

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005**



CERTIFIED TRUE COPY

[Signature]
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SELMA ENOLIL MUSTAPHA
Advocate & Solicitor
Kuala Lumpur

Horwath AF No 1018
Kuala Lumpur Office
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**REPORT OF THE AUDITORS TO THE MEMBERS OF
DIGISTAR CORPORATION BERHAD**

(Incorporated in Malaysia)
Company No : 603652 - K

We have audited the financial statements set out on pages 12 to 48. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 2005 and their results and cash flows for the financial year 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**



**REPORT OF THE AUDITORS TO THE MEMBERS OF
DIGISTAR CORPORATION BERHAD (CONT'D)**

(Incorporated in Malaysia)
Company No : 603652 - K

We have considered the financial statements and the auditors' reports thereon of the subsidiaries for which we have not acted as auditors, as indicated in Note 6 to the financial statements.

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 reports 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.

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Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur

23 JAN 2006

A handwritten signature in black ink, belonging to Onn Kien Hoe.

Onn Kien Hoe
Approval No: 1772/11/06 (J/PH)
Partner

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

BALANCE SHEETS AT 30 SEPTEMBER 2005

		THE GROUP		THE COMPANY	
	NOTE	2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Investment in subsidiaries	6	-	-	5,006,359	5,006,188
Property, plant and equipment	7	7,593,116	6,287,129	-	-
Other investment	8	1,000,000	-	-	-
		8,593,116	6,287,129	5,006,359	5,006,188
CURRENT ASSETS					
Properties held for sale	9	417,704	-	-	-
Inventories held for resale	10	2,358,243	1,838,294	-	-
Trade receivables	11	10,934,948	12,309,839	-	-
Amount owing by contract customers	12	5,941,692	4,234,442	-	-
Other receivables, deposits and prepayments		337,773	301,593	-	-
Amount owing by subsidiaries	13	-	-	14,201,854	13,874,682
Tax refundable		12,453	10,868	12,453	10,868
Fixed deposits with licensed banks	14	6,566,515	9,743,783	-	-
Cash and bank balances		104,298	141,587	557	22,064
		26,673,626	28,580,406	14,214,864	13,907,614
CURRENT LIABILITIES					
Trade payables	15	1,679,975	3,455,444	-	-
Other payables and accruals		558,011	860,323	208,185	104,130
Provision for taxation		20,010	633,199	-	-
Hire purchase payables	16	355,410	355,114	-	-
Short term borrowings	17	655,071	1,265,872	-	-
Bank overdrafts	18	3,747,471	1,823,842	-	-
		7,015,948	8,393,794	208,185	104,130
NET CURRENT ASSETS		19,657,678	20,186,612	14,006,679	13,803,484
		28,250,794	26,473,741	19,013,038	18,809,672
FINANCED BY:-					
Share capital	19	17,358,065	8,359,633	17,358,065	8,359,633
Share premium	20	1,145,416	8,466,807	1,145,416	8,466,807
Negative goodwill	21	4,031,355	4,031,355	-	-
Retained profits	22	4,969,711	3,554,360	509,557	733,451
Proposed dividends		-	1,249,781	-	1,249,781
SHAREHOLDERS' EQUITY		27,504,547	25,661,936	19,013,038	18,809,672
NON-CURRENT LIABILITIES					
Hire purchase payables	16	675,247	752,805	-	-
Deferred taxation	23	71,000	59,000	-	-
		28,250,794	26,473,741	19,013,038	18,809,672
NET TANGIBLE ASSETS PER SHARE					
	24	16 sen	31 sen		

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**
DIGISTAR CORPORATION BERHAD

 (Incorporated in Malaysia)
Company No : 603652 - K

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005

		THE GROUP		THE COMPANY	
	NOTE	2005 RM	2004 RM	2005 RM	2004 RM
TURNOVER	25	31,416,402	51,196,746	1,833,538	4,486,279
COST OF SALES		(21,796,472)	(37,071,411)	-	-
GROSS PROFIT		9,619,930	14,125,335	1,833,538	4,486,279
OTHER OPERATING INCOME		547,417	754,112	1,891	-
		10,167,347	14,879,447	1,835,429	4,486,279
ADMINISTRATIVE EXPENSES		(4,025,575)	(4,700,006)	(297,737)	(167,153)
MARKETING EXPENSES		(703,649)	(1,157,170)	-	-
OTHER OPERATING EXPENSES		(891,518)	(787,907)	-	-
		(5,620,742)	(6,645,083)	(297,737)	(167,153)
PROFIT FROM OPERATIONS		4,546,605	8,234,364	1,537,692	4,319,126
FINANCE COSTS		(423,924)	(388,935)	-	-
PROFIT BEFORE TAXATION	26	4,122,681	7,845,429	1,537,692	4,319,126
TAXATION	27	(1,457,678)	(2,395,872)	(511,805)	(1,130,000)
PROFIT AFTER TAXATION		2,665,003	5,449,557	1,025,887	3,189,126
MINORITY INTERESTS		129	69	-	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		2,665,132	5,449,626	1,025,887	3,189,126
Earnings per share	28				
- basic		1.5 sen	3.8 sen		
- fully diluted		1.5 sen	3.7 sen		

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR FYE 30 SEPTEMBER 2005 (Cont'd)

DIGISTAR CORPORATION BERHAD(Incorporated in Malaysia)
Company No : 603652 - K**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

THE GROUP	NOTE	SHARE CAPITAL RM	NON-DISTRIBUTABLE RESERVE SHARE PREMIUM RM	DISTRIBUTABLE RESERVE NEGATIVE GOODWILL RM	RETAINED PROFITS RM	PROPOSED DIVIDENDS RM	TOTAL RM
At 1.10.2003		6,257,533	-	4,031,355	555,984	-	10,844,872
Shares issued pursuant to:							
- Public issue		2,086,000	9,387,000	-	-	-	11,473,000
- Options exercised under ESOS		16,100	72,450	-	-	-	88,550
Listing expenses incurred		-	(992,643)	-	-	-	(992,643)
Profit attributable to shareholders of the Company		-	-	-	5,449,626	-	5,449,626
Dividends:	29	-	-	-	(1,201,469)	-	(1,201,469)
- Paid		-	-	-	(1,249,781)	1,249,781	-
- Declared		-	-	-	-	-	-
Balance at 30.9.2004/1.10.2004		8,359,633	8,466,807	4,031,355	3,554,360	1,249,781	25,661,936
Shares issued pursuant to:							
- Options exercised under ESOS		319,400	1,437,300	-	-	-	1,756,700
- Bonus issue		8,679,032	(8,679,032)	-	-	-	-
Bonus issue expenses incurred		-	(79,659)	-	-	-	(79,659)
Profit attributable to shareholders of the Company		-	-	-	2,665,132	-	2,665,132
Dividends paid	29	-	-	-	(1,249,781)	(1,249,781)	(2,499,562)
Balance at 30.9.2005		17,358,065	1,145,416	4,031,355	4,969,711	-	27,504,547

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005 (CONT'D)**

THE COMPANY	NOTE	SHARE CAPITAL RM	NON- DISTRIBUTABLE RESERVE SHARE PREMIUM RM	DISTRIBUTABLE RESERVE RETAINED PROFITS/ (ACCUMULATED LOSS) RM	PROPOSED DIVIDENDS RM	TOTAL RM
At 1.10.2003		6,257,533	-	(4,425)	-	6,253,108
Shares issued pursuant to:-						
- Public issue		2,086,000	9,387,000	-	-	11,473,000
- Options exercised under ESOS		16,100	72,450	-	-	88,550
Listing expenses incurred		-	(992,643)	-	-	(992,643)
Profit after taxation		-	-	3,189,126	-	3,189,126
Dividends:						
- Paid	29	-	-	(1,201,469)	-	(1,201,469)
- Declared	29	-	-	(1,249,781)	1,249,781	-
Balance at 30.9.2004/ 1.10.2004		8,359,633	8,466,807	733,451	1,249,781	18,809,672
Shares issued pursuant to:-						
- Options exercised under ESOS		319,400	1,437,300	-	-	1,756,700
- Bonus issue		8,679,032	(8,679,032)	-	-	-
Bonus issue expenses incurred		-	(79,659)	-	-	(79,659)
Profit after taxation		-	-	1,025,887	-	1,025,887
Dividends paid	29	-	-	(1,249,781)	(1,249,781)	(2,499,562)
Balance at 30.9.2005		17,358,065	1,145,416	509,557	-	19,013,038

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**
DIGISTAR CORPORATION BERHAD

 (Incorporated in Malaysia)
Company No : 603652 - K

**CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

		THE GROUP		THE COMPANY	
	NOTE	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Profit before taxation		4,122,681	7,845,429	1,537,692	4,319,126
Adjustments for:-					
Allowance for doubtful debts		-	98,053	-	-
Depreciation of property, plant and equipment		720,909	693,556	-	-
Interest expense		307,006	193,527	-	-
Interest income		(298,108)	(334,051)	(1,891)	-
Gain on disposal of plant and equipment		(85,827)	(46,654)	-	-
Write-back of allowances for doubtful debt		(129,785)	(6,000)	-	-
Operating profit before working capital changes		4,636,876	8,443,860	1,535,801	4,319,126
Properties held for sale		(417,704)	-	-	-
Increase in inventories		(519,949)	(158,300)	-	-
Increase in amount owing by contract customers		(1,707,250)	(1,504,186)	-	-
Decrease/(Increase) in trade and other receivables		1,468,496	(6,587,486)	-	244,134
(Decrease)/Increase in trade and other payables		(2,077,781)	(219,557)	104,055	99,705
CASH FLOW FROM/(FOR) OPERATIONS		1,382,688	(25,669)	1,639,856	4,662,965
Interest paid		(307,006)	(193,527)	-	-
Tax paid		(2,060,452)	(2,839,807)	(513,390)	(1,140,868)
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(984,770)	(3,059,003)	1,126,466	3,522,097
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	30	(1,930,069)	(688,000)	-	-
Purchase of other investment		(1,000,000)	-	-	-
Proceeds from disposal of plant and equipment		219,000	49,500	-	-
Net cash inflow/(outflow) on acquisition of subsidiaries	31	129	69	(171)	(131)
Interest received		298,108	334,051	1,891	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(2,412,832)	(304,380)	1,720	(131)
BALANCE CARRIED FORWARD		(3,397,602)	(3,363,383)	1,128,186	3,521,966

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**
DIGISTAR CORPORATION BERHAD

 (Incorporated in Malaysia)
Company No : 603652 - K

**CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005 (CONT'D)**

	NOTE	THE GROUP		THE COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
BALANCE CARRIED FORWARD		(3,397,602)	(3,363,383)	1,128,186	3,521,966
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares		1,756,700	11,561,550	1,756,700	11,561,550
Payment of corporate/listing expenses		(79,659)	(992,643)	(79,659)	(992,643)
Advances to subsidiaries		-	-	(327,172)	(12,867,340)
Repayment of hire purchase obligations		(307,262)	(434,838)	-	-
Repayment of term loan		-	(753,778)	-	-
(Decrease)/Increase in bills payables		(610,801)	190,872	-	-
Dividends paid		(2,499,562)	(1,201,469)	(2,499,562)	(1,201,469)
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(1,740,584)	8,369,694	(1,149,693)	(3,499,902)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(5,138,186)	5,006,311	(21,507)	22,064
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		8,061,528	3,055,217	22,064	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32	2,923,342	8,061,528	557	22,064

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)****DIGISTAR CORPORATION BERHAD**

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005****1. GENERAL INFORMATION**

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

Registered office : 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 17 January 2006.

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 year.

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 foreign currency, interest rate, market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(a) Foreign Currency Risk

The Group is exposed to foreign exchange risk on purchases and sales that are denominated in foreign currencies. The Group's primary currency exposure is in United States (US) Dollar, Pound Sterling and Euro.

The foreign currency risk is managed to an acceptable level.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Interest Rate Risk

The Group obtains financing through bank borrowings and hire purchase facilities. Its policy is to obtain the most favourable interest rates available.

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

(c) Market Risk

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

(d) Credit Risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from 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 Group does not have any major concentration of credit risk related to any individual customer or counterparty.

The Group 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 Group'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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

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 Group or 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 Group or 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 2005.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

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) Investments

(i) Investments In Subsidiaries

Investments in subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

(ii) Other Investments

Other investments are held on a long-term basis and are stated at cost. Allowance for diminution in value is only made if the directors are of the opinion that the diminution is permanent.

(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 goodwill 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Goodwill or Negative Goodwill On Consolidation (Cont'd)

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.

(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 78 years to 95 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 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)****DIGISTAR CORPORATION BERHAD**

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005****5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Impairment of Assets (Cont'd)**

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) 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.

(h) Properties Held For Sale

Properties held for sale are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(i) 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(j) 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.

(k) Amount Owning By Contract Customers

The amount owing by 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.

(l) 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.

(m) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or 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.

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DIGISTAR CORPORATION BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Taxation (Cont'd)

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.

(o) 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.

(p) 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005****5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(q) Interest-bearing Borrowings**

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

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

(r) 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 rates ruling on that date. All exchange differences are taken to the income statement.

(s) Employee Benefits**(i) Short-term Benefits**

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

(ii) Defined Contribution Plans

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

(t) Revenue Recognition**(i) Contract Revenue**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Revenue Recognition (Cont'd)

(ii) Sale of Goods and Services

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

(iii) Rental Income

Rental income is recognised on an accrual basis.

(iv) Interest Income

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

(v) Dividend Income

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

6. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	RM	RM
Unquoted shares, at cost	5,006,359	5,006,188

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

Name of Company	Equity Interest		Principal Activities
	2005	2004	
Digistar Holdings Sdn. Bhd.	100%	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.

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**NOTES TO THE FINANCIAL STATEMENTS
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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Equity Interest 2005 2004		Principal Activities
Digistar Properties Sdn. Bhd. *	100%	100%	Provision, maintenance and upkeep of premises.
Digistar Rauland MSC Sdn. Bhd.	51%	51%	R&D of software and hardware to be deployed in the area relating to communication, tele-communication and information communication technology and health television operator.
Rauland Asia Sdn. Bhd.	70%	70%	Dormant.
Nielsen Ward & Associates Sdn. Bhd.	61%	61%	Dormant.
Digistar Vision Sdn. Bhd. #	60%	-	Health television operator.
Digistar Engineering Sdn. Bhd. #	60%	-	Dormant.
Digistar Media Sdn. Bhd. #	51%	-	Dormant.

* Subsidiary of Digistar Holdings Sdn. Bhd.

Not audited by Horwath.

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**NOTES TO THE FINANCIAL STATEMENTS
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7. PROPERTY, PLANT AND EQUIPMENT

	AT 1.10.2004 RM	ADDITIONS RM	DISPOSAL RM	DEPRECIATION CHARGE RM	AT 30.9.2005 RM
THE GROUP					
NET BOOK VALUE					
Leasehold land	224,923	396,021	-	(3,833)	617,111
Office lot, shop house and leasehold office units	3,616,811	841,544	-	(82,329)	4,376,026
Site office cabins, plant and machinery, furniture and fittings	185,671	1,601	-	(26,508)	160,764
Office equipment and renovation	723,414	504,272	-	(123,985)	1,103,701
Motor vehicles	1,536,310	416,631	(133,173)	(484,254)	1,335,514
	6,287,129	2,160,069	(133,173)	(720,909)	7,593,116

	AT COST RM	ACCUMULATED DEPRECIATION RM	TOTAL RM
At 30.9.2005			
Leasehold land	628,636	(11,525)	617,111
Office lot, shop house and leasehold office units	4,747,580	(371,554)	4,376,026
Site office cabins, plant and machinery, furniture and fittings	301,553	(140,789)	160,764
Office equipment and renovation	1,681,430	(577,729)	1,103,701
Motor vehicles	2,942,959	(1,607,445)	1,335,514
	10,302,158	(2,709,042)	7,593,116

At 30.9.2004			
Leasehold land	232,615	(7,692)	224,923
Office lot, shop house and leasehold office units	3,906,036	(289,225)	3,616,811
Site office cabins, plant and machinery, furniture and fittings	299,953	(114,282)	185,671
Office equipment and renovation	1,177,157	(453,743)	723,414
Motor vehicles	3,218,789	(1,682,479)	1,536,310
	8,834,550	(2,547,421)	6,287,129

Motor vehicles with a total net book value of RM1,212,593 (2004 - RM1,360,816) were acquired under hire purchase terms.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

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

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

	THE GROUP	
	2005 RM	2004 RM
Leasehold land	394,752	-
Leasehold office units	3,331,200	3,404,518
Office lot	63,840	65,520
Shop house	837,336	-
	<u>4,627,128</u>	<u>3,470,038</u>

8. OTHER INVESTMENT

	THE GROUP	
	2005 RM	2004 RM
At cost:-		
Long term structured deposits	<u>1,000,000</u>	<u>-</u>

The long term structured deposits are in respect of a Five-Year MYR-KLIBOR Callable Range Accrual Investment placed with a licensed bank, expiring on 7 February 2010 and bore an effective interest of 7.25% per annum at the balance sheet date.

9. PROPERTIES HELD FOR SALE

	THE GROUP	
	2005 RM	2004 RM
At Cost:-		
Shop house	96,541	-
Freehold condominium	321,163	-
	<u>417,704</u>	<u>-</u>

None of the properties is carried at net realisable value.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

10. INVENTORIES HELD FOR RESALE

	THE GROUP	
	2005 RM	2004 RM
At cost:-		
Equipment and parts held for resale	2,358,243	1,838,294

None of the inventories are carried at net realisable value.

11. TRADE RECEIVABLES

	THE GROUP	
	2005 RM	2004 RM
Gross trade receivables	10,994,177	12,498,853
Allowance for doubtful debts:-		
At 1 October 2004/2003	(189,014)	(210,955)
Addition during the financial year	-	(98,053)
Write-back	129,785	6,000
Write-off	-	113,994
At 30 September	(59,229)	(189,014)
	10,934,948	12,309,839

The Group's normal credit terms for trade receivables range from 7 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

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

	THE GROUP	
	2005 RM	2004 RM
Pound Sterling	267,756	-

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**NOTES TO THE FINANCIAL STATEMENTS
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12. AMOUNT OWING BY CONTRACT CUSTOMERS

	THE GROUP	
	2005 RM	2004 RM
Contract costs incurred to date	67,415,349	44,242,574
Attributable profits	13,725,743	17,313,440
	<u>81,141,092</u>	<u>61,556,014</u>
Progress billings	(75,199,400)	(57,321,572)
	<u>5,941,692</u>	<u>4,234,442</u>

13. AMOUNT OWING BY SUBSIDIARIES

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

14. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits amounting to RM4,426,515 (2004 - RM5,231,323) have been pledged to licensed banks as security for banking facilities granted to a subsidiary.

Fixed deposits at the balance sheet date bore an effective interest of 2.80% (2004 - 2.79%) per annum. The maturity periods of the fixed deposits at the balance sheet date ranged from 30 to 365 days (2004 - 30 to 365 days).

15. TRADE PAYABLES

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

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

	2005 RM	2004 RM
US Dollar	337,445	906,472
Australian Dollar	14,992	9,290
Singapore Dollar	2,122	2,122
Euro	<u>483,372</u>	<u>142,200</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**
16. HIRE PURCHASE PAYABLES

	THE GROUP	
	2005 RM	2004 RM
Minimum hire purchase payments:		
- not later than one year	436,464	423,898
- later than one year and not later than five years	691,894	884,813
	<u>1,128,358</u>	<u>1,308,711</u>
Future finance charges	(97,701)	(200,792)
Present value of hire purchase payables	<u>1,030,657</u>	<u>1,107,919</u>
Current:		
- not later than one year	355,410	355,114
Non-current:		
- later than one year and not later than five years	675,247	752,805
	<u>1,030,657</u>	<u>1,107,919</u>

The hire purchase payables at the balance sheet date bore effective interest at rates ranging from 4.54% to 10.72% (2004 - 6.09% to 13.69%) per annum.

17. SHORT TERM BORROWINGS

	THE GROUP	
	2005 RM	2004 RM
Bankers' acceptances	622,000	1,245,000
Trust receipts	33,071	20,872
	<u>655,071</u>	<u>1,265,872</u>

The short term borrowings bear effective interest at rates ranging from 2.98% to 7.25% (2004 - 4.50% to 7.25%) 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 a corporate guarantee of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**
18. BANK OVERDRAFTS

The bank overdrafts bear effective interest at the rate of 7.25% (2004 - 7.25%) per annum and are secured in the same manner as the short term borrowings as disclosed in Note 17 to the financial statements.

19. SHARE CAPITAL

	THE GROUP/THE COMPANY			
	2005	2004	2005	2004
	NUMBER OF SHARES		RM	RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	250,000,000	250,000,000	25,000,000	25,000,000
ISSUED AND FULLY PAID-UP				
At 1 October 2004/2003	83,596,325	62,575,325	8,359,633	6,257,533
Allotment during the financial year				
- Public issue	-	20,860,000	-	2,086,000
- Options exercised under ESOS	3,194,000	161,000	319,400	16,100
- Bonus issue	86,790,325	-	8,679,032	-
At 30 September	173,580,650	83,596,325	17,358,065	8,359,633

During the financial year, the Company increased its issued and paid-up share capital from RM8,359,633 to RM17,358,065 by way of:-

- the issuance of 3,194,000 new ordinary shares of RM0.10 each for cash arising from the exercise of the options granted pursuant to the Company's Employees' Share Option Scheme, at an exercise price of RM0.55 per ordinary share; and
- the bonus issue of 86,790,325 new ordinary shares of RM0.10 each on the basis of 1 bonus share for every 1 existing ordinary share held. The bonus shares were issued by way of the capitalisation of RM8,679,032 from the share premium account.

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

20. SHARE PREMIUM

	THE GROUP/THE COMPANY	
	2005	2004
	RM	RM
At 1 October 2004/2003	8,466,807	-
Premium arising on:		
- Public issue	-	9,387,000
- Shares issued pursuant to options exercised under ESOS	1,437,300	72,450
Capitalisation for bonus issue	(8,679,032)	-
Expenses incurred for corporate listing exercise	(79,659)	(992,643)
At 30 September	<u>1,145,416</u>	<u>8,466,807</u>

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

21. NEGATIVE GOODWILL

The negative goodwill is not distributable by way of cash dividends.

22. RETAINED PROFITS

Subject to agreement with the tax authorities, at the balance sheet date, the Company has sufficient tax-exempt income and Section 108 tax credit to frank the payment of dividends out of its entire retained profits without incurring any additional tax liabilities.

23. DEFERRED TAXATION

	THE GROUP	
	2005	2004
	RM	RM
At 1 October 2004/2003	59,000	85,000
Transfer from/(to) income statement (Note 27)	12,000	(26,000)
At 30 September	<u>71,000</u>	<u>59,000</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
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24. NET TANGIBLE ASSETS PER SHARE

The net tangible assets per share is calculated based on the net tangible assets value attributable to shareholders of RM27,504,547 (2004 - RM25,661,936) divided by the number of ordinary shares in issue at the balance sheet date of 173,580,650 shares (2004 - 83,596,325 shares).

25. TURNOVER

Turnover of the Group and of the Company comprise the following:-

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Contract revenue	28,565,299	49,969,766	-	-
Maintenance income	1,114,911	257,290	-	-
Sales of goods	1,639,829	926,490	-	-
Rental income	96,363	43,200	-	-
Dividend income	-	-	1,833,538	4,486,279
	<u>31,416,402</u>	<u>51,196,746</u>	<u>1,833,538</u>	<u>4,486,279</u>

Contract revenue represents progress billings certified by the customers and/or customers' consultants. Maintenance income and sale of goods represent the invoiced value of services rendered and goods sold less discounts and returns. Revenue of the Company represents the gross dividend income from investments in subsidiaries.

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**NOTES TO THE FINANCIAL STATEMENTS
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26. PROFIT BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Allowance for doubtful debts	-	98,053	-	-
Audit fee:				
- for the financial year	23,300	22,000	4,000	4,000
- underprovision in the previous financial year	1,000	-	1,000	-
Contract expenses	19,927,154	36,220,104	-	-
Depreciation of property, plant and equipment	720,909	693,556	-	-
Directors' fee	90,000	90,000	90,000	90,000
Directors' other emoluments	802,440	847,520	61,000	-
Interest expense:				
- bank overdrafts	104,350	35,571	-	-
- bankers' acceptances	30,178	64,595	-	-
- hire purchase	130,362	83,158	-	-
- letter of credit and trust receipts	42,061	2,059	-	-
- term loan	-	7,787	-	-
- other	55	357	-	-
Loss on foreign exchange - realised	3,928	28,491	-	-
Rental of equipment	10,901	18,392	-	-
Rental of premises	48,418	7,500	-	-
Staff costs	4,626,858	5,034,788	-	-
Write-back of allowance for doubtful debts	(129,785)	(6,000)	-	-
Gain on disposal of plant and equipment	(85,827)	(46,654)	-	-
Dividend income from a subsidiary	-	-	(1,833,538)	(4,486,279)
Fixed deposit interest income	(298,108)	(334,051)	(1,891)	-
Rental income	(102,563)	(43,200)	-	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

27. TAXATION

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax:				
- for the financial year	1,408,109	2,479,132	508,000	1,130,000
- under/(over)provision in the previous financial year	37,569	(57,260)	3,805	-
	<u>1,445,678</u>	<u>2,421,872</u>	<u>511,805</u>	<u>1,130,000</u>
Deferred taxation (Note 23):				
- under/(over)provision in the previous financial year	12,000	(26,000)	-	-
	<u>1,457,678</u>	<u>2,395,872</u>	<u>511,805</u>	<u>1,130,000</u>

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

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before taxation	<u>4,122,681</u>	<u>7,845,429</u>	<u>1,537,692</u>	<u>4,319,126</u>
Tax at the statutory tax rate of 28%	1,154,351	2,196,720	430,554	1,209,355
Tax effects of:-				
Differential in tax rates	(76,575)	(40,000)	-	-
Non-taxable gain	(20,833)	-	-	-
Non-deductible expenses	302,678	255,639	76,692	40,530
Tax-exempt dividend	-	-	-	(115,290)
Deferred tax assets not recognised during the financial year	46,000	62,600	-	-
Under/(Over)provision in the previous financial year:				
- current tax	37,569	(57,260)	3,805	-
- deferred tax	12,000	(26,000)	-	-
Others	2,488	4,173	754	(4,595)
Taxation for the financial year	<u>1,457,678</u>	<u>2,395,872</u>	<u>511,805</u>	<u>1,130,000</u>

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28. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share is arrived at by dividing the Group's profit attributable to the shareholders of RM2,665,132 (2004 - RM5,449,626) with the weighted average number of 173,065,469 (2004 - 144,461,481) ordinary shares in issue during the financial year.

Fully diluted earnings per share is calculated by dividing the Group's profit attributable to the shareholders by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

	THE GROUP	
	2005 RM	2004 RM
Net profit attributable to shareholders of the Company	2,665,132	5,449,626
Weighted average number of ordinary shares in issue	173,065,469	144,461,481
Adjusted for ESOS	6,474,353	2,970,441
Adjusted weighted average number of ordinary shares in issue and issuable	179,539,822	147,431,922
Fully diluted earnings per share (sen)	1.5	3.7

The Group's adjusted weighted average number of ordinary shares in issue and issuable for the financial year ended 30 September 2005 has been arrived at based on the assumption that dilutive share options are exercised at the beginning of the year.

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**NOTES TO THE FINANCIAL STATEMENTS
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29. DIVIDENDS

	THE GROUP/THE COMPANY 2005 RM	2004 RM
Paid/Payable:-		
- First interim dividend of 20% per ordinary share less income tax of 28% (2004 - 20%) in respect of the current financial year	1,249,781	1,201,469
- Second interim dividend of Nil per ordinary share less income tax of 28% (2004 - 20%) in respect of the current financial year	-	1,249,781
	<u>1,249,781</u>	<u>2,451,250</u>

30. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP 2005 RM	2004 RM
Cost of property, plant and equipment purchased	2,160,069	1,598,000
Amount financed through hire purchase	(230,000)	(910,000)
Cash disbursed for purchase of property, plant and equipment	<u>1,930,069</u>	<u>688,000</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

31. SUMMARY OF EFFECTS ON ACQUISITION OF SUBSIDIARIES

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

	THE GROUP	
	2005 RM	2004 RM
Turnover	21,063	-
Cost of sales	(23,055)	-
Gross loss	(1,992)	-
Other operating income	-	-
Operating expenses	(1,992) (11,630)	- (10,207)
Loss from operations	(13,622)	(10,207)
Finance costs	-	-
Loss for the financial year	(13,622)	(10,207)
Pre-acquisition profit	-	-
Taxation	-	-
Minority interests	129	69
Decrease in net profit of the Group	(13,493)	(10,138)

The effects of the acquisition of the subsidiaries on the financial position of the Group at the financial year end are as follows:-

	THE GROUP	
	2005 RM	2004 RM
Trade receivables	11,062	-
Other receivables	-	18,560
Cash and bank balances	21,121	69
Other payables, deposits and accruals	(14,450)	(2,992)
Increase in net assets of the Group	17,733	15,637

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005

31. SUMMARY OF EFFECTS ON ACQUISITION OF SUBSIDIARIES (CONT'D)

The details of net assets acquired and cash flow arising from the acquisition of the subsidiaries are as follows:-

	THE GROUP	
	2005 RM	2004 RM
Current assets	300	200
Minority interest	(129)	(69)
Total purchase consideration	171	131
Less: Cash and cash equivalents of subsidiaries acquired	(300)	(200)
Cash inflow on acquisition of subsidiaries	(129)	(69)

32. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks (Note 14)	6,566,515	9,743,783	-	-
Cash and bank balances	104,298	141,587	557	22,064
Bank overdrafts	(3,747,471)	(1,823,842)	-	-
	2,923,342	8,061,528	557	22,064

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**
DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**
33. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by the directors of the Group and of the Company during the financial year in bands of RM100,000 are as follows:-

	Number of directors	Directors' fee RM	Number of directors	Directors' other emoluments RM
THE GROUP				
2005				
- Below RM100,000	7	90,000	3	119,240
- RM100,001 to RM200,000	-	-	-	-
- RM200,001 to RM300,000	-	-	1	273,280
- RM300,001 to RM400,000	-	-	-	-
- RM400,001 to RM500,000	-	-	1	409,920
	<u>7</u>	<u>90,000</u>	<u>5</u>	<u>802,440</u>
2004				
- Below RM100,000	5	90,000	2	70,240
- RM100,001 to RM200,000	-	-	-	-
- RM200,001 to RM300,000	-	-	-	-
- RM300,001 to RM400,000	-	-	1	306,880
- RM400,001 to RM500,000	-	-	1	470,400
	<u>5</u>	<u>90,000</u>	<u>4</u>	<u>847,520</u>
THE COMPANY				
2005				
- Below RM100,000	7	90,000	2	61,000
- RM100,001 to RM200,000	-	-	-	-
- RM200,001 to RM300,000	-	-	-	-
- RM300,001 to RM400,000	-	-	-	-
- RM400,001 to RM500,000	-	-	-	-
	<u>7</u>	<u>90,000</u>	<u>2</u>	<u>61,000</u>
2004				
- Below RM100,000	5	90,000	-	-
- RM100,001 to RM200,000	-	-	-	-
- RM200,001 to RM300,000	-	-	-	-
- RM300,001 to RM400,000	-	-	-	-
- RM400,001 to RM500,000	-	-	-	-
	<u>5</u>	<u>90,000</u>	<u>-</u>	<u>-</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**
DIGISTAR CORPORATION BERHAD

 (Incorporated in Malaysia)
 Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**
34. SEGMENTAL INFORMATION

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	RENTAL RM	ELIMINATION RM	GROUP RM
2005						
THE GROUP						
REVENUE						
External revenue	28,565,299	1,639,829	1,114,911	96,363	-	31,416,402
Intersegment revenue	-	-	-	450,255	(450,255)	-
Total revenue	28,565,299	1,639,829	1,114,911	546,618	(450,255)	31,416,402

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	RENTAL RM	ELIMINATION RM	GROUP RM
RESULTS						
Segment results (external)	3,294,374	327,966	557,456	366,809	-	4,546,605
Finance costs	(423,924)	-	-	-	-	(423,924)
Profit from ordinary activities before taxation						4,122,681
Taxation						(1,457,678)
Profit from ordinary activities after taxation						2,665,003
Minority interests						129
Profit attributable to shareholders of the Company						<u>2,665,132</u>

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	RENTAL RM	TOTAL RM
OTHER INFORMATION					
Segment assets	29,549,267	410,032	301,853	4,993,137	35,254,289
Segment liabilities	3,250,203	-	-	4,330,982	7,581,185
Capital expenditure	922,504	-	-	1,237,565	2,160,069
Depreciation	636,427	-	-	84,482	720,909

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**
DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**
34. SEGMENTAL INFORMATION (CONT'D)

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	RENTAL RM	ELIMINATION RM	GROUP RM
2004						
THE GROUP						
REVENUE						
External revenue	49,969,766	926,490	257,290	43,200	-	51,196,746
Intersegment revenue	-	-	-	427,200	(427,200)	-
Total revenue	49,969,766	926,490	257,290	470,400	(427,200)	51,196,746

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	RENTAL RM	ELIMINATION RM	GROUP RM
RESULTS						
Segment results (external)	7,630,778	203,828	128,645	271,113	-	8,234,364
Finance costs	(388,935)	-	-	-	-	(388,935)
Profit from ordinary activities before taxation						7,845,429
Taxation						(2,395,872)
Profit from ordinary activities after taxation						5,449,557
Minority interests						69
Profit attributable to shareholders of the Company						5,449,626

	SYSTEM INTEGRATION RM	TRADING RM	MAINTENANCE INCOME RM	RENTAL RM	TOTAL RM
OTHER INFORMATION					
Segment assets	30,768,280	138,956	99,038	3,850,393	34,856,667
Segment liabilities	5,071,992	-	-	3,441,408	8,513,400
Capital expenditure	1,591,180	-	-	6,820	1,598,000
Depreciation	614,562	-	-	78,994	693,556

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

35. NUMBER OF EMPLOYEES

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Number of employees at balance sheet date	121	126	-	-

36. 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:-

	2005 RM	2004 RM
Australian Dollar	2.88	2.76
US Dollar	3.77	3.82
Euro	4.54	4.69
Singapore Dollar	2.23	2.26
Pound Sterling	6.67	-

37. 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 sale or liquidation. 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) Other Investments

It is not practicable to estimate the fair value of the Group's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable amount.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**
DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**
37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)
(c) Amount Owing By Subsidiaries

It is not practicable to determine the fair value of the amount owing by subsidiaries due principally to a lack of fixed repayment terms. However, the Group/Company does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be received or settled.

(d) Short Term Borrowings and Other Current Liabilities

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

(e) 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.

38. CONTINGENT LIABILITIES

	THE COMPANY	
	2005 RM	2004 RM
Unsecured:-		
Guarantees given to financial institutions in respect of facilities extended to a subsidiary	26,190,000	26,190,000
Liquidated and ascertained damages in respect of purported delay in completion of contracted work *	7,483,580	-
	<u>33,673,580</u>	<u>26,190,000</u>

* A legal proceeding was initiated by the Company against a third party, claiming the sum of approximately RM1.4 million for the outstanding amount owing for more than two years. The third party is counter-claiming a sum of approximately RM7.5 million for liquidated and ascertained damages in respect of purported delay in the completion of contracted works. As at the date of this report, the case is pending hearing.

The directors are of the opinion that the claim would be unsuccessful and as such no material liability is expected to arise.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

- (i) On 2 March 2005, the Company subscribed for a 60% equity interest in Digistar Engineering Sdn. Bhd. for a cash consideration of RM60;
- (ii) On 23 March 2005, the Company subscribed for a 60% equity interest in Digistar Vision Sdn. Bhd. for a cash consideration of RM60; and
- (iii) On 13 April 2005, the Company subscribed for a 51% equity interest in Digistar Media Sdn. Bhd. for a cash consideration of RM51.

40. CAPITAL COMMITMENT

	THE GROUP	
	2005 RM	2004 RM
Approved but not contracted for	-	1,176,000

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR FOR
FYE 30 SEPTEMBER 2005 (Cont'd)**

DIGISTAR CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 603652 - K

**DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005**

	2005 RM	2004 RM
TURNOVER		
Dividend income	1,833,538	4,486,279
OTHER OPERATING INCOME		
Interest income	1,891	-
	<u>1,835,429</u>	<u>4,486,279</u>
LESS: ADMINISTRATIVE EXPENSES		
Advertisement	28,405	-
Audit fee:		
- for the financial year	4,000	4,000
- underprovision in the previous financial year	1,000	-
Annual listing fee	2,500	208
Bank charges	1,093	270
Directors' fee	90,000	90,000
Directors' non-fee emoluments	61,000	-
Meeting allowance	-	10,000
Meeting expenses	9,126	1,700
Newspaper and periodicals	600	-
Printing and stationery	13,061	28,891
Professional fee	51,073	14,639
Secretarial fee	11,348	11,744
Staff training expenses	-	2,177
Staff welfare	18,211	-
Stamp and postage	4,520	2,449
Tax fee	1,800	1,075
	<u>297,737</u>	<u>167,153</u>
PROFIT FOR THE FINANCIAL YEAR	<u>1,537,692</u>	<u>4,319,126</u>

This statement is prepared for management purposes only and does not form part of the audited financial statements of the Company.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006**

CERTIFIED TRUE COPY

SELMA ENOLIL MUSTAPHA

Advocate & Solicitor
Kuala Lumpur



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER
ENDED 30 SEPTEMBER 2006 (The figures have not been audited)**

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	Corresponding Period
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
Revenue	7,456	6,031	28,391	31,416
Cost of sales	(5,809)	(4,126)	(22,138)	(21,796)
Gross profit	1,647	1,905	6,253	9,620
Operating expenses	(1,968)	(1,421)	(5,656)	(4,729)
Profit before finance costs and depreciation	(321)	484	597	4,891
Finance costs	(135)	(163)	(450)	(424)
Depreciation	(322)	(201)	(898)	(891)
Other income	97	251	282	547
(Loss)/Profit before taxation	(681)	371	(469)	4,123
Taxation	(98)	(297)	(264)	(1,458)
(Loss)/Profit after taxation	(779)	74	(733)	2,665
Minority interest	-	-	5	-
Net (loss)/profit attributable to members of the Company	(779)	74	(728)	2,665
(Loss)/Earnings per share (sen)				
- basic	(0.45)	0.04	(0.42)	1.54
- fully diluted	(0.45)	0.04	(0.42)	1.49

The Condensed Consolidated Income Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2005.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

**QUARTERLY REPORT ON CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006
(The figures have not been audited)**

CONDENSED CONSOLIDATED BALANCE SHEET

	As At End of Current Quarter 30/09/2006 RM'000	As At Preceding Financial Year Ended 30/09/2005 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,288	7,593
Long term investment	1,000	1,000
	<u>8,288</u>	<u>8,593</u>
CURRENT ASSETS		
Inventories held for resale	2,418	2,358
Trade receivables	10,598	10,935
Other receivables, deposit and prepayment	387	338
Amount owing by contract customers	7,433	5,942
Fixed deposits with licensed banks	6,703	6,566
Tax refundable	213	12
Cash and bank balances	568	104
Deferred expenses	48	-
Properties held for resale	366	418
	<u>28,734</u>	<u>26,673</u>
CURRENT LIABILITIES		
Trade payables	1,961	1,680
Other payables and accruals	855	558
Bank overdraft	4,612	3,747
Short term borrowings	2,393	1,011
Provision for taxation	-	20
	<u>9,821</u>	<u>7,016</u>
NET CURRENT ASSETS	<u>18,913</u>	<u>19,657</u>
	<u>27,201</u>	<u>28,250</u>
FINANCED BY:-		
Share capital	17,358	17,358
Share premium	1,145	1,145
Retained profits	4,242	4,970
Reserve on consolidation	4,031	4,031
	<u>26,776</u>	<u>27,504</u>
SHAREHOLDERS' EQUITY		
Hire purchase payables	383	675
Deferred taxation	42	71
	<u>27,201</u>	<u>28,250</u>
NET ASSETS PER SHARE (sen)	<u>15.43</u>	<u>15.85</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2005.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH
QUARTER ENDED 30 SEPTEMBER 2006 (The figures have not been audited)**

	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Reserve on Consolidation RM'000	Total RM'000
At 1 October 2005	17,358	1,145	4,970	4,031	27,504
Net loss for the period	-	-	(728)	-	(728)
At 30 September 2006	17,358	1,145	4,242	4,031	26,776
At 1 October 2004	8,360	8,467	4,805	4,031	25,663
Issued during the period	319	1,437	-	-	1,756
Bonus issue of 1:1	8,679	(8,679)	-	-	-
Bonus issue expenses	-	(80)	-	-	(80)
Net profit for the period	-	-	2,665	-	2,665
Dividend paid	-	-	(2,500)	-	(2,500)
At 30 September 2005	17,358	1,145	4,970	4,031	27,504

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2005.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE CUMULATIVE
QUARTER ENDED 30 SEPTEMBER 2006 (The figures have not been audited)**

	Quarter Ended 30/09/2006 RM'000	Quarter Ended 30/09/2005 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(469)	4,123
Adjustments for:-		
Non cash items	898	505
Non operating items	176	9
Operating profit before working capital changes	605	4,637
Net changes in current assets	(1,259)	(1,177)
Net changes in current liabilities	578	(2,078)
Cash (for)/from operations	(76)	1,382
Interest paid	(406)	(307)
Income tax paid	(508)	(2,060)
Net cash for operating activities	(990)	(985)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	229	298
Purchase of property, plant and equipment	(594)	(1,930)
Proceeds from disposal of equipment	-	219
Long term investment	-	(1,000)
Net cash for investing activities	(365)	(2,413)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Increase in bills payable	1,448	(611)
Repayment of hire purchase obligations	(358)	(307)
Proceeds from issuance of shares	-	1,757
Payment of corporate/listing expenses	-	(80)
Dividend paid	-	(2,500)
Net cash from/(for) financing activities	1,090	(1,741)
Net decrease in cash and cash equivalents	(265)	(5,139)
Cash and cash equivalents at beginning of the year	2,924	8,062
Cash and cash equivalents at end of the period	2,659	2,923
Note:		
Cash and cash equivalents comprise of:		
Fixed deposits with licensed bank		
- available	2,439	2,139
- restricted	4,264	4,427
Cash and bank balances	568	104
Bank overdraft	(4,612)	(3,747)
	2,659	2,923

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2005.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)****DIGISTAR CORPORATION BERHAD**

(Co. No. 603652-K)

**UNAUDITED QUARTERLY REPORT FOR THE
FOURTH QUARTER ENDED 30 SEPTEMBER 2006****A. EXPLANATORY NOTES AS PER FRS 134₂₀₀₄****A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with the Financial Reporting Standard (FRS) 134₂₀₀₄: Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ market, and should be read in conjunction with the Group's annual financial report for the financial year ended 30 September 2005.

The accounting policies adopted by Digistar Corporation Berhad ("Digistar") and its subsidiary companies ("Group") in the interim financial report are consistent with those adopted for the financial statements for the financial year ended 30 September 2005.

A2. Qualification of Financial Statements

The audit report of the preceding financial statements for the financial year ended 30 September 2005 was not subject to any audit qualification.

A3. Seasonal or Cyclical Factors

Save as disclosed in Note B1 and B2, the results of the Group were not materially affected by any significant seasonal or cyclical factors during the quarter under review.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the quarter under review.

A5. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial period, which have a material effect in the current quarter under review.

A6. Debts and Equity Securities

Save as disclosed in Note B8, there was no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, share held as treasury shares and resale of treasury shares for the current period and financial year-to-date.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

A7. Dividend Paid

No dividend was paid during the quarter under review.

A8. Segmental Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Preceding Year		Preceding Year	
	Current Year Quarter	Corresponding Quarter	Current Year To Date	Corresponding Period
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
REVENUE BY ACTIVITIES				
System integration	5,205	5,304	21,842	28,585
Maintenance income	542	498	2,565	1,115
Sales of goods	1,570	186	3,652	1,640
Rental income	139	43	332	76
Total	7,456	6,031	28,391	31,416

A9. Valuation of Property, Plant and Equipment

Save for the impairment in value of the properties held for resale of RM51,541, there were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have effect in the current quarter under review.

A10. Material Events Subsequent to the End of the Quarter

There were no material events subsequent to the current quarter under review up to the date of this report which is likely to substantially affect the results of the operations of the Company.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review that have not been reflected in the financial statements.

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

A12. Contingent Liabilities

- a) The Company has provided corporate guarantee for a hire purchase facility granted to a wholly-owned subsidiary for a total amount of RM390,000. As at 30 September 2006, the said hire purchase balance stood at RM190,903.
- b) The Company has also provided corporate guarantees for bank facilities granted to a wholly-owned subsidiary for a total amount of RM28.5 million. As at 30 September 2006, the total outstanding balances of the bank facilities are disclosed in Note B9 below.
- c) The Company has also provided a corporate guarantee on 12 October 2006 to a supplier to secure the payments for good purchase by a wholly owned subsidiary up to an amount of RM300,000.

Save as disclosed in the above, there were no material contingent liabilities as at 23 November 2006, being the date not earlier than 7 days from the date of this announcement.

A13. Capital Commitments

There were no capital commitments as at the date of this announcement.

A14. Significant Related Party Transactions

There were no significant related party transactions during the quarter under review.

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of the Performance

The Group registered a revenue and loss before taxation of RM7.5 million and RM681 thousand respectively for the fourth quarter ended 30 September 2006 as compared to a revenue and profit before tax of RM6.0 million and RM371 thousand in the preceding year corresponding quarter. Despite higher turnover, the Group experienced loss before taxation as compared to the preceding year corresponding quarter. This is mainly due to tougher operating environment and lower profit margin during the current quarter.

The Group registered a revenue and loss before taxation of RM28.4 million and RM469 thousand for the cumulative quarter ended 30 September 2006 while in the preceding year corresponding cumulative quarter the Group registered a revenue and profit before tax of RM31.4 million and RM4.1 million respectively. This is also mainly due to tougher operating environment and lower profit margin during the year.

Save as disclosed above, there are no material factors which have affected the earnings and revenue of the Group for the current quarter and financial year to date.

B2. Comparison with Preceding Quarter's Results

	Current Quarter Ended 30/09/2006 RM'000	Preceding Quarter Ended 30/06/2006 RM'000	Difference RM'000 %	
Revenue	7,456	6,842	614	9.0
Loss before taxation	(681)	(37)	(644)	1,740.5

The turnover for the current quarter decreased by 9.0% while the Group experienced a loss before taxation of RM681 thousand as compared to a loss before taxation of RM37 thousand in the preceding quarter due to further contraction in construction activities which is related to projects in hand of the Group.

B3. Prospects for the Financial Year Ending 30 September 2007

In the Ninth Malaysia Plan 2006 – 2010 ("9MP"), Malaysian Government had made significant allocation for development expenditure. Since the launch of the 9MP, construction industry had experience some recovery in business activities. The Company is striving to garner some benefit from the 9MP especially in the healthcare and education sectors. For broadcasting, as most of the television networks and production facilities in the Asia-Pacific region are still on analogue systems, this give ample opportunity for the Company to offer it broadcast system integration services to broadcasters in this region. Barring any unforeseen circumstances, the Directors anticipate that the Group will be profitable in the financial year ending 30 September 2007.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

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B4. Variance of Profit Forecast

Not applicable as the Company did not publish any profit forecast.

B5. Taxation

	Current Year Quarter 30/09/2006 RM'000	Current Year To Date 30/09/2006 RM'000
Current provision	160	324
Overprovision of tax in prior years	(33)	(31)
Reversal of deferred tax liability	(29)	(29)
	<u>98</u>	<u>264</u>

The effective tax rate of the Group for the financial year-to-date and the current quarter is higher than the statutory tax rate of 28% due to certain expenses being disallowed for taxation purposes.

B6. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments and/or properties for the current quarter and financial year-to-date.

B7. Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter. The Company/Group does not hold any quoted securities as at 30 September 2006.

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)****DIGISTAR CORPORATION BERHAD**

(Co. No. 603652-K)

B8. Status of Corporate Proposals**a) Proposed Private Placement**

Further to the Company's last quarterly report, on behalf of the Board of Directors, Hwang-DBS Securities Berhad announced on 22 September 2006 that the Board has fixed an issue price for the 1st tranche of ordinary shares of RM0.10 each in Digistar ("Digistar Shares") to be issued pursuant to the Proposed Private Placement at RM0.12 per share.

The issue price of RM0.12 per share represents a discount of approximately 9.8% over the five (5)-day weighted average market price of Digistar Shares up to and including 21 September 2006, being the date immediately prior to the price-fixing date, of RM0.1331 per share.

On 2 October 2006, 6,500,000 new ordinary shares of RM0.10 each were allotted at a price of RM0.12 per share to identified investors.

b) Proposed Rights Issue of Warrants

Since the date of last quarterly report, an Extraordinary General Meeting ("EGM") was duly held on 15 November 2006 and the Proposed Renounceable Rights Issue of up to 104,773,817 Warrants to the existing shareholders of Digistar on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.10 each held on an entitlement date to be determined were duly approved by the shareholders of the Company in the said EGM.

The proposed right issue of warrants is pending implementation by the Company.

c) Proposed Share Buy-back

On behalf of the Board of Directors, Hwang-DBS Securities Berhad announced on 4 October 2006 that the Board proposed that the Company purchase its own ordinary shares on the MESDAQ Market of Bursa Malaysia Securities Berhad of up to ten percent (10%) of the issued and paid-up capital of the Company, and in an EGM duly held on 15 November 2006, the shareholders of the Company had approved the proposed share buy-back.

Save as disclosed above, there are no other corporate proposals announced but not completed as at 23 November 2006.

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

B9. Group Borrowings and Debt Securities

The Group's borrowings (which are all denominated in Ringgit Malaysia) as at 30 September 2006 consist of the following:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured:-			
Bank overdraft	4,612	-	4,612
Trust receipts and bankers acceptance	2,103	-	2,103
Hire purchase liabilities	82	109	191
Unsecured:-			
Hire purchase	208	274	482
Total	<u>7,005</u>	<u>383</u>	<u>7,388</u>

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 23 November 2006, being the date not earlier than 7 days from the date of this announcement.

B11. Material Litigation

- a) Kuala Lumpur High Court Suit No: D6-22-300-2005
Maju Holdings Sdn. Bhd. vs Digistar Holdings Sdn. Bhd.

DHSB had on 2 February 2005 issued a notice to Maju Holdings Sdn Bhd ("Maju") under section 218(2) Companies Act, 1965 for a sum of RM1,400,697.34 towards outstanding payments due from Maju. On 3 February 2005, Maju had paid a sum of RM100,000 to DHSB, thus reducing the amount being claimed by DHSB to RM1,300,697.34. Maju subsequently filed a suit against DHSB for unliquidated damages for issuing the Section 218 notice, and to prevent DHSB from filing a winding up petition, Maju had applied for an injunction, which was obtained on 12 July 2005. DHSB subsequently filed an application to include in their defence, a counterclaim for the sum of RM1,317,279.97 against Maju, and an order in terms in respect of such application was obtained on 28 June 2006. The matter came up for case management on 12 October 2006 and the next hearing date has been fixed for 12 December 2006. DHSB had also filed an application for summary judgment on 15 August 2006, which came up for hearing on 7 September 2006. Pursuant to Maju's request, the matter has been adjourned to 16 November 2006 to enable Maju to reply to DHSB's affidavit in support. The court had further adjourned the hearing date to 8 February 2007.

The directors have been advised by their legal counsel that to succeed in its claim, Maju will need to prove the damages suffered and that such claim would be difficult to prove. On the other hand, the legal counsel are of the opinion that DHSB has a good counterclaim against Maju, as it is based on Maju's approved certificates.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

B11. Material Litigation (Cont'd)

- b) Kuala Lumpur High Court Suit No: S7-22-334-2005
Maju Holdings Sdn. Bhd. vs Digistar Holdings Sdn. Bhd.

On 31 March 2005, Maju had also instituted legal proceedings in the Kuala Lumpur High Court claiming a sum of RM7,483,580 (together with interest on the said sum at the rate of 8% per annum calculated from 1 March 2003 until the date of full realisation) as liquidated damages for alleged delay on DHSB's part to complete certain contracted works. This claim is connected to the first suit mentioned above.

A striking out application was filed by DHSB on the ground that this suit is a duplicity of Maju's first suit. However, on 8 February 2006, the application was disallowed with cost by the Deputy Registrar. DHSB subsequently filed an appeal against the decision, and the same has been fixed for hearing, together with case management, on 8 December 2006.

The directors have been advised by their legal counsel that DHSB has a good defence against Maju's claim as from the facts of the case, DHSB was only appointed by Maju to install electrical equipment at Maju's buildings. The alleged delay in the completion of the contracted works was inevitably caused by the delay in the actual construction of the buildings (for which DHSB was not appointed and is outside of DHSB's control).

- c) Klang Sessions Court Summons No: 1-52-1105-2004
Digistar Holdings Sdn. Bhd. vs Koh Jui Lian

In 2004, DHSB commenced legal proceedings against a former employee, Koh Jui Lan, whereby DHSB is claiming for the return of a sum of RM31,000.00 (together with interest on the said sum at the rate of 8% per annum calculated from 10 June 2004 until the date of full realisation), which was erroneously paid as advance sales commission to the said Koh Jui Lan. In turn, Koh Jui Lan is counter-claiming for a sum of RM450,129.00 towards outstanding sales commission allegedly due to him between 1995 and 1999.

The matter, which was fixed for trial on 6 July 2006, has been adjourned to 27 February 2007.

The directors have been advised by their legal counsel that a part of each party's claims against the other is barred by the prescribed limitation period under the Limitation Act. Further, to succeed in his claim, Koh Jui Lan will be required to prove all his commission claims at the upcoming trial.

B12. Dividends

There was no dividend proposed by the Board of Directors for the current financial period under review.

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DIGISTAR
FOR FYE 30 SEPTEMBER 2006 (Cont'd)**



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

B13. Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	30/09/2006	Quarter	30/09/2006	Period
	30/09/2005	30/09/2005	30/09/2005	30/09/2005
(a) Basic Earnings Per Share				
Net (loss)/profit attributable to members of the Company (RM'000)	(779)	74	(728)	2,665
Weighted average number of ordinary shares in issue	173,580,650	173,580,650	173,580,650	172,550,288
Basic (loss)/earnings per share (sen)	(0.45)	0.04	(0.42)	1.54
(b) Diluted Earnings Per Share				
Net (loss)/profit attributable to members of the Company (RM'000)	(779)	74	(728)	2,665
Weighted average number of ordinary shares in issue	173,580,650	173,580,650	173,580,650	172,550,288
Adjustment for assumed exercise of ESOS	-	-	-	6,556,256
Adjusted weighted average number of ordinary shares in issue and issuable	173,580,650	173,580,650	173,580,650	179,106,545
Diluted (loss)/earnings per share (sen)	(0.45)	0.04	(0.42)	1.49

B14. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 November 2006.

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TERMS AND CONDITIONS OF THE WARRANTS

As extracted from the Deed Poll (Prepared for inclusion in this Abridged Prospectus)

A summarised extract of the Deed Poll which sets forth the terms and conditions of the Warrants is set out below. Certain statements in these terms and conditions are summaries of and are subject to the detailed provisions of the Deed Poll. Unless the context otherwise requires, all words and expressions defined and contained in the Deed Poll shall have the same meaning in this section.

2. ISSUE OF WARRANTS

- 2.1 The Issuer hereby creates the Warrants which may be sold, traded or dealt with separately entitling the persons to whom such Warrants are allotted (or to those persons to whom Warrants are effectively renounced and on whose behalf application is made for registration as the holders thereof) or who become Warrant Holders, the right to subscribe in cash up to an equal number of New Shares on the basis of one (1) Warrant for one (1) New Share, at any time and from time to time during the Exercise Period at the Exercise Price provided that the number or the nominal value or both the number and the nominal value of the New Shares to be so subscribed, and the Exercise Price therefor, may be subject to adjustment in accordance with Clause 6.
- 2.3 Upon listing and quotation of the Warrants on the MESDAQ Market of Bursa Securities, the Warrants shall be traded and transferred in accordance with the Rules and the Central Depositories Act in board lots of 100 Warrants or multiples thereof or in such other number as Bursa Securities may from time to time approve. Subject to the provisions of the Central Depositories Act and the Rules, no person shall be recognised by the Issuer as having title to the Warrants entitling the holder thereof to subscribe for a fractional part of a New Share or otherwise than as the sole holder of the entirety of such New Share. For avoidance of doubt, save as provided under the terms of the Abridged Prospectus or this Deed Poll, the Warrants shall not be transferred prior to the listing of and quotation for the Warrants on the MESDAQ Market of Bursa Securities.
- 2.4 The Warrants are transferable, free from all equities, set-off or counterclaim between the Issuer and the original or any intermediate Warrant Holder.

Conditions regarding transfer and transmission of Warrants

- (i) Subject to the provision of the Central Depositories Act and the Rules, the Warrants shall be transferable by way of book entry by Bursa Depository in accordance with the Rules, and notwithstanding Sections 103 and 104 of the Act but subject to Section 107C of the Act (and any applicable exemptions from compliance with the said Section 107C), the Issuer shall be precluded from registering and effecting any transfer of such securities.
- (ii) Subject to the provisions of the Central Depositories Act and the Rules, no person shall be recognised by the Issuer as having title to a Warrant which confers on the Warrant Holder the right to subscribe for a fractional part of a Share, otherwise than as the sole holder of the entirety of such Share.

5. EXERCISE OF WARRANTS**Exercise Rights**

- 5.1 Each Warrant Holder shall have the right to exercise the Exercise Rights on any Market Day during the Exercise Period, in respect of any or all of the Warrants as it may specify in the Subscription Form to be delivered to the Issuer in the manner hereinafter provided.
- 5.2 Any Warrants in respect of which a Subscription Form shall not have been duly completed and delivered in the manner set out in Clause 5.5 to the Registrar on or before 5.00 p.m. on the last day of the Exercise Period shall become null and void and at the expiry of the Exercise Period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose. The Issuer shall give to the Warrant Holders at least thirty (30) days notice of the expiry of the Exercise Period (stating also the Maturity Date) (i) by written notice to each at their addresses on the Record of Depositors and (ii) by advertisement in a daily newspaper circulating generally throughout Malaysia.

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

- 5.3 The Issuer shall not allow any Warrant Holder to exercise the Exercise Rights in respect to any Warrants unless such Warrants are designated as "free securities" in accordance with the Rules.

Payment of Subscription Monies

- 5.4 Payment of the Subscription Monies shall be made to the specified office of the Registrar by way of remittance in Ringgit Malaysia by banker's draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in favour of "DIGISTAR CORPORATION BERHAD WARRANT SUBSCRIPTION ACCOUNT", for the credit of the Issuer for the full amount of the Subscription Monies payable in respect of the Warrants exercised provided that any such remittance shall be accompanied by the delivery to the Registrar of the Subscription Form.

Each such payment shall be made free of any foreign exchange commissions, remittance charges or other deductions.

If the payment advice fails to comply with the foregoing provisions, the Issuer and the Registrar may, at its absolute discretion and without liability on behalf of itself, refuse to recognise the relevant payment as relating to the exercise of any Warrants, and the exercise of the relevant Warrants may accordingly be delayed or treated as invalid. If the relevant payment received by the Issuer in respect of a Warrant Holder's purported payment of the Subscription Monies for the Exercise Rights is not the full amount thereof, the Issuer shall not treat the relevant payment so received or any part thereof as payment of the Subscription Monies or any part thereof and shall refund the same without interest at the risk of the payee.

Procedure for Exercise of Exercise Rights

- 5.5 In order to exercise the Exercise Rights the Warrant Holder must fulfil the following conditions:-
- (a) lodgement, during normal business hours at the specified office of the Registrar of the duly completed and executed Subscription Form;
 - (b) the furnishing of such evidence as the Issuer or the Registrar may require to determine the due execution of the Subscription Form by or on behalf of the exercising Warrant Holder;
 - (c) the payment or satisfaction of the Subscription Monies in accordance with the provisions of Clause 5.4; and
 - (d) the payment of costs, fees and stamp duty (if any) as may be prescribed from time to time by Bursa Depository, Bursa Securities or under any applicable law in relation to the crediting of the New Shares into the Securities Account of the Warrant Holder or as may be reasonably imposed by the Issuer.

Once all the abovementioned conditions have been fulfilled, the Subscription Form and any Monies paid in or towards payment of the Subscription Monies may not be withdrawn or refunded without the written consent of the Issuer.

New Shares

- 5.7 The Issuer shall ensure that the New Shares are allotted by way of crediting the Securities Account of the Warrant Holders and shall allot the New Shares and despatch or cause to be despatched notices of allotment to the Warrant Holders informing them of the crediting of the New Shares into the Securities Accounts, by ordinary post at the risk of the Warrant Holder at its address on the Record of Depositors within ten (10) Market Days of receipt of the properly completed Subscription Form or such other period as may be prescribed by Bursa Securities and Bursa Depository.
- 5.8 The New Shares to be issued pursuant to the exercise of the Exercise Rights shall, upon allotment and issue, be fully paid and shall rank *pari passu* in all respects with the then existing Shares including any entitlement to any dividends, rights, allotments or other distributions save and except that such New Shares shall not be entitled to participate in any dividends, rights, allotments and/ or other distributions, the entitlement date of which precedes the relevant exercise dates of the Exercise Rights.

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)**Cancellation of Warrants**

- 5.9 Subject to the provisions of the Central Depositories Act and the Rules, all Warrants exercised pursuant to this Clause 5, shall be cancelled immediately by the Issuer and debited from the Securities Account of the Warrant Holder concerned and shall not be reissued.

6. ADJUSTMENT OF EXERCISE PRICE/NUMBER OF WARRANTS

- 6.1 The Exercise Price and/or the number of Warrants shall from time to time be adjusted by the Directors in consultation with the Approved Adviser and certified by the Auditors in accordance with the provisions contained in Schedule 3.
- 6.2 Whenever there is an adjustment as herein provided, the Issuer shall give notice to Warrant Holders in accordance with Clause 16 that the Exercise Price and/or the number of Warrants has/have been adjusted within seven (7) Market Days of such adjustment and setting forth the event giving rise to the adjustment, the Exercise Price and/or the number of Warrants in effect prior to such adjustment, the adjusted Exercise Price and/or the number of Warrants and the effective date of such adjustment and shall at all times thereafter so long as any of the Warrants remain exercisable make available for inspection at its registered office a signed copy of the certificate of the Auditors certifying the adjustment to the Exercise Price and/or the number of Warrants and a certificate signed by a Director setting forth brief particulars of the event giving rise to the adjustment, the Exercise Price and/or number of Warrants in effect prior to such adjustment, the adjusted Exercise Price and/or number of Warrants and the effective date of such adjustment and shall, on request, send a copy thereof to any Warrant Holder.
- 6.3 If the Issuer shall in any way modify the rights attached to any Share or loan capital so as to convert or make convertible such Share or loan capital into, or attach thereto any rights to acquire or subscribe for New Shares, the Issuer shall appoint an Approved Adviser to consider whether any adjustment is appropriate and if such Approved Adviser shall determine that any adjustment is appropriate the Exercise Price shall be adjusted accordingly.

9. WINDING UP, AMALGAMATION AND RECONSTRUCTION

- 9.1 Where a resolution has been passed for a members' voluntary winding-up of the Issuer, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Issuer or the amalgamation of the Issuer with one (1) or more companies, then:-
- (a) in the case of a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation) to which the Warrant Holders, or some persons designated by them for such purposes by Special Resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the Warrant Holders; and
 - (b) in any other case, every Warrant Holder shall be entitled, upon and subject to this Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Issuer or within six (6) weeks after the granting of the court order approving the winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation), by submitting to the Issuer the Subscription Form duly completed, authorising the debiting of the Warrants in its Securities Account; together with payment of the relevant Subscription Monies by banker's draft, cashier's order drawn on a bank in Malaysia or a money order or postal order issued by a Post Office in Malaysia and by banker's draft, cashier's order drawn on a bank in Malaysia or a money order or postal order issued by a Post Office in Malaysia for a sum equivalent to all taxes, stamp duty and other government charges, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the Exercise Rights represented by such Warrant to the extent specified in the Subscription Form and be entitled to receive out of the assets of the Issuer which would be available in liquidation if he had on such date been the holder of the New Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Issuer shall give effect to such election accordingly. The Issuer shall give notice to the Warrant Holders of the passing of any such resolution within seven (7) Market Days after the passing thereof.

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

Subject to the foregoing, if the Issuer is wound up or an order has been granted for such compromise or arrangement, all Exercise Rights which have not been exercised within six (6) weeks of the passing of the resolution or the court order shall lapse and the Warrants will cease to be valid for any purpose.

10. TAKE-OVER OFFER / FURTHER ISSUES

- 10.1 Where a take-over offer is made for any Shares pursuant to the Malaysian Code on Take-overs and Mergers 1998, the Issuer shall procure that the offeror shall make a take-over offer to purchase the Warrants and shall make appropriate arrangements to ensure that the interests of the Warrant Holders are safeguarded.
- 10.2 A Warrant Holder will be entitled to exercise any or all Exercise Rights under his Warrants at any time during the Exercise Period in the event the Issuer shall have received a legally binding offer in writing of a take-over scheme in relation to the Shares of the Issuer.
- 10.3 The Issuer shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further Exercise Rights upon such terms and conditions as the Issuer sees fit but the Warrant Holders shall not have any participating rights in such issue unless otherwise resolved by the Issuer in general meeting.

11. MEETINGS OF WARRANT HOLDERS

- 11.1 Warrant Holders holding not less than ten percent (10%) of the Warrants for the time being outstanding may, with the consent of the Issuer, request for a meeting of Warrant Holders to be held to consider any matter affecting their interests.
- 11.2 All or any of the rights for the time being attached to the Warrants other than the Exercise Price or the formulae for the adjustment of the Exercise Price and/or the number of Warrants may, from time to time (whether or not the Issuer is being wound up), be altered or abrogated and the sanction of a Special Resolution passed at a meeting of the Warrant Holders shall be necessary and sufficient to effect such alteration or abrogation.
- 11.3 To any such meeting, all the provisions of the Articles of Association for the time being of the Issuer as to general meetings of the Issuer and for notice thereof shall, *mutatis mutandis*, apply as if the Warrants were a class of shares forming part of the capital of the Issuer save that:-
- (a) such a meeting may only be convened by or with the consent of the Issuer;
 - (b) not less than twenty one (21) days' notice of such meeting shall be given;
 - (c) a quorum for any such meeting shall be at least two (2) Warrant Holders present in person or by proxy;
 - (d) every Warrant Holder present in person at any such meeting or adjourned meeting shall be entitled by a show of hands to one (1) vote and every Warrant Holder present in person or by proxy at any meeting shall be entitled on a poll to one (1) vote for each New Share to which such Warrant Holder would be entitled at the Exercise Price on the exercise in full of the Exercise Rights represented by such Warrant Holder's Warrant;
 - (e) any Warrant Holder present in person or by proxy may demand a poll; and
 - (f) if such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than ten (10) nor more than twenty-eight (28) days thereafter and to such place as may be appointed by the Chairman of the meeting. At any adjourned meeting those Warrant Holders who are then present in person or by proxy shall form a quorum and at least seven (7) days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those Warrant Holders who are then present at the adjourned meeting in person or by proxy shall form a quorum.

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)**12. MODIFICATIONS**

- 12.1 Save as expressly provided in this Deed Poll, no modification, amendment, deletion or addition may be made to the provisions of this Deed Poll without the sanction of a Special Resolution, other than amendments or additions required to correct any typographical errors or relating to purely administrative matters or to comply with the mandatory provisions of laws of Malaysia or if, in the opinion of the Approved Adviser, it will not be materially prejudicial to the interests of Warrant Holders. Following any such modification, amendment, deletion or addition, the Issuer shall forthwith promptly notify Bursa Securities of the same.
- 12.2 Any modification, amendment, deletion or addition to this Deed Poll may be effected only by a deed executed by the Issuer and expressed to be supplemental hereto, and only if the requirements of this Clause 12 have been complied with.
- 12.3 A memorandum of every such supplemental deed shall be endorsed on this Deed Poll.
- 12.4 Notice of every modification, amendment or addition to this Deed Poll shall be given to the Warrant Holders.

16. NOTICE TO WARRANT HOLDERS

- 16.1 Any notice to be given to Warrant Holders hereunder shall be given and be deemed to be served in like manner, *mutatis mutandis*, as any notice to Shareholders for the time being required to be given by law and the Articles of Association of the Issuer or by way of advertisement of such notice in a daily newspaper circulating generally throughout Malaysia. Upon written request, the Issuer shall send to each Warrant Holder at its address on the Record of Depositors a copy of the Issuer's published annual report and accounts together with all documents required by law to be annexed thereto and copies of every statement, notice or circular issued to Shareholders.
- 16.2 The Issuer shall notify the Warrant Holders by way of publication in a daily newspaper of general circulation in Malaysia in all the main languages, or if this is not practicable, in such other manner as the Issuer shall determine, of the date of expiry of the Exercise Period of the Warrants, no later than thirty (30) days before the said expiry date.

17. GOVERNING LAW

This Deed Poll is governed by, and shall be construed in accordance with, the laws of Malaysia. The Issuer hereby irrevocably submits to the non-exclusive jurisdiction of the courts in Malaysia.

SCHEDULE 3 - ADJUSTMENTS OF EXERCISE PRICE AND EXERCISE RIGHTS

Upon and subject to the conditions of the Deed Poll, the Exercise Price and any additional Warrants which a Warrant Holder may be entitled to be issued shall from time to time be adjusted, calculated or determined by the Directors in consultation with the Approved Adviser and certified by the Auditors in accordance with the following relevant provisions:-

- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different par value then the Exercise Price and/or the additional number of Warrants to be issued shall be adjusted calculated or determined in the following manner:-
- (i) New Exercise Price =
- $$S \times \frac{(\text{Revised nominal value for each Share})}{(\text{Original nominal value for each Share})}$$
- (ii) Additional number of Warrants to be issued =
- $$T \times \frac{(\text{Original nominal value for each Share})}{(\text{Revised nominal value for each Share})} - T$$

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

Where:-

S = Existing Exercise Price; and

T = Existing number of Warrants held; and

(iii) the par value shall be adjusted to the revised par value.

Each such adjustment will be effective from the close of business on the Market Day immediately preceding the date on which the consolidation or subdivision or conversion become effective (being the date when the Shares are traded on Bursa Securities at the new par value).

- (b) If and whenever the Issuer shall make any issue of Shares to Shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Exercise Price and the number of Warrants which a Warrant Holder may be entitled to be issued with shall be adjusted, calculated or determined in the following manner:-

$$\text{New Exercise Price} = S \times \frac{(A)}{(A+B)}$$

$$\text{Additional number of Warrants to be issued} = T \times \frac{(A+B)}{(A)} - T$$

Where:-

A = the aggregate number of Shares issued and fully paid up on the Books Closure Date;

B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund);

S = S in paragraph (a) above; and

T = T in paragraph (a) above.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the next day following the Books Closure Date for such issue.

- (c) If and whenever the Issuer shall make:-

- (i) a Capital Distribution (as defined below) to Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
- (ii) any offer or invitation to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights; or
- (iii) any offer or invitation to its Shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares,

then and in any such case, the Exercise Price, and in the case of sub-paragraph (c)(ii) above, the number of additional Warrants which a Warrant Holder may be entitled to be issued with, shall be adjusted, calculated or determined in the following manner:-

$$\text{New Exercise Price} = S \times \frac{(C-D)}{(C)}$$

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

$$\text{Additional number of Warrants to be issued} = T \times \frac{(C)}{(C-D^*)} - T$$

Where:-

S = S in paragraph (a) above;

T = T in paragraph (a) above;

C = the Current Market Price (as defined in paragraph (i) below) of one (1) Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement), immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation;

D = (aa) in the case of an offer or invitation to acquire or subscribe for Shares or to acquire or subscribe for securities convertible into Shares or for securities with rights to acquire or subscribe for Shares, by way of rights, under sub-paragraph (c)(ii) or sub-paragraph (c)(iii) hereof, the value of rights attributable to one (1) Share (as defined below); or

(bb) in the case of any other transaction falling within this paragraph (c), the fair market value, as determined (with the concurrence of the Auditors) by an Approved Adviser, of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of sub-paragraph (aa) above the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:-

$$\frac{C - E}{F + G}$$

Where:-

C = C in this paragraph (c) above;

E = the subscription consideration for one (1) New Share under the terms of such offer or invitation to acquire or subscribe for Shares or one (1) security convertible into Shares or one (1) security with rights to acquire or subscribe for Shares under the offer or invitation, as the case may be;

F = the number of Shares which it is necessary to hold in order to be offered or invited by way of rights to acquire or subscribe for one (1) additional Share or one (1) security convertible into Shares or one (1) security with rights to acquire or subscribe for Shares under the offer or invitation, as the case may be; and

G = one (1).

D* = the "value of the rights attributable to one (1) Share" (as defined below).

For the purpose of D* above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:-

$$\frac{C - E^*}{F^* + G}$$

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

Where:-

C	=	C in this paragraph (c);
E*	=	the subscription consideration for one (1) New Share under the terms of such offer or invitation to acquire or subscribe for Shares;
F*	=	the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share; and
G	=	one (1).

For the purpose of this paragraph (c) "Capital Distribution" shall (without prejudice to the generality of that expression) include distribution in cash or specie (other than dividends) or by way of issue (not falling under paragraph (b) above) of Shares or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund).

Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the Shareholders for any period as shown in the audited consolidated profit and loss accounts of the Issuer.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the date next following the Books Closure Date for such issue.

- (d) (i) If and whenever the Issuer makes any allotment to its Shareholders as provided in paragraph (b) above and also makes any offer or invitation to its Shareholders as provided in sub-paragraph (ii) or (iii) of paragraph (c) above and the Books Closure Date for the purpose of the allotment is also the Books Closure Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted, calculated or determined in the manner shown below:-

$$\text{New Exercise Price} = S \times \frac{[(A \times C) + (K \times E)]}{[(A + K + B) \times C]}$$

- (ii) If and whenever the Issuer makes any allotment to its Shareholders as provided in paragraph (b) above and also makes any offer or invitation to its Shareholders as provided in sub-paragraph (ii) of paragraph (c) above and the Books Closure Date for the purpose of the allotment is also the Books Closure Date for the purpose of the offer or invitation, the number of Warrants which a Warrant Holder may be entitled to be issued with shall be adjusted, calculated or determined in the manner shown below:-

$$\text{Additional number of Warrants to be issued} = T \times \frac{[(A + K^* + B) \times C]}{[(A \times C) + (K^* \times E^*)]} - T$$

For the purpose of paragraph (d)(i) and (d)(ii) above:-

A	=	A in paragraph (b) above;
C	=	C in paragraph (c) above;
K	=	the aggregate number of New Shares to be issued pursuant to the offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;
K*	=	the aggregate number of New Shares to be issued pursuant to offer or invitation to acquire or subscribe for Shares by way of rights;

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

E	=	the subscription consideration for one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price upon the conversion of convertible securities or the exercise of rights to acquire or subscribe for one (1) additional Share, as the case may be;
E*	=	the subscription consideration for one (1) New Share under the terms of such offer or invitation to its Shareholders to acquire or subscribe for Shares;
B	=	B in paragraph (b) above;
S	=	S in paragraph (a) above; and
T	=	T in paragraph (a) above.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Books Closure Date for such issue.

- (e) If and whenever the Issuer makes any offer or invitation to its Shareholders as provided in sub-paragraph (c)(ii) above together with an offer or invitation to its Shareholders as provided in sub-paragraph (c)(iii) above, the Exercise Price and the number of additional Warrants which a Warrant Holder may be entitled to be issued with shall be adjusted, calculated or determined in the following manner:-

$$\text{New Exercise Price} = S \times \frac{(A \times C) + (Q \times F) + (U \times G)}{[(A + Q + U) \times C]}$$

$$\text{Additional number of Warrants to be issued} = T \times \frac{[(A + Q^*) \times C]}{[(A \times C) + (Q^* \times F^*)]} - T$$

Where:-

S	=	S in paragraph (a) above;
T	=	T in paragraph (a) above;
A	=	A in paragraph (b) above;
C	=	C in paragraph (c) above;;
Q	=	K in paragraph (d) above;
Q*	=	K* in paragraph (d) above;
F	=	E in paragraph (d) above;
F*	=	E* in paragraph (d) above;
U	=	the aggregate number of Shares to be issued upon conversion of the convertible securities or exercise of rights to acquire or subscribe for Shares under the offer or invitation; and
G	=	the subscription consideration of one (1) New Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation to its Shareholders as provided in paragraph (c)(iii) above.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Books Closure Date for such issue.

- (f) If and whenever the Issuer makes an allotment to its Shareholders as provided in paragraph (b) above and also makes an offer or invitation to its Shareholders as provided in sub-paragraph (c)(ii) above together with an offer or invitation to its Shareholders as provided in sub-paragraph (c)(iii) above (and the Books Closure Date for the purpose of the allotment is also the Books Closure Date for the purpose of the offer or invitation), the Exercise Price and the number of additional Warrants which a Warrant Holder is entitled to be issued with shall be adjusted, calculated or determined in the following manner:-

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

$$\text{New Exercise Price} = \frac{S \times [(A \times C) + (Q \times F) + (U \times G)]}{[(A + Q + U + B) \times C]}$$

$$\text{Additional number of Warrants to be Issued} = \frac{T \times [(A + Q^* + B) \times C]}{[(A \times C) + (Q^* \times F^*)]} - T$$

Where:-

S	=	S in paragraph (a) above;
T	=	T in paragraph (a) above;
C	=	C in paragraph (e) above;
A	=	A in paragraph (b) above;
Q	=	Q in paragraph (e) above;
Q*	=	Q* in paragraph (e) above;
F	=	F in paragraph (e) above;
F*	=	F* in paragraph (e) above;
U	=	U in paragraph (e) above;
G	=	G in paragraph (e) above;
B	=	B in paragraph (b) above;

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Books Closure Date for such issue.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all Shareholders alike and requiring an adjustment under paragraphs (c)(ii), (c)(iii), (d), (e) or (f) above) the Issuer shall issue either any Shares or securities convertible into Shares or securities with rights to acquire or subscribe for Shares and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price (as defined in paragraph (i) below) for one (1) Share (as defined below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, then the Exercise Price shall be adjusted, calculated or determined in the following manner:-

$$\text{New Exercise Price} = \frac{Y + Z}{Y + Q} \times S$$

Where:-

Y	=	the number of Shares in issue at the close of business on Bursa Securities on the day immediately preceding the date on which the relevant adjustment becomes effective;
Z	=	the aggregate number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (exclusive of expenses);
Q	=	the aggregate number of Shares so issued or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares which may be issued upon full conversion of such securities or the exercise in full of such rights; and
S	=	S in paragraph (a) above.

For the purpose of this paragraph (g) the "Total Effective Consideration" shall be as determined by the Directors with the concurrence of an Approved Adviser and shall be:-

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

- (i) in the case of the issue of Shares, the aggregate consideration receivable by the Issuer on payment in full for such Shares; or
- (ii) in the case of the issue by the Issuer of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Issuer on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Issuer upon full conversion of such securities; or
- (iii) in the case of the issue by the Issuer of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Issuer upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "Total Effective Consideration per Share" shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or rights to acquire or subscribe for Shares, by the maximum number of Shares to be issued on full conversion of such securities or on exercise in full of such rights. Each such adjustment will be effective (if appropriate, retroactively) from the close of business on the Market Day immediately preceding the date on which the issue is announced or (if failing such announcement) immediately preceding the date on which the Issuer determines the offering price of such Shares, securities or rights.

- (h) The provisions of paragraphs (b), (c), (d), (e), (f) and (g) above shall not apply to:-
 - (i) an issue of Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any other rights including the Exercise Rights of Warrant Holders issued by the Issuer hereunder; or
 - (ii) an issue of Shares or other securities of the Issuer or rights to acquire or subscribe for Shares to officers, including executive directors, or employees of the Issuer or any of its Subsidiaries pursuant to purchase or option schemes approved by the ordinary Shareholders in general meeting; or
 - (iii) an issue by the Issuer of Shares or of securities convertible into or rights to acquire or subscribe for Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business; or
 - (iv) a special issue of Shares or other securities by the Issuer required by any relevant authority to Bumiputra investors which is effected to comply with the policy of the Government of Malaysia on capital participation in industry.
 - (v) an issue of shares or other securities by the company in compliance with any regulation or guidelines whether having the force of law or not) made by any relevant authority;
 - (vi) any issue of shares by the company (other than bonus or rights issues) where the aggregate issues of which in any 12 month period do not exceed 10% of the outstanding issued and paid-up share capital of the company.
- (i) For the purpose of this Schedule:-
 - (i) "Current Market Price" means in relation to each Share for any relevant day the weighted average of the last dealt prices for each Share quoted on Bursa Securities for the five (5) consecutive Market Days before such date for one (1) or more board lots of Shares on Bursa Securities; and
 - (ii) "Average Price" means the average of the Last Dealt Price on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

- (iii) “Last Dealt Price” means in relation to a Share, the last dealt price per Share for one (1) or more board lots of Shares quoted on Bursa Securities.
- (j) Notwithstanding any of the provisions hereinbefore contained, no adjustment to the Exercise Price and the number of Warrants will be required in respect of:-
 - (i) an issue by the Issuer of Shares, or other securities convertible into or carrying rights to acquire or subscribe for Shares, to officers, including directors, or employees of the Issuer or any of its Subsidiaries pursuant to any purchase or option scheme approved by the Shareholders in general meeting; or
 - (ii) an issue by the Issuer of Shares or other securities convertible into or carrying rights to acquire or subscribe for Shares, in any such case in consideration or part consideration for or in connection with the acquisition by the Issuer of any other securities, assets or business; or
 - (iii) an issue of Shares arising from the exercise of Warrants or arising from the exercise of any other rights including those arising from the exercise of the Warrants.
- (k) Any adjustment to the Exercise Price will be rounded downwards to the nearest one (1) Sen but in no event shall any adjustment (otherwise than upon the consolidation of Shares into shares of a larger par value or sub-division of Shares into Shares of smaller par value) involve an increase in the Exercise Price or a reduction in the Exercise Price below the par value of the Shares for the time being. No adjustments to the Exercise Price shall be made unless it has been certified to be in accordance with paragraphs (a) to (g) above by the Auditors for the time being of the Issuer. No adjustment will be made to the Exercise Price in any case in which the amount by which the same would be reduced would be less than one (1) Sen but any adjustment which would otherwise then be required will be carried forward and taken into account appropriately in any subsequent adjustment.
- (l) Any adjustment to the number of Warrants held by each Warrant Holder will be rounded downwards to the nearest whole Warrant. No adjustment to the number of Warrant shall be made unless (i) it has been certified to be in accordance with paragraphs (a) to (g) above by the Auditors for the time being of the Issuer and (ii) approval in principle has been granted by Bursa Securities for the listing and quotation for such additional Warrants as may be issued as a result of such adjustment and such additional Shares as may be issued on the exercise of any of such Warrants.
- (m) Notwithstanding the provisions referred to in this Schedule, in any circumstances where the Directors consider that any adjustments to the Exercise Price and/or the number of Warrants provided under the said provisions should not be made or should be calculated on a different basis or date or should take effect on a different date or that an adjustment to the Exercise Price and/or the number of Warrants should be made notwithstanding that no such adjustment is required under the said provisions, the Issuer may appoint an Approved Adviser to consider whether for any reason whatever the adjustment to be made (or the absence of an adjustment) or the adjustment to be made in accordance with the provisions of this Schedule is appropriate or inappropriate, as the case may be and if such Approved Adviser shall consider the adjustment to be inappropriate, the adjustment shall be modified or nullified or an adjustment made even though not required to be made in such manner as shall be considered by such Approved Adviser to be in its opinion appropriate. In no event whatsoever shall any adjustment be made to the number of New Shares for which the Warrant Holders are entitled to subscribe.
- (n) If the Directors, the Approved Adviser and the Auditors are unable to agree upon any adjustment required under these provisions the Directors shall refer the adjustment to the decision of another Approved Adviser acting as expert and not arbitrator and whose decision as to such adjustment shall be final and conclusive and no certification by the Auditors shall in such circumstances be necessary.

TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

- (o) Any new Warrants which may be issued by the Issuer under this Schedule shall be part of the series of Warrants constituted by the Deed Poll and shall be issued subject to and with the benefit of the Deed Poll and on such terms and conditions as the Directors may from time to time think fit including but not limited to the terms and conditions as set out herein for the Warrants.
- (p) In giving any certificate or making any adjustment hereunder, the Auditors and the Approved Adviser shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decision shall be conclusive and binding on all persons having an interest in the Warrants.
- (q) Notwithstanding anything herein contained, any adjustment to the Exercise Price and/or the number of Warrants other than in accordance with the provisions of this Schedule, shall be subject to the approval of Bursa Securities and agreed to by the Issuer, the Auditors and the Approved Adviser.

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DIRECTORS' REPORT



DIGISTAR CORPORATION BERHAD

(Co. No. 603652-K)

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No. 12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

Date: **22 DEC 2006**

To: The Shareholders of Digistar Corporation Berhad

Dear Sir/Madam,

On behalf of the Board of Directors ("Directors") of Digistar Corporation Berhad ("Company"), and after making due inquiries, I hereby confirm that during the period from 30 September 2005 (being the date to which the last audited consolidated accounts of the Company has been made up) to the date hereof (being a date not earlier than fourteen (14) days before the issue of this Abridged Prospectus), other than as disclosed in this Abridged Prospectus:

- (i) the business of the Company and its subsidiary companies ("Group") has, in the opinion of the Directors, been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;
- (iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Abridged Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;
- (v) there has been no default or any known event since the last audited financial statements of the Group, that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of which the Directors are aware of; or
- (vi) save as disclosed in the latest unaudited financial results of the Group for the twelve (12)-month financial period ended 30 September 2006, there has been no material change in the published reserves or any unusual factors affecting the profits of the Group since the last audited financial statements of the Group.

Yours faithfully,
for and on behalf of the Board
DIGISTAR CORPORATION BERHAD

DATUK LEE WAH CHONG
Managing Director

FURTHER INFORMATION**1. SHARE CAPITAL**

- 1.1 No securities will be allotted on the basis of this Abridged Prospectus later than twelve (12) months after the date of issue of this Abridged Prospectus.
- 1.2 There is no founder, management, deferred shares or preference shares in the share capital of the Company. There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with one another.
- 1.3 Save as disclosed in Section 3 of Appendix II in this Abridged Prospectus and Section 1.4 of this Appendix, no securities in the Company, within the two (2) years preceding the date of this Abridged Prospectus, have been issued or agreed to be issued, as fully or partly paid-up in cash or otherwise than in cash.
- 1.4 As at the date of this Abridged Prospectus, save for the Warrants to be issued under the Rights Issue and as disclosed hereunder, no person has been or is entitled to be given an option to subscribe for any shares or debentures in the Company or any of its subsidiary companies.

Digistar has in place an ESOS which was implemented on 6 November 2003 and will expire on 5 November 2008. Digistar has the option to extend the duration of the ESOS for a further period of five (5) years.

As consideration for the granting of options, a selected employee shall, upon acceptance of an offer for any amount of options, pay to the Company a nominal non-refundable sum of RM1.00. The price at which the option holder is entitled to subscribe for new Digistar Shares under an option may be set at a discount of not more than 10% from the five 5-WAMP of Digistar Shares immediately preceding the date of offer or the par value of the Digistar Shares, whichever is higher.

The total number of new Digistar Shares to be offered under the ESOS shall not, in aggregate, exceed 30% of the total issued and paid-up share capital of the Company at any one time.

As at the date of this Abridged Prospectus, there are 16,917,200 unexercised options granted under the ESOS. Each of the outstanding ESOS option confers to the grantee the right to subscribe for one Digistar Share upon exercise at an exercise price of RM0.275 per share.

2. ARTICLES OF ASSOCIATION

- 2.1 There is no shareholding qualification for the Directors of the Company.
- 2.2 The provisions in the Company's Articles of Association in relation to the remuneration of the Directors are as follows:

Article 80

The fee of the Directors shall from time to time be determined by the Company in General Meeting but the remuneration (other than fees) of the executive Directors shall from time to time be determined by the Board of Directors. The fees payable to the Directors shall not be increased except pursuant to a resolution passed at the General Meeting where notice of the proposed increased has been given in the notice convening the meeting. The fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover and the remuneration payable to executive Directors may not include a commission on or percentage of turnover. Any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration. Any Director holding office for a part of year shall be entitled to proportionate part of such remuneration.

Article 81

The Directors shall be paid by the Company such reasonable travelling, hotel and other expenses as they may incur in attending meetings of the Company or of Directors or of committees of Directors or which they may otherwise incur in or about the Company's business.

FURTHER INFORMATION (Cont'd)**Article 82**

Any Director who by request performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the board may determine.

3. MATERIAL CONTRACTS

Save as disclosed below, the Digistar Group has not entered into any other contracts which are or may be material within the two (2) years preceding the date of this Abridged Prospectus, other than contracts entered into in the ordinary course of business:-

- (i) Settlement Agreement dated 30 June 2004 between Perangsang International Sdn Bhd ("PISB"), DHSB, Brisdale Holdings Bhd ("BHB") and Brisdale Resources Sdn Bhd ("BRSB") pursuant to which the parties had agreed to the settlement of a total sum of RM703,382.72 due from PISB to DHSB as at 30 June 2004, being the remaining balance of payment due under certain subcontracted works, on the following terms:
 - (a) DHSB agreed to accept a sum of RM416,188.00 as full and final settlement of the total sum due from PISB ("Settlement Sum"); and
 - (b) The Settlement Sum is to be set off against the purchase price of 2 separate properties belonging to BHB and BRSB, to be transferred to DHSB.

In connection with the above, DHSB had:

- (a) on 29 March 2005, entered into a sale and purchase agreement with BHB whereby DHSB agreed to accept the transfer from BHB of a 4-storey shop office (Phase RK2) Lot No. 125-1A, Bandar Armada Putra, Pulau Indah measuring approximately 644 sq ft in area, constructed on land held under PN No. 7361 & 7362, Lot No. 67701 & 67702, Mukim and District of Klang, Selangor Darul Ehsan, for a purchase price of RM95,300.00. The said purchase price was agreed to be set off against part of the Settlement Sum; and
 - (b) on 12 April 2005, entered into a sale and purchase agreement with BRSB whereby DHSB agreed to accept the transfer from BRSB of all that parcel with vacant possession distinguished as Parcel No. 10-01 measuring 2091 sq ft, Storey No. 10, Building No. 01 constructed on land held under Geran 34373, Lot 2146 Mukim and District of Kuala Lumpur, Wilayah Persekutuan, for a purchase price of RM320,888.00. The said purchase price was agreed to be set off against the remaining Settlement Sum; and
- (ii) Deed Poll dated 5 December 2006 constituting the Warrants to be issued pursuant to the Rights Issue.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, Digistar and its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, or are there any material claims against the Company or its subsidiaries, or material arbitration proceedings, which have a material effect on the business or financial position of the Company or its subsidiaries, and the Board of Digistar does not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially affect the business or financial position of the Company or its subsidiaries.

FURTHER INFORMATION (Cont'd)**(i) Klang Sessions Court Summons No: 1-52-1105-2004**

On 10 June 2004, Digistar Holdings Sdn Bhd ("DHSB") commenced legal proceedings against a former employee, Koh Jui Lian, whereby DHSB is claiming for the return of a sum of RM31,000.00 (together with interest on the said sum at the rate of 8% per annum calculated from 10 June 2004 until the date of full realisation), which was erroneously paid as advance sales commission to the said Koh Jui Lian. In turn, Koh Jui Lian is counter-claiming for a sum of RM450,129.00 towards outstanding sales commission allegedly due to him between 1995 and 1999. The matter, which was fixed for trial on 6 July 2006, has been adjourned to 27 February 2007.

The Directors have been advised by their legal counsel that a part of each party's claims against the other is barred by the prescribed limitation period under the Limitation Act. Further, the Directors have been advised by their legal counsel that to succeed in his claim, Koh Jui Lian will be required to prove all his commission claims at the upcoming trial, and that such claims will be difficult to prove.

(ii) Kuala Lumpur High Court Suit No: D6-22-300-2005

DHSB had on 2 February 2005 issued a notice to Maju Holdings Sdn Bhd ("Maju") under section 218(2) Companies Act, 1965 for a sum of RM1,400,697.34 towards outstanding payments due from Maju. On 3 February 2005, Maju had paid a sum of RM100,000 to DHSB, thus reducing the amount being claimed by DHSB to RM1,300,697.34. Maju subsequently filed a suit against DHSB for unliquidated damages for issuing the Section 218 notice, and to prevent DHSB from filing a winding up petition, Maju had applied for an injunction, which was obtained on 12 July 2005. DHSB subsequently filed an application to include in their defence, a counterclaim for the sum of RM1,317,279.97 against Maju, and an order in term in respect of such application was obtained on 28 June 2006. The matter came up for case management on 12 October 2006 and the next hearing date has been fixed for 14 February 2007. DHSB had also filed an application for summary judgment on 15 August 2006, which came up for hearing on 7 September 2006. The matter has now been adjourned to 8 February 2007.

The Directors have been advised by their legal counsel that to succeed in its claim, Maju will need to prove the damages suffered and that such claim would be difficult to prove. On the other hand, the legal counsel are of the opinion that DHSB has a good counterclaim against Maju, as it is based on Maju's approved certificates.

Kuala Lumpur High Court Suit No: S7-22-334-2005

On 31 March 2005, Maju had also instituted legal proceedings in the Kuala Lumpur High Court claiming a sum of RM7,483,580 (together with interest on the said sum at the rate of 8% per annum calculated from 1 March 2003 until the date of full realisation) as liquidated damages for alleged delay on DHSB's part to complete certain contracted works. This claim is connected to the first suit mentioned above.

A striking out application was filed by DHSB on the ground that this suit is a duplicity of Maju's first suit. However, on 8 February 2006, the application was disallowed with cost by the Deputy Registrar. DHSB subsequently filed an appeal against the decision, and the same came up for hearing, together with case management, on 8 December 2006. The Judge agreed with DHSB's contention that this suit was filed unnecessarily by Maju as it had already filed another case based on similar facts at the Kuala Lumpur High Court vide Suit No. D6-22-300-2005 as set out above. The Judge has now fixed a mention date for this appeal on 12 February 2007 for Maju to file its application to amend its Statement of Claim in respect of Suit No. D6-22-300-2005 so as not to prejudice its claim for liquidated damages, after which this suit will be withdrawn, and all issues will be litigated in the Kuala Lumpur High Court vide Suit No. D6-22-300-2005.

FURTHER INFORMATION (Cont'd)

The Directors have been advised by their legal counsel that DHSB has a good defence against Maju's claim for liquidated damages as from the facts of the case, DHSB was only appointed by Maju to install electrical equipment at Maju's buildings. The alleged delay in the completion of the contracted works was inevitably caused by the delay in the actual construction of the buildings (for which DHSB was not appointed and is outside of DHSB's control).

5. GENERAL

- 5.1 The nature of the Company's business is set out in Section 1 of Appendix II in this Abridged Prospectus. Save as disclosed in Section 6 of Appendix II in this Abridged Prospectus, there are no corporations, which are deemed to be related to the Company by virtue of Section 6 of the Act as at the date hereof.
- 5.2 The estimated expenses of the Rights Issue is approximately RM350,000, all of which will be borne by the Company.
- 5.3 None of the Directors of the Company has any existing or proposed service contracts or management agreements with the Company or any of its subsidiary companies within the last two (2) years, other than contracts expiring or terminable by the employing company without payment or compensation (other than statutory compensation within the last one (1) year).
- 5.4 Save as disclosed in this Abridged Prospectus and to the best of the Directors' knowledge, as at the LPD, in connection with the financial condition and operations of the Group there are no:
- (i) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way other than in the ordinary course of business;
 - (ii) material commitments for capital expenditure;
 - (iii) unusual, infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations of the Group other than in the ordinary course of business;
 - (iv) known trends or uncertainties that have had, or that the Group reasonably expects will have, a material favourable or unfavourable impact on revenues or operating income; and
 - (v) substantial increase in revenue.
- 5.5 Save as disclosed in Sections 5, 7 and 8 of this Abridged Prospectus, the Directors are not aware of any material information including operating factors or risks which are not mentioned elsewhere and which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Company and its subsidiary companies.

6. CONSENTS

The written consents of the Adviser/ Sponsor, Company Secretaries, Solicitors, Auditors, Principal Bankers, Registrar and Bloomberg to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given and have not subsequently been withdrawn before the issue of this Abridged Prospectus.

The written consent of the Reporting Accountants to the inclusion in this Abridged Prospectus of its name and Reporting Accountants' letter relating to the proforma consolidated balance sheets of Digistar in the form and context in which they appear has been given and has not subsequently been withdrawn before the issue of this Abridged Prospectus.

FURTHER INFORMATION (Cont'd)**7. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection at the Registered Office of the Company at C15-1, Level 15, Tower C, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, during normal office hours on Mondays to Fridays (except public holidays) for a period of twelve (12) months commencing from the date of this Abridged Prospectus:

- (i) Memorandum and Articles of Association of Digistar;
- (ii) Material contracts referred to in Section 3 above;
- (iii) The relevant cause papers in respect of the material litigation, claims and arbitration as referred to in Section 4 above;
- (iv) Letters of consent referred to in Section 6 above;
- (v) Audited consolidated financial statements of the Digistar Group for the past two (2) financial years ended 30 September 2004 and 2005;
- (vi) Unaudited consolidated financial statements of Digistar for FYE 30 September 2006;
- (vii) Proforma consolidated balance sheets of Digistar Group as at 30 September 2005 together with the Reporting Accountants' letter thereon in Appendix III of this Abridged Prospectus;
- (viii) Directors' report in Appendix VII of this Abridged Prospectus;
- (ix) Deed Poll constituting the Warrants executed by Digistar on 5 December 2006;
- (x) Letter of irrevocable undertaking dated 2 October 2006 from Kenangan to subscribe for its rights entitlement under the Rights Issue as at the Entitlement Date; and
- (xi) Letter of irrevocable undertaking dated 2 October 2006 from Datuk Lee Wah Chong to subscribe for
 - (a) his rights entitlement under the Rights Issue as at the Entitlement Date; and
 - (b) the remaining "open-portion" of Warrants (the portion for which no irrevocable undertaking for subscription has been given) which are not subscribed for by the other shareholders of Digistar.

8. RESPONSIBILITY

Hwang-DBS, being the Adviser of this Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts about this Rights Issue.

This Abridged Prospectus together with the accompanying documents have been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

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