The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period from 15 January 2003 (date of incorporation) to 30 September 2003.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit/(Loss) attributable to shareholders of the Company	555,984	(4,425)

DIVIDENDS

No dividend was paid since the date of incorporation and the directors do not recommend the payment of any dividend for the current financial period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period.

ISSUES OF SHARES AND DEBENTURES

The Company was incorporated with an authorised capital of RM250,000 comprising 2,500,000 ordinary shares of RM0.10 each, of which 200 ordinary shares of RM0.10 each were subscribed for on the date of incorporation. During the financial period, the Company increased its authorised capital from RM250,000 to RM25,000,000 by the creation of 247,500,000 new ordinary shares of RM0.10 each.

During the financial period,

(a) the issued and paid-up capital of the Company was increased from RM20 to RM6,257,533 as follows:

  (i) by an issue of 50,060,060 new ordinary shares of RM0.10 each at an issue price of RM0.10 in consideration for the acquisition of a subsidiary pursuant to a resolution passed at the Extraordinary General Meeting held on 15 August 2003; and

  (ii) by a rights issue of 12,515,065 new ordinary shares of RM0.10 each at an issue price of RM0.10 per shares pursuant to a resolution adopted at an Extraordinary General Meeting held on 15 August 2003;

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

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial period, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the ESOS.

EMPLOYEE SHARE OPTION SCHEME ("ESOS" OR THE "SCHEME")

The Company's ESOS was approved by the shareholders during the Extraordinary General Meeting held on 15 August 2003. As at the date of this report, the Company proposed to grant up to 15,000,000 options to executive directors and eligible employees of the Group.

The main features of the ESOS are as follows:

(a) any employee (including executive directors) who are at least 18 years old, and have been confirmed and served in full time and on the payroll employment of any company within the Group for a continuous period of at least one year shall be eligible to participate in the Scheme;

(b) in the case of the executive directors of the Company, their specific entitlements under the Scheme shall be approved by the shareholders of the Company in a general meeting;

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

(c) the total number of new ordinary shares of the Company which may be made available under the Scheme shall not exceed thirty per cent (30%) of the total issued and paid-up share capital of the Company at any time during the existence of the Scheme which shall expire on 6 November 2008;

(d) not more than fifty per cent (50%) of the new ordinary shares of the Company available under the Scheme should be allocated, in aggregate, to the executive directors and senior management of the Group;

(e) not more than twenty five per cent (25%) of the new ordinary shares of the Company available under the Scheme should be allocated to any individual eligible employee;

(f) the price at which the option holder is entitled to subscribe for each new ordinary share of the Company may be at a discount of not more than ten per cent (10%) (if deemed appropriate by the Options Committee) from the five (5) day weighted average market price of ordinary shares as at the offer date provided that the subscription price shall in no event be less than the par value of the ordinary shares; and

(g) the shares to be allotted upon any exercise of an option will upon allotment rank pari passu in all respects with the existing issued and paid-up shares of the Company.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 37 to the financial statements. At the date of this report, there does not exist:-

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

YB DATUK HAJI HASAN BIN MALEK (APPOINTED ON 18.8.2003)
YB DATUK HAJI AB KARIM BIN SULAIMAN (APPOINTED ON 18.8.2003)
LEE WAH CHONG (APPOINTED ON 18.8.2003)
ONG FEE CHONG (APPOINTED ON 18.8.2003)
WA SIEW YAM (APPOINTED ON 18.8.2003)
LEE MELY (APPOINTED ON 18.8.2003)
IR. LOH KHOON HONG (APPOINTED ON 18.8.2003)
MAH LI CHEN (FIRST DIRECTOR, RESIGNED ON 19.8.2003)
LEE MING LEONG (FIRST DIRECTOR, RESIGNED ON 19.8.2003)

Pursuant to Article 86 of the Articles of Association of the Company, YB Datuk Haji Ab Karim Bin Sulaiman and Wa Siew Yam retire at the first annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	SUBSCRIBER SHARE	ALLOTMENT	SOLD	AT 30.9.2003
THE COMPANY				
DIRECT INTERESTS				
LEE WAH CHONG	-	6,884,951	-	6,884,951
YB DATUK HAJI AB KARIM BIN SULAIMAN	-	3,637,019	-	3,637,019
ONG FEE CHONG	-	1,479,055	-	1,479,055
WA SIEW YAM	-	560,615	-	560,615
INDIRECT INTERESTS				
YB DATUK HAJI AB KARIM BIN SULAIMAN (1)	-	48,809,397	-	48,809,397
LEE WAH CHONG (1)	-	48,809,397	-	48,809,397

(1) Deemed interest through Kenangan Lampiran Sdn. Bhd.'s interest in the Company by virtue of Section 6A of the Companies Act, 1965.

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

By virtue of their shareholdings in the Company, YB Datuk Haji AB Karim Bin Sulaiman, Lee Wah Chong and Wa Siew Yam are deemed to have interests in the shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

DIRECTORS' BENEFITS

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The significant events involving the Group during the financial period are disclosed in Note 32 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

The significant event of the Group subsequent to the balance sheet date is disclosed in Note 33 to the financial statements.

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 14 JANUARY 2004

Lee Wah Chong

Ong Fee Chong

STATEMENT BY DIRECTORS

We, Lee Wah Chong and Ong Fee Chong, being two of the directors of Digistar Corporation Berhad, state that, in the opinion of the directors, the financial statements set out on pages 18 to 37 are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 September 2003 and of their results and cash flows for the financial period ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 14 JANUARY 2004

Lee Wah Chong **Ong Fee Chong**

STATUTORY DECLARATION

I, Lee Wah Chong, I/C No. 580709-04-5219, being the director primarily responsible for the financial management of Digistar Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 18 to 37 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
Lee Wah Chong, I/C No. 580709-04-5219
at Kuala Lumpur in the Federal Territory
on this 14 January 2004

Lee Wah Chong

Before me
Haron Hashim (No. W. 128)

REPORT OF THE AUDITORS TO THE MEMBERS OF DIGISTAR CORPORATION BERHAD

Company No : 603652 - K

We have audited the financial statements set out on pages 18 to 37. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-

    (i) the state of affairs of the Group and of the Company at 30 September 2003 and their results and cash flows for the financial period ended on that date; and

    (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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

The audit report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Companies Act, 1965.

Horwath
Firm No: AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No: 1772/11/04 (J/PH)
Partner

Kuala Lumpur

14 January 2004

	NOTE	THE GROUP 2003 RM	THE COMPANY 2003 RM
ASSETS			
Investment in subsidiaries	6	-	5,006,057
Property, plant and equipment	7	5,385,531	-
		5,385,531	5,006,057
CURRENT ASSETS			
Inventories held for resale	8	1,679,994	-
Trade receivables	9	5,665,393	-
Amount owing by contract customers	10	2,730,256	-
Other receivables, deposits and prepayments	11	450,606	244,134
Amount owing by a subsidiary	12	-	1,007,342
Fixed deposits with licensed banks	13	3,249,440	-
Cash and bank balances		122,647	-
		13,898,336	1,251,476
LESS: CURRENT LIABILITIES			
Trade payables	14	4,283,340	-
Other payables and accruals		251,984	4,425
Hire purchase payables	15	235,128	-
Short term borrowings	16	1,160,636	-
Bank overdrafts	17	316,870	-
Provision for taxation		1,040,266	-
		7,288,224	4,425
NET CURRENT ASSETS		6,610,112	1,247,051
		11,995,643	6,253,108
FINANCED BY:			
Share capital	19	6,257,533	6,257,533
Retained profits/(Accumulated loss)		555,984	(4,425)
Reserve on consolidation	20	4,031,355	-
SHAREHOLDERS' EQUITY		10,844,872	6,253,108
NON-CURRENT LIABILITIES			
Long term borrowings	21	1,065,771	-
Deferred taxation	22	85,000	-
		11,995,643	6,253,108
NET TANGIBLE ASSETS PER SHARE	23	17 sen	

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

	NOTE	THE GROUP 15.1.2003 to 30.9.2003 RM	THE COMPANY 15.1.2003 to 30.9.2003 RM
TURNOVER	24	41,100,947	-
COSTS OF SALES		(30,361,338)	-
GROSS PROFIT		10,739,609	-
OTHER OPERATING INCOME		532,285	-
		11,271,894	-
ADMINISTRATIVE EXPENSES		(3,392,573)	(4,425)
MARKETING EXPENSES		(653,464)	-
OTHER OPERATING EXPENSES		(382,735)	-
		(4,428,772)	(4,425)
PROFIT/(LOSS) FROM OPERATIONS		6,843,122	(4,425)
FINANCE COSTS		(330,069)	-
PROFIT/(LOSS) BEFORE TAXATION	25	6,513,053	(4,425)
TAXATION	26	(1,925,763)	-
PROFIT/(LOSS) AFTER TAXATION		4,587,290	(4,425)
MINORITY INTERESTS		49	-
		4,587,339	(4,425)
PRE-ACQUISITION PROFIT		(4,031,355)	-
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		555,984	(4,425)
Earnings per share - basic	27	9 sen	

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

	NOTE	SHARE CAPITAL RM	RESERVE ON CONSOLIDATION RM	RETAINED PROFITS/ (ACCUMULATED LOSS) RM	TOTAL RM
THE GROUP					
At 15.1.2003 (date of incorporation)		20	-	-	20
Shares issued pursuant to:-					
- Acquisition of subsidiaries		5,006,006	-	-	5,006,006
- Rights issue		1,251,507	-	-	1,251,507
Reserve on consolidation arising from acquisition of subsidiaries	20	-	4,031,355	-	4,031,355
Profit attributable to shareholders of the Company		-	-	555,984	555,984
		6,257,533	4,031,355	555,984	10,844,872
THE COMPANY					
At 15.1.2003 (date of incorporation)		20	-	-	20
Shares issued pursuant to:-					
- Acquisition of subsidiaries		5,006,006	-	-	5,006,006
- Rights issue		1,251,507	-	-	1,251,507
Loss after taxation		-	-	(4,425)	(4,425)
		6,257,533	-	(4,425)	6,253,108

The retained profits of the Group is attributable to:-

	30.9.2003 RM
The Company	(4,425)
Subsidiaries	560,409
	555,984

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

	NOTE	THE GROUP 15.1.2003 to 30.9.2003 RM	THE COMPANY 15.1.2003 to 30.9.2003 RM
CASH FLOWS FOR OPERATING ACTIVITIES			
Profit/(Loss) before taxation		6,513,053	(4,425)
Pre-acquisition profit		(4,031,355)	-
		2,481,698	(4,425)
Adjustments for:-			
Depreciation of property, plant and equipment		53,921	-
Interest income		(13,095)	-
Interest expense		20,474	-
Operating profit/(loss) before working capital changes		2,542,998	(4,425)
Decrease in inventories		103,840	-
Decrease in amount owing by contract customers		2,486,265	-
Increase in trade and other receivables		(4,058,983)	(244,134)
Increase in trade and other payables		494,740	4,425
CASH FLOW FROM/(FOR) OPERATIONS		1,568,860	(244,134)
Interest paid		(20,474)	-
Tax paid		(1,871,006)	-
NET CASH FOR OPERATING ACTIVITIES		(322,620)	(244,134)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES			
Purchase of property, plant and equipment	28	(17,912)	-
Net cash inflow on acquisition of subsidiaries	29	2,935,300	(51)
Interest received		13,095	-
NET CASH FROM/(FOR) INVESTING ACTIVITIES		2,930,483	(51)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		1,251,527	1,251,527
Advances to a subsidiary		-	(1,007,342)
Repayment of hire purchase obligations		(19,795)	-
Repayment of term loan		(8,637)	-
Increase in bills payable		(775,741)	-
NET CASH FROM FINANCING ACTIVITIES		447,354	244,185
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	30	3,055,217	-

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

1. GENERAL INFORMATION

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

Registered office	:	C15-1, Level 15, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur.
Principal place of business	:	B5/5/5, 4th Floor, One Ampang Business Avenue, Jalan Ampang Utama 1/2, 68000 Ampang, Selangor Darul Ehsan.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its currency, interest rate, market, credit, liquidity and cash flow risks. The Group operates within defined guidelines that are approved by the Board and the policies in respect of the major areas of treasury activity are as follows:-

(a) Currency Risk

The Group is exposed to foreign exchange risk on purchases that are denominated in foreign currencies. It manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

Due to the present Ringgit Malaysia exchange rate peg against the US Dollar, the directors are of the opinion that the Group's exposure to currency risk is not significant.

(b) Interest Rate Risk

The Group obtains financing through bank borrowings and hire purchase. Its policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable financial institutions at the most favourable interest rates.

(c) Market Risk

The Company does not have any quoted investments and hence is not exposed to market risks.

(d) Credit Risk

The Company's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from cash deposits and receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Company does not have any major concentration of credit risk related to any individual customer or counterparty.

The Company manages its exposure to credit risk by investing its cash assets safely and profitably, and by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

(e) Liquidity and Cash Flow Risks

The Company's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments.

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

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

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 30 September 2003.

A subsidiary is defined as a company in which the Group has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities. All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests are measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interests.

(c) Investment in Subsidiaries

The investment in subsidiaries are stated at cost less allowance for diminution in the value of the investments. An allowance for diminution is made where, in the opinion of the directors, there is a decline other than temporary in the value of the investment.

(d) Goodwill or Negative Goodwill On Consolidation

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition. Negative good will represents the excess of the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition over the fair value of the purchase consideration.

Goodwill is stated net of negative goodwill and is retained in the consolidated balance sheet. The carrying value of the goodwill is reviewed annually and is written down for impairment where it is considered necessary. The impairment value of goodwill is taken to the consolidated income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Leasehold land	over remaining lease period of 87 years to 99 years
Leasehold office units	2%
Office lot	2%
Shophouse	2%
Site office cabins	10%
Furniture and fittings	10%
Office equipment	10%
Motor vehicles	20%
Plant and machinery	10%
Renovation	10%

(f) Impairment of Assets

The carrying values of assets, other than those to which MASB Standard 23 Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

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

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

(g) Inventories

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

In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(h) Assets Under Hire Purchase

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

(i) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Amount Owing By/To Contract Customers

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

(k) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(l) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(m) Taxation

Taxation for the year comprises current and deferred tax.

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(n) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable), other investments, inventories, receivables, and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(o) Cash and Cash Equivalents

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All the borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

(q) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the approximate rates ruling on that date. All exchange differences are taken to the income statement.

(r) Revenue Recognition

(i) Contract Revenue

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

(ii) Sale of Goods and Services

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

(iii) Rental Income

Rental income is recognised on an accrual basis.

(iv) Interest Income

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

6. INVESTMENT IN SUBSIDIARIES

	THE COMPANY 2003 RM
Unquoted shares, at cost	5,006,057

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

Name of Company	Equity Interest 2003	Principal Activities
Digistar Holdings Sdn. Bhd.	100%	Design, supply, installation and integration of IT infrastructure, tele-conferencing, local area network, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.
Digistar Properties Sdn. Bhd. *	100%	Provision, maintenance and upkeep of premises.
Digistar Rauland MSC Sdn. Bhd.	51%	R&D of software and hardware to be deployed in the area relating to communication, tele-communication and ICT.

* Subsidiary of Digistar Holdings Sdn. Bhd.

7. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	AT 1.10.2002 RM	ARISING FROM ACQUISITION OF SUBSIDIARIES RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 30.9.2003 RM
NET BOOK VALUE					
Leasehold land	-	227,807	-	(320)	227,487
Office lot, shophouse and leasehold office units	-	3,678,766	14,412	(5,077)	3,688,101
Site office cabins, plant and machinery, furniture and fittings	-	191,391	-	(3,054)	188,337
Office equipment and renovation	-	555,608	3,500	(10,158)	548,950
Motor vehicles	-	767,968	-	(35,312)	732,656
	-	5,421,540	17,912	(53,921)	5,385,531

At 30.9.2003	AT COST RM	ACCUMULATED DEPRECIATION RM	TOTAL RM
Leasehold land	232,615	(5,128)	227,487
Office lot, shophouse and leasehold office units	3,899,216	(211,115)	3,688,101
Site office cabins, plant and machinery, furniture and fittings	277,353	(89,016)	188,337
Office equipment and renovation	901,389	(352,439)	548,950
Motor vehicles	2,027,520	(1,294,864)	732,656
	7,338,093	(1,952,562)	5,385,531

The motor vehicles of the Group acquired under hire purchase terms at the balance sheet date were carried at a total net book value of RM647,818.

The net book value of assets pledged as security for credit facilities granted to the Group are as follows:-

	THE GROUP 2003 RM
Leasehold office units	3,471,005
Office lot	67,200
	3,538,205

8. INVENTORIES HELD FOR RESALE

	THE GROUP 2003 RM
At cost:-	
Finished goods	1,679,994

None of the inventories are carried at net realisable value.

9. TRADE RECEIVABLES

	THE GROUP 2003 RM
Gross trade receivables	5,876,348
At 15 January 2003 (Date of incorporation)	-
Arising from acquisition of subsidiaries	(210,955)
At 30 September 2003	5,665,393

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

10. AMOUNT OWING BY CONTRACT CUSTOMERS

	THE GROUP 2003 RM
Contract costs incurred to date	33,779,241
Attributable profits	10,332,863
	44,112,104
Progress billings	(41,381,848)
	2,730,256

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments is an amount owing by a related party of RM41,400. The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

12. AMOUNT OWING BY A SUBSIDIARY

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

13. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits amounting to RM2,583,796 have been pledged as security for banking facilities granted to a subsidiary.

Fixed deposits at the balance sheet date yield interest at 3.27% per annum and have an average maturity of 4.6 months.

14. TRADE PAYABLES

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

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

	2003 RM
RM equivalent of trade payables denominated in:-	
- United States Dollar	873,671
- Australian Dollar	62,838
- Singapore Dollar	2,122

15. HIRE PURCHASE PAYABLES

	THE GROUP 2003 RM
Minimum hire purchase payments:	
- not later than one year	291,089
- later than one year and not later than five years	486,079
	777,168
Future finance charges	(144,411)
Present value of hire purchase liabilities	632,757
Current:	
- Not later than one year	235,128
Non-current:	
- Later than one year and not later than five years (Note 21)	397,629
	632,757

The hire purchase payables bear effective interest at rates at the balance sheet date of between 10.31% to 13.69% per annum.

16. SHORT TERM BORROWINGS

	THE GROUP 2003 RM
Term loan - current portion (Note 18)	85,636
Bankers' acceptances	1,075,000
	1,160,636

The bankers' acceptances bear effective interest at rates ranging from 4.15% to 5.0% per annum and are secured as follows:-

(i) by legal charges over certain properties belonging to the Group;

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

(iii) by the joint and several guarantee of certain directors of a subsidiary.

17. BANK OVERDRAFTS

The bank overdrafts bear effective interest at rates ranging from 8.0% to 8.15% per annum and are secured in the same manner as the bankers' acceptances as disclosed in Note 16 to the financial statements.

18. TERM LOAN

	THE GROUP 2003 RM
Term loan (Secured)	753,778
Portion repayable within twelve months (Note 16)	(85,636)
Portion repayable after twelve months (Note 21)	668,142

	THE GROUP 2003 RM
The term loan is repayable as follows:-	
Not later than one year	85,636
Later than one year and not later than five years	416,002
Later than five years	252,140
	753,778

The term loan bears interest at 4.88% per annum and is secured in the same manner as the bankers' acceptances as disclosed in Note 16 to the financial statements.

The term loan is repayable by 96 monthly instalments of RM11,695 each with effect from December 2002.

19. SHARE CAPITAL

	THE COMPANY 2003 RM
ORDINARY SHARES OF RM0.10 EACH:-	
AUTHORISED	
At 15 January 2003 (Date of incorporation)	250,000
Increase during the financial period	24,750,000
At 30 September 2003	25,000,000
ISSUED AND FULLY PAID-UP	
At 15 January 2003 (Date of incorporation)	20
Allotment during the financial period	6,257,513
At 30 September 2003	6,257,533

20. RESERVE ON CONSOLIDATION

	THE COMPANY 2003 RM
At 15 January 2003 (Date of incorporation)	-
Arising from acquisition of subsidiaries	4,031,355
	4,031,355

The reserve on consolidation is not distributable by way of cash dividends.

21. LONG TERM BORROWINGS

	THE GROUP 2003 RM
Hire purchase payable (Note 15)	397,629
Term loan (Note 18)	668,142
	1,065,771

22. DEFERRED TAXATION

	THE GROUP 2003 RM
At 15 January 2003 (Date of incorporation)	-
Arising from acquisition of subsidiaries	85,000
	85,000

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

23. NET TANGIBLE ASSETS PER SHARE

The net tangible assets per share is calculated based on the net tangible assets value of RM10,844,872 divided by the number of ordinary shares in issue at the balance sheet date of 62,575,325 shares.

24. TURNOVER

Turnover of the Group comprises the following:-

	2003 RM
Contract revenue	39,741,779
Maintenance income	266,841
Sale of goods	1,047,914
Rental income	44,413
	41,100,947

Contract revenue represents progress billings certified by the customers and/or customers' consultants. Maintenance income and sale of goods represent the invoiced value of the services rendered and goods sold less discounts and returns.

25. PROFIT/(LOSS) BEFORE TAXATION

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

	THE GROUP 2003 RM	THE COMPANY 2003 RM
Audit fee	19,800	3,000
Contract costs	29,408,916	-
Depreciation of property, plant and equipment	53,921	-
Directors' fees	224,000	-
Directors' other emoluments	184,000	-
Interest expense:		
- bankers' acceptances	37,205	-
- hire purchase	57,854	-
- bank overdraft	47,724	-
- term loan	32,860	-
- other	13,385	-
Rental of equipment	10,258	-
Rental of premises	180,450	-
Staff costs	3,231,131	-
Write-back of allowance for doubtful debts	(341,310)	-
Fixed deposit interest income	(95,906)	-
Rental income	(44,413)	-

26. TAXATION

	THE GROUP 2003 RM
For the financial year	1,910,000
Underprovision in previous financial year	15,763
	1,925,763

The effective tax rate is higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes.

26. TAXATION (CONT'D)

A reconciliation of the statutory tax rate to the effective tax rate applicable to the profit before taxation is as follows:-

	THE GROUP 2003 RM
Profit before taxation	6,513,053
Tax at 20% on the first RM100,000	20,000
Tax at 28% on the balance	1,795,655
	1,815,655
Tax effects of:-	
Non-deductible expenses	101,493
Underprovision in previous financial year	15,763
Others	(7,148)
Taxation for the financial period	1 ,925,763

27. BASIC EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share is arrived at by dividing the Group's profit attributable to the shareholders of RM555,984 with the weighted average number of 6,429,088 ordinary shares in issue during the financial period.

28. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP 2003 RM
Cost of property, plant and equipment purchased	1,233,597
Arising from acquisition of subsidiaries	(1,215,685)
Cash disbursed for purchase of property, plant and equipment	17,912

29. SUMMARY OF EFFECTS ON ACQUISITION OF SUBSIDIARIES

Details of the net assets acquired and the cash flows arising from the acquisition of the subsidiaries are as follows:-

	THE GROUP 2003 RM
Property, plant and equipment	5,421,540
Fixed deposits with licensed banks	3,088,804
Cash and bank balances	(153,504)
Current assets	8,117,574
Current liabilities	(6,271,227)
Long term liabilities	(1,165,826)
Net assets in subsidiaries acquired	9,037,361
Negative goodwill	(4,031,355)
Purchase consideration	5,006,006
Portion financed by issuance of shares	(5,006,006)
Portion financed in cash	-
Cash and cash equivalents of subsidiaries acquired	2,935,300
Net cash inflow on acquisition of subsidiaries	2,935,300

The effects of the acquisitions of the subsidiaries on the financial results of the Group during the financial period are as follows:-

	THE GROUP 2003 RM
Turnover	41,100,947
Cost of sales	(30,361,338)
Gross profit	10,739,609
Other operating income	532,285
	11,271,894
Less: Operating expenses	(4,428,772)
Profit from operations	6,843,122
Finance costs	(330,069)
Profit for the financial period	6,513,053
Pre-acquisition profit	(4,031,355)
Taxation	(1,925,763)
Minority interests	49
Increase in net profit of the Group	555,984

30. CASH AND CASH EQUIVALENTS

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

	THE GROUP 2003 RM
Fixed deposits with licensed banks (Note 13)	3,249,440
Cash and bank balances	122,647
Bank overdrafts	(316,870)
	3,055,217

31. SEGMENTAL INFORMATION

REVENUE THE GROUP	CONSTRUCTION RM	TRADING RM	MAINTENANCE INCOME RM	RENTAL RM	ELIMINATION RM	GROUP RM
External revenue	39,741,779	1,047,914	266,841	44,413	-	41,100,047
Intersegment revenue	-	-	-	177,600	(177,600)	-
Total revenue	39,741,779	1,047,914	266,841	222,013	(177,600)	41,100,947

RESULTS	CONSTRUCTION RM	TRADING RM	MAINTENANCE INCOME RM	RENTAL RM	ELIMINATION RM	GROUP RM
Segment results (external)	6,419,587	230,541	133,421	59,573	-	6,843,122
Finance cost	(330,069)	-	-	-	-	(330,069)
Profit from ordinary activities before taxation						6,513,053
Taxation						(1,925,763)
Profit from ordinary activities after taxation						4,587,290

OTHER INFORMATION

THE GROUP

	CONSTRUCTION RM	TRADING RM	MAINTENANCE INCOME RM	RENTAL RM	TOTAL RM
Segment assets	15,183,072	172,260	66,710	3,861,825	19,283,867
Segment liabilities	4,627,792	-	-	3,726,203	8,353,995
Capital expenditure	3,500	-	-	14,412	17,912
Depreciation	382,735	-	-	70,036	452,771

32. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The Company ("Digistar") implemented a flotation scheme, leading to the listing of and quotation for its entire enlarged issued and paid-up share capital on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("KLSE"), involving the following transactions:-

(a) the acquisition by Digistar Holdings Sdn. Bhd. ("DHSB") of 49,000 ordinary shares of RM1.00 each in Digistar Properties Sdn. Bhd. ("DPSB") comprising 49.0% of the equity interest in DPSB from Lee Wah Chong and Wa Siew Yam for a total purchase consideration of RM37,264 to be fully satisfied by the issuance of 37,264 new ordinary shares of RM1.00 each in DHSB (the ordinary shares in DHSB are referred to as "DHSB Shares" hereinafter) at an issue price of RM1 per share ("DPSB Acquisition"). The DPSB Acquisition was completed on 13 August 2003;

(b) the acquisition by Digistar of 2,037,264 DHSB Shares comprising the entire enlarged equity interest in DHSB for a purchase consideration of RM5,006,006 to be fully satisfied by the issuance of 50,060,060 new ordinary shares of RM0.10 each in Digistar (the ordinary shares in Digistar are referred to as "Digistar Shares" hereinafter) at an issue price of RM0.10 per share ("DHSB Acquisition"). The DHSB Acquisition was completed on 14 August 2003;

(c) the Rights Issue of 12,515,065 new Digistar Shares at an issue price of RM0.10 per share, to be payable in full upon acceptance, on the basis of one (1) rights share for every four (4) existing Digistar Shares held after the DHSB Acquisition ("Rights Issue"). The Rights Issue was completed on 26 September 2003;

(d) the Public Issue of 20,860,000 new Digistar Shares at an issue price of RM0.55 per share which will be allocated in the following manner ("Public Issue"):-

   (i) 1,500,000 new Digistar Shares made available for application by the eligible employees; and

   (ii) 3,500,000 new Digistar Shares made available for application by the general public; and

   (iii) 15,860,000 new Digistar Shares by way of private placement to institutional and individual investors.

(e) the listing of and quotation for the entire enlarged issued and paid-up share capital of Digistar comprising 83,435,325 Digistar Shares and the new Digistar Shares arising from the exercise of options granted under the Employees' Share Option Scheme ("ESOS") on the MESDAQ Market of the KLSE on 7 November 2003; and

(f) the ESOS for eligible employees and executive directors of Digistar and its subsidiaries of up to 30% of the issued and paid-up share capital of Digistar upon listing of Digistar Shares on the MESDAQ Market of the KLSE.

33. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 11 November 2003, the Company's wholly-owned subsidiary, DHSB accepted an appointment from Gala Antena Sdn. Bhd. as a vendor for the automated digital newsroom system integration for Kementerian Penerangan Malaysia for a total contract value of RM19 million.

34. NUMBER OF EMPLOYEES

	THE GROUP 2003
Number of employees at balance sheet date	95

35. FOREIGN EXCHANGE RATES

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

	THE GROUP 2003 RM
United States Dollar	3.82
Euro	4.45
Danish Kroner	0.60

36. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the amount for which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) *Bank Balances and Other Liquid and Short Term Receivables*

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

(b) *Long Term Borrowings*

The carrying amounts approximate the fair values as these instruments bear interest at variable rates.

(c) *Short Term Borrowings and Other Current Liabilities*

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

(d) *Hire Purchase Payables*

The fair value of hire purchase payables is determined by discounting the relevant cash flow using current interest rates for similar instruments at the balance sheet date.

There is no disclosure of fair value for the investment in the subsidiaries as this is excluded from MASB 24 - Financial Instruments: Disclosure and Presentation.

37. CONTINGENT LIABILITIES

	THE COMPANY 2003 RM
Guarantees given to financial institutions in respect of facilities extended to a subsidiary	910,000
Guarantees given to a supplier in respect of facilities extended to a subsidiary	680,000
	1,590,000

38. COMPARATIVE FIGURES

No comparative figures are available as this is the first set of financial statements prepared by the Company since the date of incorporation.