount of the investor's returns.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Basis of consolidation (Cont'd)

Potential voting rights are considered when assessing control only if the rights are substantive.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of an investee shall begin from the date the Company obtains control of the investee and cease when the investor loses control of the investee.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

The Company attributes the profit or loss and each component of other comprehensive income to the owners of the Company and to the non-controlling interests. The Company also attributes total comprehensive income to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes of interests in subsidiaries

The changes of interests in subsidiaries that do not result in a loss of control are treated as equity transactions between the Group and non-controlling interest holders. Any gain or loss arising from equity transactions is recognised directly in equity.

Loss of control

When the Company loses control of a subsidiary:

- (i) It derecognises the assets and liabilities, non-controlling interests, and other amounts previously recognised in other comprehensive income relating to the former subsidiary.
- (ii) It recognises any gain or loss in profit or loss attributable to the Group, which is calculated as the difference between (i) the aggregate of the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control; plus any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the net carrying amount of assets, liabilities, goodwill and any non-controlling interests attributable to the former subsidiary at the date when control is lost.
- (iii) It recognises any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant FRS. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with FRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are measured at cost less impairment losses, if any. Impairment losses are charged to profit or loss.

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

(g) Investment in associate

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associate.

The Group's share of net profit or loss and changes recognised directly in the other comprehensive income of the associate is recognised in the consolidated income statement and consolidated statement of comprehensive income, respectively.

An investment in an associate is accounted for using the equity method from the date on which the Group obtains significant influence until the date the Group ceases to have a significant influence over the associate.

Premium relating to an associate is included in the carrying value of the investment and it is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment.

Discount on acquisition is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Unrealised gains or losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

Equity accounting is discontinued when the carrying amount of the investment in an associate diminishes by virtue of losses to zero, unless the Group has legal or constructive obligations or made payments on behalf of the associate.

The results and reserves of associate are accounted for in the consolidated financial statements based on financial statements made up to the end of the financial year and prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate is recognised at fair value on the date when significant influence is lost. Any gain or loss arising from the loss of significant influence over an associate is recognised in profit or loss.

When changes in the Group's interests in an associate that do not result in a loss of significant influence, the retained interests in the associate are not remeasured. Any gain or loss arising from the changes in the Group's interests in the associate is recognised in profit or loss.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment in associate (Cont'd)

In the Company's separate financial statements, investment in associate is measured at cost less impairment losses, if any. Impairment losses are recognised in profit or loss.

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

(h) Concession assets

The Group has concession arrangements with the Government of Malaysia (the "grantor") to design, develop, construct and complete the facilities and infrastructure for Jabatan Kerja Raya ("JKR") Training Institute ("concession asset") and to carry out the asset management services for a concession period of 18 years and transfer the concession asset to the grantor at the end of concession period.

The Group accounts for its concession arrangements under the financial assets model as the Group has an unconditional right to receive cash or another financial asset from or at the discretion of the grantor for the construction services. The consideration received and receivable is allocated by reference to the relative fair values of the various services delivered, when the amounts are separately identified. The allocation is performed by reference to the fair value of the services provided even if the contract stipulates individual prices for certain services. This is because, the amounts specified in the contracts may not necessarily be representative of the fair values of the services provided or the price that would be charged if the services were sold on a standalone basis. The Group estimates the relative fair values of the services by reference to the costs or providing each service plus a reasonable profit margin.

In the financial assets model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method.

Any asset carried under concession arrangements is derecognised when the contractual rights to the financial asset expires.

(i) Property, plant and equipment

(i) Measurement basis

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

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of an asset. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is contracted as a consequence of acquiring or using the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property, plant and equipment (Cont'd)

(ii) Depreciation

Capital work-in-progress is not depreciated.

Depreciation is calculated to write off the depreciable amount of other property, plant and equipment on a straight-line basis over their estimated useful lives. The depreciable amount is determined after deducting residual value from cost.

The principal annual rates used for this purpose are:-

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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

(j) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

(i) Measurement basis

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Investment properties (Cont'd)

(ii) Depreciation

Freehold land is not depreciated.

Depreciation is calculated to write off the depreciable amount of investment properties on a straight line basis over their estimated useful lives. Depreciable amount of an investment property is determined after deducting the residual value from the cost amount of the investment property.

The principal annual rates used for this purpose are:

Leasehold land	Over the lease period
Buildings	2%
Car park	2%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

(k) Intangible assets

The Group's intangible assets which are acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives of 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful life are reviewed at least at each reporting date.

(l) Impairment of non-financial assets

Tangible and intangible assets are assessed at each reporting date to determine whether there is any indication of impairment.

If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Any reversal of an impairment loss as a result of a subsequent increase in recoverable amount should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Construction contracts

The Group's construction contracts are all fixed price contracts and where their outcome can be reasonably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion that costs incurred to-date bear to estimated total costs, and for this purpose, only those costs that reflect actual contract work performed are included as costs incurred.

When the outcome of a construction contract cannot be reasonably estimated, revenue is recognised only to the extent of contract costs incurred that are expected to be recoverable. At the same time, all contract costs incurred are recognised as an expense in the period in which they are incurred.

Costs that relate directly to a contract and which are incurred in securing the contract are also included as part of contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

Where it is probable that the total costs will exceed total revenue, the foreseeable loss is immediately recognised in the profit or loss irrespective of whether contract work has commenced or not, or the stage of completion of contract activity, or the amounts of profits expected to arise on other unrelated contracts.

On the statement of financial position, contracts work-in-progress are reflected either as amounts due from or due to contract customers, where an amount due from contract customers is the surplus of (i) costs incurred plus profits recognised under the percentage of completion method over (ii) recognised foreseeable losses plus progress billings. An amount due to contract customers is the surplus of (ii) over (i).

(n) Inventories held for resale

Inventories held for resale are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis or the weighted average basis, depending on the nature of inventories.

Net realisable value represents the estimated selling price in the ordinary course of business, less selling and distribution costs and all other estimated cost to completion.

(o) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

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

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments ("HTM"), available-for-sale financial assets ("AFS") or loans and receivables, as appropriate. Management determines the classification of the financial assets as set out below upon initial recognition.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace. A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

In the ordinary course of business, the Company does not hold any financial assets categorised as FVTPL, HTM or AFS.

Loans and receivables

This category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

The subsequent measurement of financial assets in this category is at amortised cost using the effective interest method, less allowance for impairment losses.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortised cost.

Financial liabilities at fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition. These financial liabilities are subsequently measured at their fair values with the gain or loss recognised in the profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

In the ordinary course of business, the Company does not designate any financial liabilities at FVTPL. All financial liabilities are measured at amortised cost using the effective interest method.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments (Cont'd)

(iii) Derecognition of financial assets and liabilities

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received together with any cumulative gain or loss that has been recognised in other comprehensive income is reclassified to profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(p) Impairment of financial assets

All financial assets, except for financial assets at FVTPL, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is objective evidence of impairment.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and other short term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Equity instruments

Equity instruments are measured at cost on initial recognition and are not remeasured subsequently.

Cost directly attributable to the issuance of the shares is accounted for as a deduction from equity, otherwise, it is charged to the profit or loss.

Dividend on equity instruments is recognised in equity in the period in which they are declared.

(s) Borrowing costs

Borrowing costs incurred on assets under development that take a substantial period of time to complete are capitalised into the carrying value of the assets. Capitalisation of borrowing costs ceases when development is completed or during extended periods when active development is interrupted.

All other borrowing costs are charged to profit or loss in the period in which they are incurred. The interest component of hire purchase payments is charged to profit or loss over the hire purchase period so as to give a constant periodic rate of interest on the remaining tenure of the hire purchase contract.

(t) Revenue recognition

(i) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. The revenue is not recognised to the extent where there are uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Contract revenue

Revenue from contracts is recognised in profit or loss in accordance with the stage of completion which is determined by reference to the work done at the end of reporting period as a percentage of total estimated work. Foreseeable losses from contracts are fully provided for when they are identified.

(iii) Hotel management and services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent the expenses incurred that are recoverable.

(iv) Interest income

Interest income is recognised using the effective interest method. The notional interest income resulting from accretion of discount on concession assets using the effective interest rate method is recognised in the profit or loss.

(v) Rental income

Rental income is recognised on a straight-line basis over the lease terms.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments for the right to use an asset for an agreed period of time.

(i) Finance lease

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating lease

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating lease and, except for property interests held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease which is held to earn rental income or for capital appreciation, or both, is classified as investment property.

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(v) Employee benefits

(i) Short term employee benefits

Salaries, wages, bonuses allowances and non-monetary benefits are recognised as an expense in the period in which the services are rendered by employees.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate.

(iii) Termination benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated at foreign exchange rates ruling at that date.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at foreign exchange rates ruling at the date of the transaction.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair values were determined.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in income statement for the period.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any corresponding exchange gain or loss is recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any corresponding exchange gain or loss is recognised in profit or loss.

(x) Taxation

The income tax expense in profit or loss represents the aggregate amount of current tax and deferred tax.

Current tax is the expected income tax payable or receivable on the taxable income or loss for the year, estimated using the tax rates enacted or substantially enacted by the end of the reporting period.

On the statement of financial position, a deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is only recognised for deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences and unutilised tax losses can be utilised.

No deferred tax is recognised for temporary differences arising from the initial recognition of: (i) goodwill, or (ii) an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on the tax rates enacted or substantively enacted by the end of the reporting period that are expected to apply to the period when the asset is realised or when the liability is settled.

Current tax and deferred tax are charged or credited directly to other comprehensive income if the tax relates to items that are credited or charged, whether in the same or a different period, directly to other comprehensive income.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Goods and services tax ("GST")

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset. Receivables and payables relate to such revenue, expenses or acquisitions of assets are presented in the statement of financial position inclusive of GST recoverable or GST payable.

GST recoverable from or payable to tax authority may be presented on net basis should such amounts are related to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

(z) Segment reporting

Segment reporting in the financial statements is presented on the same basis as that used by management internally for evaluating operating segment performance and in deciding on the allocation of resources to each operating segment. Operating segments are distinguishable components of the Group that engage in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

An operating segment's results are reviewed regularly by the chief operating decision-maker to decide on the allocation of resources to the segment and assess its performance, and for which discrete financial information is available.

Segment revenue, expenses, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and a relevant portion that can be reasonably allocated to the segment.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

3. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost	36,723,740	36,723,740
Less: Accumulated impairment losses	(1,583,409)	(1,583,409)
	<u>35,140,331</u>	<u>35,140,331</u>

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

3. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries, which are all incorporated in Malaysia, are as follow:

Name of Company	Principal place of business	Effective equity interest		Principal activities
		2017 %	2016 %	
Digistar Holdings Sdn Bhd	Malaysia	100	100	Design, supply, installation and integration of information technology infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.
Digistar Properties Sdn Bhd *	Malaysia	100	100	Renting, maintaining and upkeep of properties.
Digistar Rauland MSC Sdn Bhd	Malaysia	80	80	Health television operator.
Rauland Asia Sdn Bhd	Malaysia	100	100	Designing, supplying, installation and integration of security monitoring systems.
Nielsen Ward Sdn Bhd	Malaysia	100	100	Money lender.
Seni Pujaan Sdn Bhd	Malaysia	100	100	Property development and hotel operator.
Matang Makmur Holdings Sdn Bhd	Malaysia	100	100	Investment holding.
Indera Persada Sdn Bhd ^ @	Malaysia	40	40	Undertake the construction and provide asset management services for the concession asset.
Digistar Construction (M) Sdn Bhd	Malaysia	100	100	Construction.
Protecs A&A CMS Sdn Bhd *	Malaysia	96	96	Central monitoring security services and trading of security equipment.
Sakura Management Sdn Bhd	Malaysia	100	100	Property management
Mulia Optima Sdn Bhd	Malaysia	100	100	Dormant.
Wemal-Maxi Protect Sdn Bhd *	Malaysia	51	51	Provision of security central monitoring services.

* Subsidiary held through Digistar Holdings Sdn Bhd

^ Subsidiary held through Matang Makmur Holdings Sdn Bhd

@ The Group has power over the strategic decisions of the subsidiary, where the Group is able to appoint and remove the majority of the directors of the subsidiary based on the contractual arrangements between the Group and the other investors. Accordingly, the Group is able to use its power to affect its returns from this subsidiary. Hence, the Group considers it has control over this subsidiary.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

3. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The non-controlling interest at the end of the reporting period comprise the following:

	Effective equity interest		Group	
	2017 %	2016 %	2017 RM	2016 RM
Indera Persada Sdn. Bhd.	60	60	(16,226,433)	(21,092,678)
Other individually immaterial subsidiaries			(803,009)	(673,717)
			<u>(17,029,442)</u>	<u>(21,766,395)</u>

The summarised financial information (before intra-group elimination) for subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Indera Persada Sdn Bhd	
	2017 RM	2016 RM

At 30 September

Non-current asset	172,540,345	177,621,979
Current assets	100,674,506	120,332,001
Non-current liabilities	(220,785,559)	(276,582,868)
Current liabilities	(79,473,347)	(56,525,576)
Net liabilities	<u>(27,044,055)</u>	<u>(35,154,464)</u>

Financial year ended 30 September

Revenue	29,963,680	118,159,685
Profit/(Loss) for the financial year	8,110,409	(11,093,589)
Total comprehensive income/(loss)	<u>8,110,409</u>	<u>(11,093,589)</u>
Total comprehensive income/(loss) attributable to non-controlling interests	<u>4,866,245</u>	<u>(6,656,153)</u>
Net cash flows from/(for) operating activities	61,181,691	(68,534,847)
Net cash flows (for)/from investing activities	(47,247,985)	12,591,555
Net cash flows (for)/from financing activities	<u>(54,636,980)</u>	<u>13,115,074</u>

Acquisition of shares in subsidiaries

- On 23 March 2016, the Company subscribed for the additional 249,998 ordinary shares of Mulia Optima Sdn Bhd ("MOSB") by capitalising the indebtedness of RM249,998 owing by MOSB to the Company.
- On 20 June 2016, the Company's wholly-owned subsidiary, Digistar Holdings Sdn Bhd subscribed for the additional 2,001,000 ordinary shares representing 16% of the issued and paid up share capital of Protec A & A CMS Sdn Bhd for a total cash consideration of RM2,001,000. Consequently, the equity interest increased from 80% to 96%.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

3. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of shares in subsidiaries (Cont'd)

The impact of the additional investment in Protec A & A CMS Sdn Bhd is as follows:

	2016 RM
Net assets as on 20 June 2016	1,196,338
Changed in stake	16%
Increase in equity attributable to the owners of the Company	191,414

4. INVESTMENT IN AN ASSOCIATE

	2017 RM	Group 2016 RM
Unquoted shares at cost	290,000	290,000
Group's share of post-acquisition reserves	(145,576)	(1,152)
	144,424	288,848

The details of the associate are as follow:

Name of Company	Principal place of business	Effective equity interest		Principal activities
		2017 %	2016 %	
Tiara Vision Sdn Bhd	Malaysia	30	30	Selling and installing electronics and broadcasting equipment.

The financial year end of the associate is 30 June. For the purpose of applying equity accounting, the financial statements of the associate for the year ended 30 June 2016 have been used.

The Group's share of the results of the associated company is as follow:

	2017 RM	Group 2016 RM
Group's share of loss	144,424	371,171
Group's share of total comprehensive income	-	-
	144,424	371,171

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

5. PROPERTY, PLANT AND EQUIPMENT

Group 2017	Office lot, shophouse and office units	Computers and printers	Site office plant and machinery, furniture and fittings	Office equipment and renovation	Motor vehicles	Building	Capital work-in- progress	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM
At 1 October 2016	4,179,894	2,817,208	1,094,955	8,808,043	4,851,895	1,442,706	998,920	24,193,621
Additions	-	84,233	93,824	368,310	380,160	-	-	926,527
Disposals	-	-	-	-	(252,649)	-	-	(252,649)
Written off	-	-	-	(1,055,501)	-	-	-	(1,055,501)
Transfer to investment properties (note 6)	(765,458)	-	-	-	-	-	-	(765,458)
Transfer from inventories	-	658,500	-	-	-	-	-	658,500
At 30 September 2017	3,414,436	3,559,941	1,188,779	8,120,852	4,979,406	1,442,706	998,920	23,705,040
Accumulated depreciation								
At 1 October 2016	1,209,349	1,830,589	693,769	6,306,125	2,847,852	-	-	12,887,684
Charge for the year	67,968	701,583	123,279	578,493	733,267	28,854	-	2,233,444
Disposals	-	-	-	-	(167,578)	-	-	(167,578)
Written off	-	-	-	(1,050,807)	-	-	-	(1,050,807)
Transfer to investment properties (note 6)	(219,629)	-	-	-	-	-	-	(219,629)
At 30 September 2017	1,057,688	2,532,172	817,048	5,833,811	3,413,541	28,854	-	13,683,114
Accumulated impairment								
At 1 October 2016/30 September 2017	-	-	-	865,346	-	-	998,920	1,864,266
Net carrying amount								
At 30 September 2017	2,356,748	1,027,769	371,731	1,421,695	1,565,865	1,413,852	-	8,157,660

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

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

Group 2016	Office lot, shophouse and office units RM	Computers and printers RM	Site office cabins, plant and machinery, furniture and fittings RM	Office equipment and renovation RM	Motor vehicles RM	Building RM	Capital work-in- progress RM	Total RM
Cost								
At 1 October 2015	4,179,894	2,336,771	962,164	8,521,076	5,018,405	-	1,253,649	22,271,959
Additions	-	530,889	206,834	411,421	4,200	-	149,675	1,303,019
Reclassification	-	-	-	404,404	-	-	(404,404)	-
Transfer from inventories	-	-	-	-	-	1,442,706	-	1,442,706
Disposals	-	-	-	-	(170,710)	-	-	(170,710)
Written off	-	(50,452)	(74,043)	(528,858)	-	-	-	(653,353)
At 30 September 2016	4,179,894	2,817,208	1,094,955	8,808,043	4,851,895	1,442,706	998,920	24,193,621
Accumulated depreciation								
At 1 October 2015	1,126,651	1,467,963	649,696	6,179,474	2,178,406	-	-	11,602,190
Charge for the year	82,698	410,415	116,349	595,384	837,311	-	-	2,042,157
Disposals	-	-	-	-	(167,865)	-	-	(167,865)
Written off	-	(47,789)	(72,276)	(468,733)	-	-	-	(588,798)
At 30 September 2016	1,209,349	1,830,589	693,769	6,306,125	2,847,852	-	-	12,887,684
Accumulated impairment								
At 1 October 2015/30 September 2016	-	-	-	865,346	-	-	998,920	1,864,266
Net carrying amount								
At 30 September 2016	2,970,545	986,619	401,186	1,636,572	2,004,043	1,442,706	-	9,441,671

Included in property, plant and equipment of the Group are motor vehicles with a total net book value of RM1,172,096 (2016: RM1,538,889) acquired under hire purchase terms.

Certain property, plant and equipment of the Group with a total net book value of RM2,495,064 (2016: RM2,570,062) were pledged as security for banking facilities granted to the Group.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

6. INVESTMENT PROPERTIES

Group 2017	Leasehold land RM	Freehold land RM	Leasehold building RM	Freehold building RM	Car park RM	Total RM
Cost						
At 1 October 2016	6,366,463	8,736,809	2,293,932	385,000	2,563,048	20,345,252
Transfer from property, plant and equipment (note 5)	-	-	765,458	-	-	765,458
At 30 September 2017	6,366,463	8,736,809	3,059,390	385,000	2,563,048	21,110,710
Accumulated amortisation						
At 1 October 2016	555,382	-	364,039	25,024	48,148	992,593
Charge for the year	89,932	-	61,510	7,700	28,889	188,031
Transfer from property, plant and equipment (note 5)	-	-	219,629	-	-	219,629
At 30 September 2017	645,314	-	645,178	32,724	77,037	1,400,253
Net carrying amounts						
At 30 September 2017	5,721,149	8,736,809	2,414,212	352,276	2,486,011	19,710,457
Fair values						
At 30 September 2017	6,700,000	13,300,000	6,900,000	900,000	2,700,000	30,500,000

Group 2016	Leasehold land RM	Freehold land RM	Leasehold building RM	Freehold building RM	Car park RM	Total RM
Cost						
At 1 October 2015	6,366,463	-	2,293,932	385,000	2,563,048	11,608,443
Addition	-	8,736,809	-	-	-	8,736,809
At 30 September 2016	6,366,463	8,736,809	2,293,932	385,000	2,563,048	20,345,252
Accumulated amortisation						
At 1 October 2015	465,449	-	318,164	17,324	19,259	820,196
Charge for the year	89,933	-	45,875	7,700	28,889	172,397
At 30 September 2016	555,382	-	364,039	25,024	48,148	992,593
Net carrying amounts						
At 30 September 2016	5,811,081	8,736,809	1,929,893	359,976	2,514,900	19,352,659
Fair values						
At 30 September 2016	6,200,000	8,700,000	2,500,000	500,000	2,600,000	20,500,000

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

6. INVESTMENT PROPERTIES (CONT'D)

The carrying amounts of certain properties pledged to banks for banking facilities are as follows:

	2017 RM	2016 RM
Leasehold building	1,479,257	1,515,752
Leasehold land	4,432,959	4,507,556
Freehold land	8,736,809	8,736,809
	<hr/>	<hr/>
	14,649,025	14,760,117

Fair values of the investment properties are determined based on the indicative market price of similar properties in the vicinity and replacement cost model respectively.

7. INTANGIBLE ASSET

	2017 RM	2016 RM
Customer base, at cost:		
At 1 October	4,109,211	4,509,135
Written off	(536,544)	(399,924)
	<hr/>	<hr/>
At 30 September	3,572,667	4,109,211
Amortisation of intangible asset:		
At 1 October	(856,204)	(488,640)
Charge for the year	(357,267)	(454,881)
Written off	111,780	87,317
	<hr/>	<hr/>
At 30 September	(1,101,691)	(856,204)
	<hr/>	<hr/>
Carrying amount as at 30 September	2,470,976	3,253,007

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

8. TRADE RECEIVABLES

	Group					
	Interest bearing RM	2017 Non-interest bearing RM	Total RM	Interest bearing RM	2016 Non-interest bearing RM	Total RM
Trade receivables						
- less than a year	4,758,793	46,602,540	51,361,333	4,772,817	69,860,749	74,633,566
- more than a year	172,540,345	-	172,540,345	177,621,979	-	177,621,979
Retention receivables	-	-	-	-	410,920	410,920
Total trade receivables	177,299,138	46,602,540	223,901,678	182,394,796	70,271,669	252,666,465
Allowance for doubtful debts:-						
At 1 October	(29,917)	(14,784,615)	(14,814,532)	(1,607,813)	(12,619,025)	(14,226,838)
Addition	-	(3,890,638)	(3,890,638)	-	(3,920,592)	(3,920,592)
Write-back	-	1,078,390	1,078,390	1,577,896	1,755,002	3,332,898
Written off	29,917	3,954,486	3,984,403	-	-	-
At 30 September	-	(13,642,377)	(13,642,377)	(29,917)	(14,784,615)	(14,814,532)
Accretion of receivables:						
At 1 October	-	-	-	-	(12,607)	(12,607)
Addition during the financial year	-	-	-	-	12,607	12,607
At 30 September	-	-	-	-	-	-
	177,299,138	32,960,163	210,259,301	182,364,879	55,487,054	237,851,933

The Group's normal credit terms for trade receivables range from 7 to 120 (2016: 7 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

The interest-bearing amounts represent fair value of the consideration receivable from the construction services delivered during the stage of construction. It carry interest at 14% (2016: 10% - 14%) per annum and repayable in the form of availability charges upon fulfilment of the terms and conditions in the concession agreement.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

9. DEFERRED TAX ASSETS/(LIABILITIES)

	2017 RM	Group 2016 RM
At 1 October	(1,287,139)	(232,373)
Recognised in profit or loss	(2,075,460)	(1,054,766)
At 30 September	(3,362,599)	(1,287,139)
Presented as follows:		
Deferred tax assets	-	313,000
Deferred tax liabilities	(3,362,599)	(1,600,139)
At 30 September	(3,362,599)	(1,287,139)
Deferred tax asset:		
Temporary differences arising from:		
- Deferred revenue	-	313,000
Deferred tax liabilities:		
Temporary differences arising from:		
- Differences between net carrying amount and tax written down value of concession asset and property, plant and equipment	(8,138,306)	(1,600,139)
- Unutilised business losses	267,527	-
- Unabsorbed capital allowance	4,508,180	-
	(3,362,599)	(1,600,139)

10. INVENTORIES HELD FOR RESALE

	2017 RM	Group 2016 RM
Unsold completed properties	59,365,634	60,808,340
Less: Transfer to property, plant and equipment	-	(1,442,706)
	59,365,634	59,365,634
Equipment and parts held for resale	1,080,239	1,476,215
Finished goods	2,323,942	3,029,087
	62,769,815	63,870,936
Recognised in profit or loss:		
Inventories recognised as cost of sales	11,942,532	14,133,039
Inventories written off as cost of sales	-	756,596

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	8,400,665	8,108,055	62,594	60,004
Less: Allowance for impairment losses	(2,869,080)	(1,540,009)	-	-
Net other receivables	5,531,585	6,568,046	62,594	60,004
Deposits	577,515	677,006	1,500	1,500
Prepayments	260,067	417,624	-	-
GST recoverable	1,050,212	7,435,146	25,843	-
	7,419,379	15,097,822	89,937	61,504

Included in the other receivables of the Group are advances amounting to approximately RM2,900,000 (2016: RM2,400,000) paid to subcontractors for supply of goods and services.

12. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	2017 RM	2016 RM
Contracts costs incurred to date	19,341,059	11,244,251
Attributable profits	9,391,244	2,747,136
	28,732,303	13,991,387
Progress billings	(25,001,866)	(15,357,801)
Net amounts owing by/(to) contract customers	3,730,437	(1,366,414)

The net amounts owing by/(to) contract customers comprises the following:

	2017 RM	2016 RM
Amounts owing by contract customers	4,201,504	864,151
Amounts owing to contract customers	(471,067)	(2,230,565)
	3,730,437	(1,366,414)

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing are non-trade in nature, unsecured, interest-free and receivable/repayable on demand.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

14. AMOUNT OWING BY AN ASSOCIATE

The amount owing is non-trade in nature, unsecured, interest-free and receivable on demand.

15. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits amounting to RM1,936,719 (2016: RM3,018,076) have been pledged to licensed banks as security for banking facilities granted to a subsidiary.

The effective interest rates of the fixed deposits are ranging between 2.55% and 3.50% (2016: 3.25% and 3.40%) per annum. All the deposits have maturities of less than one year.

16. SHARE CAPITAL

	Group/Company			
	2017	2016	2017	2016
	Number of Shares		RM	RM
Issued and fully paid up				
Ordinary shares				
At 1 October	509,017,949	463,412,818	50,901,795	46,341,282
Issuance of shares				
- private placement	-	45,604,000	-	4,560,400
- conversion of warrant to ordinary shares	90,142,485	1,131	10,403,045	113
	599,160,434	509,017,949	61,304,840	50,901,795
Transfer from share premium	-	-	32,832,680	-
Transfer from warrant reserve	-	-	106,573	-
At 30 September	599,160,434	509,017,949	94,244,093	50,901,795

The Company increased its issued and paid-up share capital from RM50,901,795 to RM59,916,043 by the issuance of 90,142,485 new ordinary shares from the exercise of Warrants 2007/2017 at an exercise price of RM0.13 per share in accordance with the Deed Poll dated 5 December 2006. The shares were issued for cash consideration.

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

The Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which the Companies Act 2016 ("CA 2016") comes into operation except for Section 241 and Division 8 of Part III. CA 2016 replaces the Companies Act, 1965 upon its effective date.

Pursuant to CA 2016:

- The concept of authorised share capital is abolished.
- All shares issued before or upon the commencement of CA 2016 shall have no par or nominal value.
- Upon commencement of CA 2016, any amount standing to the credit of the Company's share premium account shall become part of the Company's share capital.

There is no impact on the number of shares in issue as a result of this transition.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

17. TREASURY SHARES

	2017 Number of Shares	Group/Company 2016 2017 RM	2016 RM
At 30 September	7,372,808	7,372,808	3,248,747

Below are the details of the treasury shares at the end of the reporting period:

	Number of shares	Average unit price RM	Total consideration RM
At 30 September	7,372,808	0.4406	3,248,747

Of the total 599,160,434 (2016: 509,017,949) issued and fully paid ordinary shares as at the end of the reporting period, 7,372,808 (2016: 7,372,808) are held as treasury shares by the Company. None of the treasury shares were cancelled during the financial year.

18. RESERVES

		2017 RM	Group 2016 RM	Company 2017 RM	2016 RM
Share premium	(a)	-	31,120,927	-	31,120,927
Warrant reserve	(b)	6,004,487	6,507,294	6,004,487	6,507,294
(Accumulated losses)/ Retained profits	(c)	(967,047)	714,931	6,568,227	7,003,432
		5,037,440	38,343,152	12,572,714	44,631,653

(a) Share premium

Share premium represents the excess of issue price over the par value of shares issued under the Companies Act, 1965.

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

	Group/Company 2017 RM	2016 RM
At 1 October	31,120,927	29,225,123
Issuance of new shares		
- private placement	-	1,960,972
- conversion of warrant to ordinary shares	1,711,753	44
Share issuance expenses	-	(65,212)
Transfer pursuant to Companies Act 2016	(32,832,680)	-
At 30 September	-	31,120,927

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

18. RESERVES (CONT'D)

(a) Share premium (Cont'd)

Upon commencement of CA 2016, all amount standing to the credit of the share premium account and capital redemption reserve becomes part of the share capital account.

(b) Warrant Reserve

On 5 December 2006, the Company issued Warrant 2007/2017. Each Warrant 2007/2017 entitles the holder to subscribe for one new ordinary share of RM0.10 each in the Company at the exercise price of RM0.13. The Warrants 2007/2017 are exercisable over a period of 10 years from 8 February 2007 to 7 February 2017. Warrant reserve is transferred to share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrant period were transferred to share capital account.

The Company has a total of 74,024,334 Warrants 2013/2023 in issue at the end of the financial year. Each Warrant 2013/2023 entitles the holder to subscribe for one new ordinary share of RM0.10 each in the Company at the exercise price of RM0.26. The Warrants 2013/2023 are exercisable over a period of 10 years from 5 April 2013 to 4 April 2023. None of the Warrants 2013/2023 in issue was exercised during the financial year.

(c) Retained Profits

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

19. HIRE PURCHASE PAYABLES

	Group	
	2017 RM	2016 RM
Minimum hire purchase payments:		
- not later than one year	554,673	674,745
- later than one year and not later than five years	789,856	1,150,942
	1,344,529	1,825,687
Less: future finance charges	(91,767)	(145,129)
Present value of hire purchase payables	1,252,762	1,680,558
Current:		
- not later than one year	514,130	602,281
Non-current:		
- later than one year and not later than five years	738,632	1,078,277
	1,252,762	1,680,558

The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.37% to 5.03% (2016: 4.37% to 7.25%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

20. BONDS

	Maturity Year	2017 RM	Group 2016 RM
Secured, fixed rate bond:			
- 4.00% per annum	2018	60,000,000	60,000,000
- 4.10% per annum	2019	25,000,000	25,000,000
- 4.20% per annum	2020	20,000,000	20,000,000
- 4.30% per annum	2021	20,000,000	20,000,000
- 4.40% per annum	2022	20,000,000	20,000,000
- 4.50% per annum	2023	20,000,000	20,000,000
- 4.60% per annum	2024	20,000,000	20,000,000
- 4.70% per annum	2025	20,000,000	20,000,000
- 4.80% per annum	2026	20,000,000	20,000,000
- 4.90% per annum	2027	25,000,000	25,000,000
- 5.00% per annum	2028	30,000,000	30,000,000
Secured, fixed rate subordinated bond:			
- 16.00% per annum	2028	11,000,000	11,000,000
		291,000,000	291,000,000
Less:			
- Bond discount		(8,654,429)	(10,989,411)
- Transaction cost		(8,918,084)	(10,043,924)
		273,427,487	269,966,665
Accreted interest		972,228	972,228
		274,399,715	270,938,893

The amount recognised in the statement of financial position of the Group may be analysed as follows:

	2017 RM	Group 2016 RM
Current		
- repayable not later than 1 year	60,000,000	-
Non-current:		
- repayable between 1 to 5 years	73,311,609	111,480,519
- repayable more than 5 years	141,088,106	159,458,374
	274,399,715	270,938,893

Indera Persada Sdn Bhd ("IPSB" or the "Issuer") is a 40% owned subsidiary, issued RM280 million Fixed Rate Serial Bonds and RM15 million Subordinated Bonds which included RM4 million subscribed by Matang Makmur Holdings Sdn Bhd ("MMHSB"), a subsidiary of Digistar Corporation Berhad on 5 September 2013.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

20. BONDS (CONT'D)

The coupon rates range from 4.00% to 16.00% per annum and the coupon interests are payable semi-annually on each series of the bonds.

Proceeds raised from the bonds have been utilised by IPSB to finance the construction of a Training Institute in Malacca for Ministry of Works ("JKR Project"), under an 18-year Concession Agreement ("CA") with the Government of Malaysia.

The bonds are secured against the following:

- (i) A first ranking fixed charge over the Debt Service Reserve Account, Collection Account and Maintenance Services Charges Account;
- (ii) A first priority assignment of the Issuer's contractual rights, interest, title and benefits in and to the performance bonds/guarantees, if any, in respect of the JKR Project and all proceeds arising therefrom to the extent assignable and permitted by prevailing laws;
- (iii) A first priority assignment of the Issuer's contractual rights, interest, title and benefits under the CA in respect of the Availability Charges and Maintenance Service Charges and amount payable to Issuer as a result of early termination of the CA;
- (iv) A first priority assignment of the Issuer's contractual rights, interest, title and benefits under the CA in respect of any reimbursement cost incurred in relation to or for the purpose of the implementation of the CA;
- (v) Debenture over all of the Issuer's present and future assets, fixed and floating;
- (vi) A first priority assignment of insurance policies; and
- (vii) Deed of subordination of shareholders' present and future advances.

21. TERM LOAN

	2017 RM	2016 RM
Current portion:		
- not later than one year	151,071	169,091
Non-current portion:		
- repayable between 1 to 5 years	839,380	14,366,032
- repayable more than 5 years	3,008,952	3,216,415
	3,848,332	17,582,447
	3,999,403	17,751,538

The repayment terms of the bridging loan is by way of redemption of strata titles at 45% of the selling price of each unit or alternatively by way of 12 monthly principal instalment of RM2,750,000 commencing on the 25th month from the date of the first release. The bridging loan has been fully repaid during the current financial year.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

21. TERM LOAN (CONT'D)

Term loans at the reporting date bore an effective interest rate of 6.85% (2016: 7.1%) per annum.

Term loans were secured by:-

- (a) an open all monies facility agreement between a subsidiary and the bank;
- (b) a first legal charge over a piece of property of the subsidiary;
- (c) a corporate guarantee of the Company.

22. TRADE PAYABLES

	2017 RM	Group 2016 RM
Trade payables	12,572,732	8,932,840
Retention payables	1,002,962	6,809,143
Total trade payables	13,575,694	15,741,983
Accruals of construction cost	-	18,606,658
	13,575,694	34,348,641

The Group's normal credit terms of the trade payables range from 30 to 60 (2016: 30 to 60) days.

23. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	2017 RM	Group 2016 RM	Company 2017 RM	2016 RM
Other payables	9,731,709	7,439,238	-	11,411
Deferred revenue	1,220,516	1,851,447	-	-
Deposits received	581,188	955,138	-	-
Accruals	2,108,938	2,621,827	90,186	113,200
GST payable	25,173	117,617	-	-
	13,667,524	12,985,267	90,186	124,611

Deferred revenue arose from advance billings to the customers for the services to be rendered in the subsequent financial year.

Included in the other payables of the Group are commission payable to a contractor for a joint development project amounting to approximately RM5,793,400 (2016: RM6,242,000).

Included in the accruals of the Group are construction costs for completion of a property development amounting to approximately RM NIL (2016: RM1,143,000).

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

24. AMOUNT OWING TO A RELATED PARTY

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

25. AMOUNT OWING TO A DIRECTOR

The amount owing to a director is non-trade in nature, unsecured, interest-free and repayable on demand.

26. BANKERS' ACCEPTANCES

The bankers' acceptances bore an effective interest rate of 4.98% (2016: 5.25%) per annum and were secured by:

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

27. BANK OVERDRAFTS

The bank overdrafts bear an effective interest rate of 8.10% (2016: 8.10%) per annum and are secured in the same manner as the bankers' acceptances as disclosed in note 26 to the financial statements.

28. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Contract revenue	13,038,661	151,845,056	-	-
Security service income	3,076,424	3,709,679	-	-
Maintenance income	5,956,461	500,905	-	-
Hotel management and services	12,407,979	8,186,769	-	-
Sale of goods	2,305,413	4,535,020	-	-
Rental income	1,226,819	1,650,825	-	-
Interest income on concession assets	25,188,796	-	-	-
Management fees	240,000	240,000	-	-
Revocation of sales of development properties	(12,247)	(3,398,934)	-	-
	63,428,306	167,269,320	-	-

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

29. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Allowance for doubtful debts	5,219,709	3,920,592	-	-
Amortisation of investment properties	188,031	172,397	-	-
Amortisation of deferred payment	3,460,822	2,276,544	-	-
Amortisation of intangible asset	357,267	454,881	-	-
Audit fee:				
- for the financial year	164,900	234,200	49,100	69,000
- (Over)/underprovision in the prior year	(1,300)	49,333	3,736	27,000
- non-statutory services	5,000	10,000	5,000	10,000
Bad debts written off	170,348	-	-	-
Depreciation of property, plant and equipment	2,233,444	2,042,157	-	-
Interest expense:				
- bank overdrafts	557,345	138,084	-	-
- bankers' acceptances	147,248	318,244	-	-
- hire purchase	66,692	90,367	-	-
- term loan	637,249	940,946	-	-
- bond	14,210,000	14,171,068	-	-
Staff costs:				
- salaries, wages, bonuses and allowances	8,461,959	12,396,516	-	-
- defined contribution plans	767,171	1,474,886	-	-
- other benefits	115,384	799,455	-	-
Property, plant and equipment written off	4,694	64,555	-	-
Intangible assets written off	424,764	312,607	-	-
Loss on foreign currency exchange - realised	38,820	35,518	-	-
(Gain)/Loss on foreign currency exchange - unrealised	(122,292)	270,005	-	-
Accretion of receivables	-	(12,607)	-	-
Gain on disposal of property, plant and equipment	(52,666)	(210,079)	-	-
Allowance for doubtful debts no longer required	(1,078,390)	(3,332,898)	-	-
Bad debts recovered	(57,120)	-	-	-
Interest income:				
- fixed deposits	(2,315,795)	(2,352,910)	-	-

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

30. INCOME TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax:				
- current year	629,832	2,867,372	-	-
- under/(over) provision in prior years	543,508	(1,244,409)	-	-
	1,173,340	1,622,963	-	-
Deferred tax:				
- current year	3,642,281	1,079,766	-	-
- overprovision in prior years	(1,566,821)	(25,000)	-	-
	2,075,460	1,054,766	-	-
	3,248,800	2,677,729	-	-

The reconciliation of income tax expense applicable to the profit/(loss) before tax excluding share of result of associate at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before tax	6,448,199	9,499,960	(435,205)	(443,022)
Tax at the statutory tax rate of 24%	1,547,568	2,279,990	(104,449)	(106,325)
Tax effects of:				
- non-deductible expenses	1,877,024	4,561,045	104,449	106,325
- non-taxable income	-	(30,612)	-	-
Deferred tax assets not recognised	1,204,010	247,244	-	-
Utilisation of deferred tax assets not recognised previously	(356,489)	(3,090,244)	-	-
Under/(Over) provision in prior years:				
- current tax	543,508	(1,244,409)	-	-
- deferred tax	(1,566,821)	(25,000)	-	-
Double deduction	-	(20,285)	-	-
Income tax expense	3,248,800	2,677,729	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

30. INCOME TAX EXPENSE (CONT'D)

The following temporary differences exist at the end of the financial year which have not been recognised in the financial statements:

	2017 RM	Group 2016 RM
Deferred revenue	1,220,517	1,853,554
Allowance for doubtful debts	13,365,168	12,264,545
Unabsorbed capital allowances	2,200,657	2,906,771
Unutilised tax losses	7,340,464	3,413,199
Excess of capital allowance claimed over accumulated depreciation on property, plant and equipment	(974,083)	(1,161,384)
Unrealised foreign exchange (gain)/loss	(131,053)	265,044
Other temporary differences	286,600	235,208
	<u>23,308,270</u>	<u>19,776,937</u>

31. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per ordinary share has been calculated based on the consolidated (loss)/profit for the financial year attributable to the equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

	2017 RM	Group 2016 RM
(Loss)/Earnings attributable to owners of the Company (RM)	(1,681,978)	13,012,355
Weighted average number of ordinary shares at 30 September	560,776,598	480,029,561
Effect of conversion of outstanding Warrants	-	26,535,630
Weighted average number of ordinary shares at 30 September (diluted)	560,776,598	506,565,191
(Loss)/Earnings per share		
- Basis	(0.30) sen	2.71 sen
- Diluted	(0.30) sen	2.57 sen

The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price for Company's shares during the financial year.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

32. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed deposits with licenced banks	73,406,616	25,792,808	-	-
Cash and bank balances	5,024,962	44,100,760	269,819	359,923
Bank overdrafts	(3,810,105)	(10,348,966)	-	-
	74,621,473	59,544,602	269,819	359,923
Less: surplus funds placed in fixed deposits with licensed banks	(46,548,303)	(22,774,732)	-	-
Less: fixed deposit pledged under licensed bank	(1,936,719)	(3,018,076)	-	-
	26,136,451	33,751,794	269,819	359,923

33. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT & INVESTMENT PROPERTIES

(a) Property, plant and equipment

	Group	
	2017 RM	2016 RM
Aggregate cost of property, plant and equipment acquired	926,527	1,303,019
Financed via hire purchase	(541,500)	-
	385,027	1,303,019

(b) Investment properties

	Group	
	2017 RM	2016 RM
Aggregate cost of investment properties	-	8,736,809
Financed via hire purchase	-	(4,235,000)
	-	4,501,809

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

34. RELATED PARTY DISCLOSURES

(a) Identities of related parties

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors				
- fee	160,000	90,000	160,000	90,000
- other remuneration	1,976,400	2,203,097	28,000	40,000
- defined contribution plans	227,990	248,504	-	-
Key management personnel				
Short-term employee benefits	579,650	900,195	-	-

35. OPERATING SEGMENTS

Business Segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The following are the Group's main business segments:

- (i) Systems integration segment - involved in design, supply, installation and integration of information technology infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.
- (ii) Trading segment - involved in the trading of all kinds of specialised electronic and electrical components and products throughout Malaysia.
- (iii) Maintenance segment - involved in providing electronic systems maintenance and support services.
- (iv) Investment holding segment - investment holding.
- (v) Rental and hotel segment - involved in renting, maintaining and upkeep of properties, health television operator and hotel operator.
- (vi) Property development segment - involved in development of properties.
- (vii) Concession segment - involved in concession arrangement between the Group and Government of Malaysia for the privatisation of the design, development, construction and completion of the Facilities and Infrastructure for Jabatan Kerja Raya ("JKR") Training Institute and to carry out the Asset Management Services.
- (viii) Central security monitoring services - involved in designing, supplying, installation and integration of security monitoring systems.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

35. OPERATING SEGMENTS (CONT'D)

Group	System integration RM	Trading RM	Maintenance income RM	Investment holding RM	Concession assets RM	Central security monitoring services RM	Rental development RM	Property management RM	Hotel RM	Elimination RM	Group RM
2017											
Revenue											
External revenue	13,038,661	979,287	1,181,578	240,000	29,963,680	4,402,549	1,226,819	(12,247)	12,407,979	-	63,428,306
Intersegment revenue	-	258,780	-	-	-	1,385,400	360,000	-	-	(2,004,180)	-
Total revenue	13,038,661	1,238,067	1,181,578	240,000	29,963,680	5,787,949	1,586,819	(12,247)	12,407,979	(2,004,180)	63,428,306
Results											
Segment results (external)	(12,581,296)	(141,446)	931,880	(614,606)	34,692,417	(376,764)	(246,200)	(838,745)	2,424,251	-	23,249,491
Interest income	63,819	-	-	-	2,224,330	-	-	27,646	-	-	2,315,795
Finance cost	(12,517,477)	(141,446)	931,880	(614,606)	36,916,747	(376,764)	(246,200)	(811,099)	2,424,251	-	25,565,286
Share of results in associate	(798,459)	-	-	(270,255)	(17,678,185)	-	-	(370,188)	-	-	(19,117,087)
Profit from ordinary activities before tax											6,303,775
Income tax expense											(3,248,800)
Profit after tax											3,054,975
Non-controlling interest											(4,736,953)
Net loss attributable to the owners of the Company											(1,681,978)

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

35. OPERATING SEGMENTS (CONT'D)

Group	System integration RM	Trading RM	Maintenance income RM	Investment holding RM	Concession assets RM	Central security monitoring services RM	Rental development RM	Property management RM	Hotel RM	Group RM
2017										
Other information										
Segment assets	17,728,289	-	1,080,239	11,077,084	274,321,966	6,933,368	16,925,763	62,921,847	2,867,281	393,855,837
Unlocated assets										2,288,446
										<u>396,144,283</u>
Segment liabilities	9,203,145	-	-	4,127,877	289,195,903	1,668,023	6,032,545	2,258,901	4,654,545	317,140,939
Capital expenditure:										
- property, plant and equipment	503,677	-	-	-	-	-	9,790	-	413,060	926,527
Written off:										
- property, plant and equipment	-	-	-	-	-	-	4,694	-	-	4,694
- intangible assets	-	-	-	-	-	424,764	-	-	-	424,764
Depreciation and amortisation	877,684	-	-	5,744	31,918	1,126,375	382,585	159,538	194,898	2,778,742
Allowance for doubtful debts	2,588,961	-	-	-	-	1,548,017	324,426	-	758,305	5,219,709
Allowance for doubtful debts no longer required	(933,194)	-	-	-	-	(15,938)	(129,258)	-	-	(1,078,390)
Bad debts written off	165,224	-	-	-	-	4,100	-	1,024	-	170,348
Bad debts recovered	-	-	-	-	-	-	-	(57,120)	-	(57,120)

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

35. OPERATING SEGMENTS (CONT'D)

Group	System integration RM	Trading RM	Maintenance income RM	Investment holding RM	Concession assets RM	Central security monitoring services RM	Rental development RM	Property management RM	Hotel RM	Elimination RM	Group RM
2016											
Revenue											
External revenue	19,293,706	2,496,734	1,374,000	-	133,857,820	3,515,715	1,302,825	(2,758,249)	8,186,769	-	167,269,320
Intersegment revenue	66,000,000	120,000	-	-	97,690,512	-	228,000	(640,685)	-	(163,397,827)	-
Total revenue	85,293,706	2,616,734	1,374,000	-	231,548,332	3,515,715	1,530,825	(3,398,934)	8,186,769	(163,397,827)	167,269,320
Results											
Segment results (external)	10,302,232	185,000	676,000	(343,075)	10,356,757	(1,430,743)	241,493	5,351,511	110,147	-	25,449,322
Interest income	196,154	-	-	34,028	2,005,516	20,446	-	96,766	-	-	2,352,910
Finance cost	10,498,386	185,000	676,000	(309,047)	12,362,273	(1,410,297)	241,493	5,448,277	110,147	-	27,802,232
Share of results in associate	(732,581)	-	-	(145,765)	(16,580,368)	(2,985)	(1,890)	(838,683)	-	-	(18,302,272)
Profit from ordinary activities before tax											9,128,789
Income tax expense											(2,677,729)
Profit after tax											6,451,060
Non-controlling interest											6,561,295
Net profit attributable to the owners of the Company											13,012,355

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

35. OPERATING SEGMENTS (CONT'D)

Group	System integration RM	Trading RM	Maintenance income RM	Investment holding RM	Concession assets RM	Central security monitoring services RM	Rental development RM	Property management RM	Hotel RM	Group RM
2016										
Other information										
Segment assets	17,726,075	-	1,173,460	14,255,291	299,267,258	6,844,451	16,404,575	64,220,768	2,090,938	421,982,816
Unlocated assets										1,528,068
										<u>423,510,884</u>
Segment liabilities	30,838,713	-	-	4,358,528	294,076,110	2,462,391	6,573,063	16,658,858	1,230,318	356,197,981
Unlocated liabilities										3,083,098
										<u>359,281,079</u>
Capital expenditure:										
- property, plant and equipment	219,860	-	-	-	18,201	594,744	40,174	5,383	424,657	1,303,019
- investment property	-	-	-	8,736,809	-	-	-	-	-	8,736,809
Written off:										
- property, plant and equipment	-	-	-	-	-	64,555	-	-	-	64,555
- intangible assets	-	-	-	-	-	312,607	-	-	-	312,607
Depreciation and amortisation	1,007,499	-	-	460,625	31,917	432,247	470,593	165,415	101,139	2,669,435
Allowance for doubtful debts	3,714,669	-	-	-	-	60,919	145,004	-	-	3,920,592
Allowance for doubtful debts no longer required	(1,755,002)	-	-	-	-	-	-	(1,577,896)	-	(3,332,898)

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

35. OPERATING SEGMENTS (CONT'D)

Geographical information

No segmental information is provided on a geographical basis as the Group's activities are predominantly in Malaysia.

Major customers

During financial year, the revenue by segments from one major customer with total revenue more than 10% of the Group's revenue are as follows:

	2017 RM	Group 2016 RM
Concession segment	29,963,680	133,857,820

36. CONTINGENT LIABILITIES

	2017 RM	Company 2016 RM
Unsecured:		
- Guarantee given to a subsidiary's supplier for credit facility	963,255	7,145,389
- Guarantee given to a subsidiary's customer for due performance of works by a subsidiary	3,020,879	1,010,305
	3,984,134	8,155,694

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>Loans and receivables financial assets</u>				
Trade receivables	210,259,301	237,851,933	-	-
Other receivables and deposits	6,109,100	7,245,052	64,094	61,504
Amounts owing by subsidiaries	-	-	99,048,916	225,751,390
Amount owing by an associate	966,221	2,068,221	-	-
Fixed deposits with licensed banks	73,406,616	25,792,808	-	-
Cash and bank balances	5,024,962	44,100,760	269,819	359,923
	295,766,200	317,058,774	99,382,829	226,172,817
<u>Financial liabilities at amortised cost</u>				
Trade payables	13,575,694	34,348,641	-	-
Other payables, deposits received and accruals	12,421,835	11,016,203	90,186	124,611
Amounts owing to subsidiaries	-	-	31,000,057	168,999,783
Amount owing to a related party	-	13,353	-	13,353
Amount owing to a director	142,200	142,200	-	-
Hire purchase liabilities	1,252,762	1,680,558	-	-
Bonds	274,399,715	270,938,893	-	-
Term loan	3,999,403	17,751,538	-	-
Bank overdrafts	3,810,105	10,348,966	-	-
Bankers' acceptances	1,644,000	5,758,000	-	-
	311,245,714	351,998,352	31,090,243	169,137,747

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The carrying amounts of the financial instruments of the Group and of the Company at the reporting date approximate their fair values.

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2017				
<u>Financial liabilities</u>				
Hire purchase liabilities	-	-	1,253,714	1,253,714
Bonds	-	-	292,975,100	292,975,100
	-	-	294,228,814	294,228,814
2016				
<u>Financial liabilities</u>				
Hire purchase liabilities	-	-	1,689,614	1,689,614
Bonds	-	-	294,983,500	294,983,500
	-	-	296,673,114	296,673,114

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value of financial instruments (Cont'd)

The fair values above are for disclosure purposes and have been determined using the following basis:

- (i) The fair values of bonds are estimated based on their indicative market price as at the reporting date.
- (ii) The fair values of hire purchase payables are determined by discounting the relevant cash flows using interest rates for similar instruments at the reporting date. The rates used to discount the estimated cash flows are as follows:

	2017 RM	Group 2016 RM
Hire purchase liabilities	4.37% - 5.03%	4.37% - 7.25%

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk and liquidity and cash flow risk arising in the normal course of the Group's businesses.

The directors monitor the Group's financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group. The directors review and agree on policies for managing each of these risks and they are summarised below:

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of foreign exchange rates.

The Group is exposed to foreign currency exchange risk on purchases that are denominated in currencies other than the functional currency of the Group. The currencies giving rise to this risk are primarily United States Dollar, Pound Sterling, Euro and Singapore Dollar.

The foreign currency denominated monetary items as at the reporting date are not material, hence no sensitivity analysis has been presented.

Interest Rate Risk

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

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Interest Rate Risk (Cont'd)

Information relating to the Group's exposure to the interest rate risk of the financial instruments are as follows:

Exposure to interest rate risk

	2017 RM	Group 2016 RM
Fixed rate instrument		
Bankers' acceptances	(1,644,000)	(5,758,000)
Bonds	(274,399,715)	(270,938,893)
Hire purchase liabilities	(1,252,762)	(1,680,558)
	<u>(277,296,477)</u>	<u>(278,377,451)</u>
Floating rate instrument		
Fixed deposits with licensed banks	73,406,616	25,792,808
Bank overdrafts	(3,810,105)	(10,348,966)
Term loan	(3,999,403)	(17,751,538)
	<u>65,597,108</u>	<u>(2,307,696)</u>

Interest rate risk sensitivity analysis

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

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

	2017 RM	Group 2016 RM
Effects on profit/(loss) after tax		
Increase of 100 basis points	655,971	(23,077)
Decrease of 100 basis points	<u>(655,971)</u>	<u>23,077</u>

Credit Risk

Credit risk refers to the risk that counterparty will default on their contractual obligations resulting in financial loss to the Group. The Group seeks to invest cash assets safely and profitably. The Group considers the risk if material loss arising in the event of non-performance by a financial counterparty to be unlikely, except when management deems recoverability of specific debtors as doubtful.

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit Risk (Cont'd)

The Group's primary exposure to credit risk arises through its trade receivables. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In respect of fixed deposits and cash and bank balances placed with major financial institutions in Malaysia, the directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

At the end of financial year, the maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

As at 30 September 2017, the Group has no significant concentration of credit risk except for the amount owing from a single customer in respect of its concession agreement activities constituting 89% (2016: 96%) of total receivables of the Group.

Management has taken reasonable steps to ensure that receivables that are past due but not impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

The ageing analysis of receivables which are trade in nature is as follows:

Group 2017	Gross amount RM	Impairment RM	Carrying value RM
Not past due	183,152,887	(6,664)	183,146,223
Less than 90 days past due	6,718,805	(248,217)	6,470,588
Between 90 days and 180 days past due	2,297,746	(15,516)	2,282,230
More than 180 days past due	31,732,240	(13,371,980)	18,360,260
	223,901,678	(13,642,377)	210,259,301

Group 2016	Gross amount RM	Impairment RM	Carrying value RM
Not past due	194,191,467	-	194,191,467
Less than 90 days past due	38,670,035	-	38,670,035
Between 90 days and 180 days past due	921,534	-	921,534
More than 180 days past due	18,883,429	(14,814,532)	4,068,897
	252,666,465	(14,814,532)	237,851,933

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity and Cash Flow Risk

Liquidity and cash flow risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group seeks to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities.

Therefore, the policy seeks to ensure that each business unit, through efficient working capital management (i.e. accounts receivable and accounts payable management), must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at 30 September based on the contractual undiscounted cash flows.

The Group 2017	Contractual interest %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
Trade payables	-	13,575,694	13,575,694	13,575,694	-	-
Other payables, deposits received and accruals	-	12,421,835	12,421,835	12,421,835	-	-
Amount owing to a director	-	142,200	142,200	142,200	-	-
Hire purchase liabilities	4.37 - 5.03	1,252,762	1,344,529	557,490	787,039	-
Bankers' acceptances	4.98	1,644,000	1,673,565	1,673,565	-	-
Bank overdrafts	8.10	3,810,105	3,810,105	3,810,105	-	-
Bonds	7.21	274,399,715	374,920,000	74,210,000	126,625,000	174,085,000
Term loan	6.85	3,999,403	6,297,712	459,636	1,838,544	3,999,532
		311,245,714	414,185,640	106,850,525	129,250,583	178,084,532

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity and Cash Flow Risk (Cont'd)

The Group 2016	Contractual interest %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
Trade payables	-	34,348,641	34,348,641	34,348,641	-	-
Other payables, deposits received and accruals	-	11,016,203	11,016,203	11,016,203	-	-
Amount owing to a related party	-	13,353	13,353	13,353	-	-
Amount owing to a director	-	142,200	142,200	142,200	-	-
Hire purchase liabilities	4.37 - 7.25	1,680,558	1,825,687	674,745	1,150,942	-
Bankers' acceptances	5.25	5,758,000	5,880,487	5,880,487	-	-
Bank overdrafts	8.10	10,348,966	10,348,966	10,348,966	-	-
Bonds	7.21	270,938,893	389,130,000	14,210,000	171,750,000	203,170,000
Term loan	7.10	17,751,538	20,708,436	14,410,724	1,838,544	4,459,168
		351,998,352	473,413,973	91,045,319	174,739,486	207,629,168

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity and Cash Flow Risk (Cont'd)

The Company 2017	Contractual interest %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
Other payables and accruals	-	90,186	90,186	90,186	-	-
Amounts owing to subsidiaries	-	31,000,057	31,000,057	31,000,057	-	-
		31,090,243	31,090,243	31,090,243	-	-

The Company 2016	Contractual interest %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
Other payables and accruals	-	124,611	124,611	124,611	-	-
Amounts owing to subsidiaries	-	168,999,783	168,999,783	168,999,783	-	-
Amount owing to a related party	-	13,353	13,353	13,353	-	-
		169,137,747	169,137,747	169,137,747	-	-

Notes To The Financial Statements

For The Financial Year Ended 30 September 2017

39. CAPITAL RISK MANAGEMENT

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

The Group manages its capital based on debts-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debts-to-equity ratio is calculated as total debts divided by total equity.

The debts-to-equity ratio of the Group at the reporting date was as follows:

	2017 RM	Group 2016 RM
Share capital	94,244,093	50,901,795
Treasury shares	(3,248,747)	(3,248,747)
Reserves	5,037,440	38,343,152
Total equity	96,032,786	85,996,200
Hire purchase payables	1,252,762	1,680,558
Bankers' acceptances	1,644,000	5,758,000
Bank overdrafts	3,810,105	10,348,966
Bonds	274,399,715	270,938,893
Term loan	3,999,403	17,751,538
Total debts	285,105,985	306,477,955
Debts-to-equity ratio	2.96	3.56

The Group is also required to comply with certain loan covenants, the banks may call an event of default if the Group fails to comply. The Group has complied with these requirements.

40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue on 16 January 2018 by the board of directors.

Statement By Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Mejar (K) Datuk Wira Lee Wah Chong and Lee Mely, being two of the directors of Digistar Corporation Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 61 to 121 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017 and financial performance and cash flows of the Group and of the Company for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the board of directors in accordance with a directors' resolution.

MEJAR (K) DATUK WIRA LEE WAH CHONG

Managing Director
Kuala Lumpur

LEE MELY

Executive Director

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act 2016

I, Koh Yong Kun, (I/C No.: 691003-10-6237), being the officer primarily responsible for the financial management of Digistar Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 61 to 121 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly)
declared by the above named)
Koh Yong Kun)
at Kuala Lumpur in the)
Federal Territory) **KOH YONG KUN**
)
this) Before me,

(Commissioner for Oaths)

Analysis Of Ordinary Shareholdings

As At 29 December 2017

Issued and Fully paid-up : RM68,118,211.20 (including 7,372,808 treasury shares held)
 Class of Shares : Ordinary Shares
 Voting Rights : One voting rights for one ordinary share

ANALYSIS OF ORDINARY SHAREHOLDINGS

Size of Holdings	No. of Holders	Total Shareholdings	%#
Less than 100 shares	132	5,547	0.00
100 to 1,000 shares	163	81,735	0.01
1,001 to 10,000 shares	1,216	8,180,253	1.26
10,001 to 100,000 shares	2,865	120,973,174	18.59
100,001 to less than 5% of issued shares	774	461,253,426	70.86
5% and above of issued shares	4	60,472,191	9.28
Total	5,154	650,966,326	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES

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

No.	Name	No. of Shares Held	%#
1.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For LWC Capital Sdn Bhd</i>	65,098,526	10.00
2.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Mejar (K) Datuk Lee Wah Chong</i>	37,464,849	5.755
3.	Star Heritage Development Sdn Bhd	24,323,400	3.736
4.	Chang Mui Lang	23,316,800	3.581
5.	Lee Wah Chong	22,350,200	3.433
6.	Siow Mee Fong	11,642,100	1.788
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Gan Seong Liam</i>	7,000,000	1.075
8.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Gan Seong Liam</i>	6,100,000	0.937
9.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Simco Assets Sdn Bhd</i>	5,200,000	0.798
10.	Yong Bun Fou	4,596,100	0.706
11.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Cheng Nyoh Moy (E-TMR)</i>	4,440,000	0.682
12.	Lee Siew Ann	4,000,000	0.614

Analysis Of Ordinary Shareholdings

As At 29 December 2017

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

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

No.	Name	No. of Shares Held	%#
13.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Secret Recipe Cakes & Cafe Sdn Bhd (E-SS2)</i>	3,656,200	0.561
14.	Tye Yien Yin	3,620,000	0.556
15.	Low Poh Ling	3,545,000	0.544
16.	Low Chit Sin	3,500,095	0.537
17.	Lee Yong Chee	3,310,000	0.508
18.	Wong Chee Kheong	3,210,000	0.493
19.	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ng Hock Meng</i>	3,140,100	0.482
20.	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chong Moo Ling</i>	2,900,000	0.445
21.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Leong Sia Keong</i>	2,898,200	0.445
22.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chong Fut Ling (001)</i>	2,775,570	0.426
23.	Wong Lok Sun @ Wong Lock Sau	2,550,000	0.391
24.	Macotrade Sdn Bhd	2,501,900	0.384
25.	Low Chit Sin	2,500,000	0.384
26.	SJ Sec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Yeo Siew Poh (SMT)</i>	2,500,000	0.384
27.	Public Invest Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chong Moo Ling (M)</i>	2,250,000	0.345
28.	Ong Fee Chong	2,128,161	0.326
29.	Tong Fong Realty Sdn Berhad	2,114,000	0.324
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kong Kok Choy (8092812)</i>	1,995,900	0.306

Analysis Of Ordinary Shareholdings

As At 29 December 2017

SUBSTANTIAL SHAREHOLDERS (DIRECT & INDIRECT)

(as per Register of Substantial Shareholders)

No. Shareholder	Direct Interest	%	Indirect Interest	%
1. LWC Capital Sdn Bhd	65,098,526	10.00	-	-
2. Mejar (K) Datuk Wira Lee Wah Chong	59,815,049	9.19	66,019,731*	10.14
3. Star Heritage Development Sdn Bhd	24,323,400	3.74	-	-
4. Chang Mui Lang	23,316,800	3.58	-	-

DIRECTORS' SHAREHOLDING (DIRECT & INDIRECT)

(as per Register of Substantial Shareholders)

No. Shareholder	Direct Interest	%	Indirect Interest	%
1. Tan Sri Dato' Ir Hj Zaini Bin Omar	-	-	-	-
2. Mejar (K) Datuk Wira Lee Wah Chong	59,815,049	9.19	66,019,731*	10.14
3. Dato' Haji Ishak Bin Haji Mohamed	-	-	-	-
4. Thee Kok Chuan	-	-	-	-
5. Lee Mely	-	-	-	-
6. Lee Jin Jean	328,571	0.05	-	-
7. Lee Chun Szen	328,571	0.05	-	-

Notes:

* Deemed interested by virtue of his shareholding in LWC Capital Sdn Bhd pursuant to section 8 of the Companies Act 2016 ("the Act") and the shareholding of his spouse pursuant to Section 59(11)(c) of the Act.

Based on the issued and paid-up capital of the Company of 505,376,284 ordinary shares after excluding 7,372,808 treasury shares retained by the Company as per Record of Depositors.

Analysis Of Warrant Holdings

As At 29 December 2017

No. of Warrant B Issued	: 74,024,334
No. of Warrant B Exercised	: NIL
No. of Warrant B Unexercised	: 74,024,334
Exercise Period	: 5 April 2013 to 4 April 2023

ANALYSIS BY SIZE OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	No. of Warrant	%
less than 100 warrants	100	4,500	0.006
100 to 1,000 warrants	68	43,282	0.058
1,001 to 10,000 warrants	473	2,140,882	2.892
10,001 to 100,000 warrants	390	16,738,628	22.611
100,001 to less than 5% of issued warrants	109	50,313,061	67.967
5% and above of issued warrants	1	4,783,981	6.462
Total	1,141	74,024,334	100

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR WARRANT

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

No.	Name	No. of Warrant Held	%#
1.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For LWC Capital Sdn Bhd (029)</i>	13,595,019	18.365
2.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Mejar (K) Datuk Lee Wah Chong (029)</i>	4,783,981	6.462
3.	Gan Seong Liam	2,838,000	3.833
4.	Chang Mui Lang	1,800,000	2.431
5.	Abdul Sathar Bin M S M Abdul Kadir	1,300,000	1.756
6.	Foo Yong Boon	1,000,000	1.350
7.	Lee Sim Nee	1,000,000	1.350
8.	Quek Paw Hee	1,000,000	1.350
9.	Lim Seok Kim	930,000	1.256
10.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Cheng Nyoh Moy (E-TMR)</i>	915,000	1.236
11.	Koo King Tong	830,000	1.121
12.	Lim Keng Chuan	776,400	1.048
13.	Tan Ho Foot	678,300	0.916
14.	Ng Lung Heam @ Ng Ling Keam	648,000	0.875
15.	Low Chit Sin	600,000	0.810

Analysis Of Warrant Holdings

As At 29 December 2017

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

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

No.	Name	No. of Warrant Held	%#
16.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kho Ping</i>	600,000	0.810
17.	Lee Chee Kim	551,000	0.744
18.	Ng Mei Yee	542,700	0.733
19.	Yap Kin Hoong	500,000	0.675
20.	Ong Fee Chong	456,034	0.616
21.	Tee Wei Keat	450,000	0.607
22.	Chung Seong Huat	420,000	0.567
23.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - Ambank (M) Berhad For Tan Swee San (Smart)</i>	419,800	0.567
24.	Datuk Tay Hock Tiam	418,900	0.565
25.	Gan Keng Meng	416,300	0.562
26.	Chee Kok Yean	400,000	0.540
27.	Phua Pok In	358,000	0.483
28.	Tee Hock Seng	350,000	0.472
29.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Lim Kim Shai</i>	329,000	0.444
30.	Datuk Tay Hock Tiam	300,075	0.405

DIRECTORS' WARRANT HOLDINGS (DIRECT & INDIRECT)

(as per Register of Directors' Warrant Holdings)

No.	Shareholder	Direct Interest	%	Indirect Interest	%
1.	Tan Sri Dato' Ir Hj Zaini Bin Omar	-	-	-	-
2.	Mejar (K) Datuk Wira Lee Wah Chong	4,783,981	6.462	13,605,186*	18.379
3.	Dato' Haji Ishak Bin Haji Mohamed	-	-	-	-
4.	Thee Kok Chuan	-	-	-	-
5.	Lee Mely	-	-	-	-
6.	Lee Jin Jean	-	-	-	-
7.	Lee Chun Szen	-	-	-	-

* Deemed interested by virtue of his shareholding in LWC Capital Sdn Bhd pursuant to section 8 of the Companies Act 2016 ("the Act") and the shareholding of his spouse pursuant to Section 59(11)(c) of the Act.

List Of Properties

As At 30 September 2017

Location	Description/ Existing Use	Build-up Area/ Land Area* (sq.ft.)	Tenure	Approximate Age of Buildings	Net Book Value/ Net Realisable Value# (RM)	Year of Acquisition
Lot 4.119, 4th Floor, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur	An Intermediate office lot in a 9 storey shopping- cum-office block/ Office Unit	366	Freehold	39 years	43,680	1994
B5/5/5, 4th Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor	An intermediate office lot in a 5 storey shop/ Office Unit	1864	Leasehold for 99 years expiring on 23/5/2089	22 years	325,656	1997
B5/2/2, 1st Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor	An intermediate office lot in a 5 storey shop/ Office Unit	1864	Leasehold for 99 years expiring on 23/5/2089	22 years	368,925	1997
B5/4/4, 3rd Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor	An intermediate office lot in a 5 storey shop/ Office Unit	1864	Leasehold for 99 years expiring on 23/5/2089	22 years	264,437	1998
B6/5/5, 4th Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor	An intermediate office lot in a 5 storey shop/ Office Unit	1864	Leasehold for 99 years expiring on 23/5/2089	22 years	277,889	2001
B6/3/3, 2nd Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor	An intermediate office lot in a 5 storey shop/ Office Unit	1864	Leasehold for 99 years expiring on 23/5/2089	22 years	252,180	2001
B5/3/3, 2nd Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor	An intermediate office lot in a 5 storey shop/ Office Unit	1864	Leasehold for 99 years expiring on 23/5/2089	22 years	264,427	2002
B6/4/4, 3rd Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor	An intermediate office lot in a 5 storey shop/ Office Unit	1864	Leasehold for 99 years expiring on 23/5/2089	22 years	285,515	2002
B6/2/2, 1st Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor	An intermediate office lot in a 5 storey shop/ Office Unit	1864	Leasehold for 99 years expiring on 23/5/2089	22 years	412,356	2003
No 3, Jalan TU-3, Taman Tasik Utama, Ayer Keroh, 75450 Melaka	Double storey shop house	Build-up area: 2,860, land area: 1,540	leasehold for 99 years expiring on 29/3/2097	17 years	134,336	2002
28-1A, Jalan Sungai Chandong 9, Bandar Armada Putra, Pulau Indah, 42100 Pelabuhan Klang, Selangor	An intermediate office lot in a 4 storey shop/ Office Unit	644	Leasehold for 99 years expiring on 11/3/2095	15 years	44,100	2005

List Of Properties

As At 30 September 2017

Location	Description/ Existing Use	Build-up Area/ Land Area* (sq.ft.)	Tenure	Approximate Age of Buildings	Net Book Value/ Net Realisable Value# (RM)	Year of Acquisition
C19, Jalan Ampang Utama 1/1, Taman Ampang Utama, 68000 Ampang, Selangor	A corner office lot in 4 storey shop/ Office unit	Build-up area: 8,124, land area: 1,920	Leasehold for 99 years expiring on 7/5/2083	24 years	969,192	2005
500, Jalan Ampang Utama 1/1, Taman Ampang Utama, 68000 Ampang, Selangor	Double Storey commercial building	Build-up area: 8,938, land area: 6,175	Leasehold for 99 years expiring on 2/2/2076	25 years	2,637,368	2010
499, Jalan 5, Taman Ampang Utama, 68000 Ampang, Selangor	Vacant land	Land area: 8150	Leasehold for 99 years expiring on 25/1/2077	N/A	2,305,656	2011
1-2-37, I-Avenue, Medan Kampung Relau 1, Bayan Lepas, 11900 Penang	An intermediate office lot in a 4 storey shop/ Office Unit	978	Freehold	6 years	385,721	2012
C1-0419, Jalan Indah 15, Taman Bukit Indah, Nusajaya, Johor	An intermediate office lot in a 5 storey shop/ Office Unit	947	Freehold	5 year	352,275	2013
PT 834 Melaka Tengah, Kawasan Bandar XXX1X	Vacant Land	Land ares: 4290	Leasehold for 99 years expiring on 29/6/2107	N/A	1,258,391	2011
5A-2, Jalan Melaka Raya 14, Taman Melaka Raya, 75000 Melaka	Apartment Medium Cost	674	Leasehold for 99 years expiring on 7/7/2093	12 years	99,087	2015
6B-1, Jalan Melaka Raya 14, Taman Melaka Raya, 75000 Melaka	Apartment Medium Cost	674	Leasehold for 99 years expiring on 7/7/2093	12 years	103,988	2015
13A-2, Jalan Melaka Raya 14, Taman Melaka Raya, 75000 Melaka	Apartment Medium Cost	674	Leasehold for 99 years expiring on 7/7/2093	12 years	97,139	2015
H.S (M) 3166, P.T No 8778, Mukim Cheng, District of Melaka Tengah, Melaka	Vacant Land	Land area: 83,593	Freehold	N/A	1,647,008	2016
Lot 19545, Mukim Cheng, District of Melaka Tengah, Melaka	Vacant Land	Land area : 359,836	Freehold	N/A	7,089,801	2016

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Digistar Corporation Berhad will be held at Indah Ballroom, Flamingo Hotel, 5, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan, on Friday, 23 February 2018 at 11.00 a.m. to transact the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 September 2017 together with the Reports of the Directors and Auditors thereon. (Refer to Explanatory Note 1)
2. To approve the payment of Directors' fees of up to RM160,000 in respect of the financial year ended 30 September 2017. Ordinary Resolution 1 (Refer to Explanatory Note 2)
3. To approve the payment of Directors' benefits (other than Directors' fees) of up to RM18,000 for the period from 31 January 2017 to 28 February 2018. Ordinary Resolution 2 (Refer to Explanatory Note 2)
4. To approve the payment of Directors' benefits (other than Directors' fees) of up to RM18,000 for the period from 1 March 2018 until the conclusion of the next annual general meeting of the Company. Ordinary Resolution 3 (Refer to Explanatory Note 2)
5. To re-elect the following Directors who retire by rotation in accordance with the Article 86 of the Constitution of the Company:
 - (a) Mejar (K) Datuk Wira Lee Wah Chong Ordinary Resolution 4 (Refer to Explanatory Note 3)
 - (b) Ms Lee Jin Jean Ordinary Resolution 5 (Refer to Explanatory Note 3)
6. To re-elect Tan Sri Dato' Ir. Hj Zaini Bin Omar who is retiring under Article 92 of the Constitution of the Company. Ordinary Resolution 6 (Refer to Explanatory Note 4)
7. To re-appoint Mazars PLT as auditors of the Company and to authorise the Directors to fix their remuneration. Ordinary Resolution 7

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following resolutions with or without modifications:

8. AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

"THAT subject to Sections 75 and 76 of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued during the preceding twelve (12) months does not exceed ten per centum (10%) of the total number of the issued share (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad.

Ordinary Resolution 8
(Refer to Explanatory Note 5)

Notice Of Annual General Meeting

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company, or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting."

9. PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES IN THE COMPANY

"THAT, subject always to the Companies Act 2016 ("the Act"), the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approvals of all relevant authorities (if any), the Company be and is hereby authorised, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

Ordinary Resolution 9
(Please refer to explanatory
Note 6)

- (i) The maximum aggregate number of shares which may be purchased and held by the Company must not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time ("Proposed Share Buy-Back");
- (ii) The maximum amount to be allocated for the Proposed Share Buy-Back shall not exceed the aggregate of the Company's retained profits based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase of the Proposed Share Buy-Back; and
- (iii) The shares of the Company so purchased may be cancelled, retained as treasury shares, distributed as dividends or resold or transfer on Bursa Securities, or a combination of any of the above, or be dealt with in such manner allowed by the Act and Listing Requirements from time to time.

THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution is passed at which time the authority will lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first, but shall not prejudice the completion of the purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and/or any other relevant authority;

Notice Of Annual General Meeting

AND THAT authority be and is hereby unconditionally and generally given to the Directors to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depositor account(s) under the Securities Industry (Central Depositors) Act 1991, and the entering into all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the provisions of the Constitution of the Company, the Listing Requirements and all other relevant governmental and/or regulatory authorities.”

10. To transact any other business of which due notice shall have been given in accordance with the Act.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)

Company Secretary

Kuala Lumpur
30 January 2018

Notes:

1. For the purpose of determining a member who shall be entitled to attend and vote at the 15th Annual General Meeting (“AGM”), the Company shall be requesting the Record of Depositors as at 19 February 2018. Only a depositor whose name appears on the Record of Depositors as at 19 February 2018 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.
2. A member entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend, speak and vote in his/her stead. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. Where a member or the authorised nominee or an exempt authorised nominee appoints two (2) or more proxies, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

Notice Of Annual General Meeting

6. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
7. If the appointer is a corporation, this form shall be executed under its common seal or under the hand of its officer or attorney duly authorised.
8. If this Proxy Form is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Proxy Form.

EXPLANATORY NOTES

1. Explanatory Note 1

To receive the Audited Financial Statements for the financial year ended 30 September 2017

This agenda item is meant for discussion only as under the provision of Section 340(1)(a) of the Companies Act 2016 ("the Act"), the audited financial statements do not require a formal approval of the shareholders. Hence, this resolution will not be put forward for voting.

2. Explanatory Note 2

Directors' Fees and Benefits

Section 230(1) of the Act provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed, with the Remuneration Committee's recommendation, that the shareholders' approval shall be sought at the 15th AGM on the following:

- Resolution 1 To approve the payment of Directors' fees of RM160,000 in respect of the financial year ended 30 September 2017.
- Resolution 2 To approve the payment of Directors' benefits (other than Directors' fees) of up to RM18,000 for the period from 31 January 2017 to 28 February 2018.
- Resolution 3 To approve the payment of Directors' benefits (other than Directors' fees) of up to RM18,000 for the period from 1 March 2018 until the conclusion of the next annual general meeting of the Company.

Directors' fees

The Remuneration Committee ("RC") had reviewed the Directors' fees and recommended to the Board that the Directors' fees for the financial year ended 30 September 2017 of up to RM160,000 per annum. The Board agreed with RC's recommendation that the Directors' fees are still competitive and at par with the prevalent market rate.

Directors' benefits (other than Directors' fees)

The Directors' benefits (other than Directors' fees) comprises allowances and other emoluments payable to the Chairman and members of the Board and Board Committees.

Notice Of Annual General Meeting

3. Explanatory Note 3

To re-elect Mejar (K) Datuk Wira Lee Wah Chong and Ms Lee Jin Jean who are retiring pursuant to Article 86 of the Constitution of the Company and being eligible, have offered themselves for re-election

Article 86 of the Constitution of the Company ("Constitution") provides that one-third (1/3) of the directors of the Company for the time being shall retire by rotation at an AGM of the Company. The Directors who are subject to retirement by rotation in accordance with Article 86 of the Constitution are Mejar (K) Datuk Wira Lee Wah Chong (Managing Director) and Ms Lee Jin Jean (Executive Director).

For the purpose of determining the eligibility of the Directors to stand for re-election at the 15th AGM, the Nomination Committee ("NC") has considered the following:

- (a) The performance and contribution of each of the Directors based on their assessment results of the Board Effectiveness Evaluation;
- (b) The assessment of the individual Director's level of contribution to the Board through each of their skills, experience and strength in qualities; and

The Board has conducted assessments on Directors on character, integrity, competence, experience and time commitment in effectively discharging their respective roles as Directors of the Company. The individual Directors were assessed based on performance criteria set in the areas of Board dynamics and participation, competency and capability, independence and objectivity, probity and personal integrity, contribution and performance together with their ability to make analytical inquiries and offer advice and guidance.

The Board agreed with NC's recommendation that the Directors who retire in accordance with Article 86 of the Constitution are eligible to stand for re-election. The retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the Board meeting.

4. Explanatory Note 4

Article 92 of the Constitution of the Company provides amongst others, that the Board shall have the power to appoint any person to be a director to fill a casual vacancy or as an addition to the existing Board, and that any director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

Accordingly, Tan Sri Dato' Ir. Hj Zaini Bin Omar ("Tan Sri Zaini"), the Independence Non-Executive Director who was appointed on 10 March 2017, shall hold office until the conclusion of the 15th AGM and shall then be eligible for re-election pursuant to Article 92 of the Constitution.

Tan Sri Zaini had indicated his willingness to seek for re-election and has abstained from the deliberation and voting of his re-election at the Board Meeting. The Board having reviewed the re-election of Tan Sri Zaini including his performance evaluation, recommended the same for the shareholders' approval.

5. Explanatory Note 5

Authority to issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution 8 is proposed to seek a renewal of general mandate for authority to issue shares pursuant to Sections 75 and 76 of the Act. If the resolution was passed, it will give the Directors of the Company from the date of the above meeting, authority to issue and allot shares for such purposes as the Directors consider would be in the interest of the Company. The authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM.

As at the date of this notice, 59,178,700 new shares in the Company were issued pursuant to the general mandate granted to the Directors at the 14th AGM held on 28 February 2017 and which will be lapsed at the conclusion of the 15th AGM. The proceeds of RM8,202,167.82 raised from the issuance of 59,178,700 shares via the Private Placement as at the date of this Notice have been partially utilised by the Company and its subsidiaries for the partial repayment of bank borrowings, expansion of central monitoring security services segment and expenses incurred relating to the Private Placement.

Notice Of Annual General Meeting

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

6. Explanatory Note 6

Proposed Renewal of Authority to purchase its own shares of up to 10% of the total number of issued shares in the Company

The proposed adoption of Ordinary Resolution 9 above, is to empower the Directors to buy-back and/or hold up to a maximum of 10% of the total number of the Company's issued shares at any point of time, by utilizing the amount allocated which shall not exceed the total retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available, subject to the Act, Listing Requirements, any prevailing laws, orders, requirements, rules, regulations and guidelines issued by the relevant authorities at the time of purchase. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company, or the expiration of period within which the next AGM is required by law to be held, whichever is the earlier.

Please refer to the Share Buy-back Statement as set out in the Annual Report of the Company for further information.

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Form Of Proxy



DIGISTAR CORPORATION BERHAD
(603652-K)
(INCORPORATED IN MALAYSIA)

CDS Account No. ⁽ⁱ⁾	
No. of Shares held	

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

of
(FULL ADDRESS)

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

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

NRIC No. of
(FULL ADDRESS)

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

NRIC No. of
(FULL ADDRESS)

or failing *him/her, *the Chairman of the Meeting as *my/our proxy to attend and vote on *my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at Indah Ballroom, Flamingo Hotel, 5, Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan, on Friday, 23 February 2018 at 11.00 a.m. or any adjournment thereof.

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

	For	Against
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		

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

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

* Delete where applicable

Signed this day of 2018

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

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

Signature/Common Seal of Member

(Tel:)

Notes:

- For the purpose of determining a member who shall be entitled to attend and vote at the 15th Annual General Meeting ("AGM"), the Company shall be requesting the Record of Depositors as at 19 February 2018. Only a depositor whose name appears on the Record of Depositors as at 19 February 2018 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.
- A member entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend, speak and vote in his/her stead. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where a member or the authorised nominee or an exempt authorised nominee appoints two (2) or more proxies, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
- If the appointer is a corporation, this form shall be executed under its common seal or under the hand of its officer or attorney duly authorised.
- If this Proxy Form is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Proxy Form.

Fold this flap for sealing

Then fold here



AFFIX
STAMP

DIGISTAR CORPORATION BERHAD

COMPANY SECRETARY

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

1st fold here



**DIGISTAR
CORPORATION BERHAD**
(COMPANY NO.: 603652-K)

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