

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



DIGISTAR CORPORATION BERHAD

Registration No.: 200301001232 (603652-K)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR THE "COMPANY") ("PROPOSED PRIVATE PLACEMENT")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

(Registration No.: 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting of Digistar ("**EGM**") which is scheduled to be held at Platinum Hall, Level 3, Imperial Heritage Hotel Melaka, No 1, Jalan Merdeka 1, Taman Melaka Raya, 75000 Melaka, Malaysia on Thursday, 12 March 2020 at 11.00 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 17th Annual General Meeting of the Company to be held at the same venue on the same day at 10.00 a.m., whichever is later, or at any adjournment thereof, together with the Form of Proxy are enclosed herein.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Form of Proxy should be lodged at the Company's registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the stipulated time for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Tuesday, 10 March 2020 at 11.00 a.m.

Date and time of the EGM : Thursday, 12 March 2020 at 11.00 a.m.

This Circular is dated 26 February 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act 2016
"Board"	:	The Board of Directors of Digistar
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"Circular"	:	This circular dated 26 February 2020
"CMS"	:	Central Monitoring System, a business segment of Digistar Group which engages in the designing, supplying, installation and integration of security monitoring systems. The Group's CMS is commercially known as Panther 911.
"Datuk Wira Lee"	:	Mejar (K) Datuk Wira Lee Wah Chong
"Digistar" or the "Company"	:	Digistar Corporation Berhad (Registration No.: 200301001232 (603652-K))
"Digistar Group" or the "Group"	:	Digistar and its subsidiaries, collectively
"Digistar Share(s)" or "Share(s)"	:	Ordinary share(s) in Digistar
"Director(s)"	:	The director(s) of Digistar and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- <ol style="list-style-type: none">i. in the case of an issuer of structured warrants, a director of the issuer of the structured warrants; orii. in the case of an applicant or listed issuer which is a collective investment scheme, a director of a management company; oriii. in the case of an applicant or listed issuer which is a business trust, a director of the trustee-manager
"EGM"	:	Extraordinary general meeting
"EPS"	:	Earnings per share
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"GDP"	:	Gross domestic product
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	12 February 2020, being the latest practicable date prior to the printing and despatch of this Circular

DEFINITIONS (CONT'D)

"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
"Maximum Scenario"	:	Assuming all the 7,372,808 treasury shares are resold at cost in the open market and all the outstanding 74,024,334 Warrants are fully exercised prior to the implementation of the Proposed Private Placement
"Minimum Scenario"	:	Assuming all the 7,372,808 treasury shares are retained and none of the outstanding 74,024,334 Warrants are exercised prior to the implementation of the Proposed Private Placement
"NA"	:	Net assets attributable to the owners of the Company
"PBT/ LBT"	:	Profit before taxation/ Loss before taxation
"PAT/ LAT"	:	Profit after taxation/ Loss after taxation
"Placement Share(s)"	:	Up to 146,472,693 new Digistar Shares to be issued pursuant to the Proposed Private Placement
"Proposed Private Placement"	:	Proposed private placement of up to 146,472,693 new Digistar Shares, representing up to 20% of the total number of issued shares of Digistar
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"UOBKH" or "Adviser"	the	UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
"VWAP"	:	Volume weighted average market price
"Warrant(s)"	:	Outstanding warrants 2013/ 2023 constituted by the deed poll dated 4 March 2013 with an exercise price of RM0.26 per warrant expiring on 4 April 2023. As at the LPD, the Company has 74,024,334 outstanding warrants

All references to "we", "us", "our" and "ourselves" are made to our Company, or where the context requires, shall include our subsidiaries.

All references to "you" in this Circular are made to our shareholders who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
--

TABLE OF CONTENTS

	PAGE
LETTER TO THE SHAREHOLDERS OF DIGISTAR IN RELATION TO THE PROPOSED PRIVATE PLACEMENT CONTAINING:-	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT	2
3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT	6
4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT	7
5. INDUSTRY OVERVIEW AND OUTLOOK AND PROSPECTS	11
6. HISTORICAL SHARE PRICES	18
7. APPROVALS REQUIRED/ OBTAINED	18
8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM	19
9. ESTIMATED TIMEFRAME FOR COMPLETION	19
10. PROPOSALS ANNOUNCED BUT PENDING COMPLETION	19
11. DIRECTORS' STATEMENT AND RECOMMENDATION	20
12. EGM	20
13. FURTHER INFORMATION	20
APPENDIX	
I. FURTHER INFORMATION	21
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED



DIGISTAR CORPORATION BERHAD

Registration No.: 200301001232 (603652-K)
(Incorporated in Malaysia)

Registered Office

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

26 February 2020

Board of Directors

Tan Sri Dato' Ir. Hj. Zaini Bin Omar (*Independent Non-Executive Chairman*)
Mejar (K) Datuk Wira Lee Wah Chong (*Group Managing Director*)
Dato' Haji Ishak Bin Haji Mohamed (*Senior Independent Non-Executive Director*)
Thee Kok Chuan (*Independent Non-Executive Director*)
Lee Mey Ling (*Executive Director*)
Lee Jin Jean (*Executive Director*)
Lee Chun Szen (*Executive Director*)

To: Our shareholders

Dear Sir/ Madam,

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On 21 January 2020, UOBKH had, on behalf of our Board, announced that we proposed to undertake a private placement of up to 20% of the total number of issued shares of Digistar.

On 13 February 2020, UOBKH had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 12 February 2020, resolved to approve the listing and quotation for up to 146,472,693 Placement Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED PRIVATE PLACEMENT AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Placement size

The Proposed Private Placement involves an issuance of up to 20% of the total number of issued shares of Digistar.

As at the LPD, the Company's total issued share capital was RM102,332,764 comprising 650,966,326 Digistar Shares (excluding 7,372,808 treasury shares).

In addition, as at the LPD, the Company has 74,024,334 outstanding Warrants. Purely for illustrative purposes, based on the assumption that all the 7,372,808 treasury shares are resold in the open market and all the outstanding 74,024,334 Warrants are exercised prior to the implementation of the Proposed Private Placement, a total of up to 146,472,693 Placement Shares, representing approximately 20% of the enlarged number of issued shares of Digistar, may be issued pursuant to the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement.

For the avoidance of doubt, the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement. Subsequently, any extension of time for the implementation of the Proposed Private Placement will be subject to Bursa Securities' approval.

2.2 Basis and justification for the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date, after receipt of all relevant approvals for the Proposed Private Placement.

The Placement Shares will be issued at a price of not more than 10% discount to the 5-day VWAP of Digistar Shares immediately preceding the price-fixing date. This provides the Board the flexibility to fix any price range up to a maximum discount of 10% in order to entice investors to subscribe for the Placement Shares.

The Proposed Private Placement may be implemented in tranches within 6 months from the date of Bursa Securities' approval for the Proposed Private Placement, as such, the issue price of the Placement Shares will be determined for each tranche of the Proposed Private Placement. The Company will make the necessary price-fixing announcement(s) once the Board has fixed the issue price of the Placement Shares which may be issued in tranches, in which there will be a price-fixing announcement for each tranche of Placement Shares. In any event, the Company will ensure payment for the Placement Shares by the placee(s) is received within 5 market days from the price-fixing date of each tranche of the Proposed Private Placement.

The Board intends to fully place out the Placement Shares at a price deemed attractive as well as acceptable to both the Company and potential investor(s) and also to meet the Group's funding objectives as set out in Section 2.6 of this Circular. After taking into consideration the prevailing market conditions, the Board is of the view that the discount of not more than 10% will be attractive enough to entice potential investor(s) to subscribe for the Placement Shares.

For illustrative purposes only, the indicative issue price of the Placement Shares is assumed at RM0.036 per Placement Share, which represents a discount of 10% to the 5-day VWAP of Digistar Shares up to and including the LPD of RM0.04 per Digistar Share.

2.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing Digistar Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation for the Placement Shares

The Placement Shares to be issued will be listed and quoted on the Main Market of Bursa Securities. Approval for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities have been obtained via Bursa Securities' approval letter dated 12 February 2020.

2.5 Allocation to placees

The indicative allocations of the Placement Shares to the proposed placees are as follows:-

Proposed placees	<---- No. of Placement Shares to be allotted ---->			
	Minimum Scenario	%	Maximum Scenario	%
(i) Datuk Wira Lee and/ or nominee(s)	65,096,632	50.0	73,236,346	50.0
(ii) Third party investor(s)	65,096,633	50.0	73,236,347	50.0
	130,193,265^{*1}	100.0	146,472,693^{*1}	100.0

Note:-

^{*1} Representing up to 20% of the total number of issued Shares in Digistar

(i) Allocation to Datuk Wira Lee and/ or nominee(s)

Datuk Wira Lee is presently the Group Managing Director and a major shareholder of Digistar, with shareholdings in Digistar as at the LPD as follows:-

	<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	% ^{*1}	No. of Shares	% ^{*1}
Datuk Wira Lee	72,772,049	11.18	66,781,873 ^{*2}	10.26

Notes:-

^{*1} Excluding treasury shares

^{*2} Deemed interested by virtue of his shareholding in LWC Capital Sdn Bhd pursuant to Section 8 of the Act and the shareholding of his spouse, son and daughter pursuant to Section 59(11)(c) of the Act

Please refer to Section 2.8 of this Circular for the background information on Datuk Wira Lee.

Datuk Wira Lee has on 21 January 2020 confirmed to Digistar of his intention to subscribe for up to 73,236,346 Placement Shares, representing up to 10% of the total number of issued Shares in Digistar. Accordingly, Datuk Wira Lee has also confirmed on even date that he has sufficient financial resources to subscribe for his portion of the Placement Shares in full.

The Placement Shares will be subscribed and registered in the name of Datuk Wira Lee and/ or his appointed nominee(s). The allocation of Placement Shares to Datuk Wira Lee and/ or nominee(s) will be on the same terms as those given to the third party investor(s).

The subscription of the Placement Shares by Datuk Wira Lee and/ or nominee(s) will not give rise to any mandatory general offer obligation pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisitions.

(ii) Allocation to third party investor(s)

The remaining portion of up to 73,236,347 Placement Shares, representing up to 10% of the total number of issued Shares in Digistar, shall be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

Additionally, the aforesaid portion of the Placement Shares will not be placed out to the following parties:-

- i. The director, major shareholder, chief executive of Digistar or a holding company of Digistar, or a person connected with the director, the major shareholder or the chief executive; and
- ii. Nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

2.6 Utilisation of proceeds

Based on the indicative issue price of RM0.036 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM5.27 million. The proceeds are intended to be utilised by Digistar Group in the following manners:-

Details of utilisation	Timeframe for utilisation from completion of the Proposed Private Placement	<---Amount of proceeds-->	
		Minimum Scenario RM'000	Maximum Scenario RM'000
Business expansion* ¹	Within 12 months	3,300	3,300
General working capital* ²	Within 12 months	1,187	1,773
Estimated expenses in relation to the Proposed Private Placement* ³	Upon completion	200	200
Total		4,687	5,273

Notes:-

*¹ We intend to expand our CMS business, which engages in the designing, supplying, installation and integration of security monitoring systems. Our CMS (also commercially known as Panther 911), which is licenced under the Home Affairs Ministry, offers security monitoring services via a comprehensive internet protocol-based platform (which can switch to run on 3G, 4G and LTE network in the event of power disruption) and hi-tech surveillance system. We had launched Panther 911 in May 2013, which led to the commencement of our CMS business in the same year. Panther 911 provides 24-hour real-time monitoring services locally to the users in residential, commercial, industrial, business premises and public properties which cover a wide range of surveillance including alarm systems for the elderly, children, ladies, vehicle and self-monitoring.

In 2017, we had launched Panther Mobile, which is the expansion of its Panther 911 CMS command centre. Panther Mobile provides an immediate response and tracking solution along with the necessary assistance supported by the local authorities and Polis Diraja Malaysia ("PDRM"), of which the mobile security devices comes with mobile smart application that integrates with Panther 911 CMS command centre.

We currently serve a subscriber base of approximately 6,000 users, most of which comprise households, retail users, mart operators, telecommunication companies and financial institutions in Malaysia. Our subscriber base comprise of household users (30%), mart operators (20%), financial institutions (10%), jewellery retailers (10%), telecommunication companies (5%) and others (25%) such as small and medium enterprises and corporate offices. We plan to expand its business in the provision of its Panther 911 CMS services locally by targeting more corporate customers serving in the building management (i.e. office, residential), logistic, retail, hospitality and financial institution sectors. In doing so, we intend to undertake marketing and advertising initiatives entailing amongst others, trade shows/ events/ exhibitions and digital advertising to generate awareness of our product that are particularly aimed at the corporate sector.

In this respect, we have earmarked an estimated amount of RM3.30 million for our CMS business expansion to be utilised in the following manner:-

	Note	RM'000
Upgrading of CMS	(i)	1,500
Expansion of CMS command centre	(ii)	1,200
Marketing and advertising	(iii)	600
Total		<u>3,300</u>

(i) The costs for the upgrading of CMS entail amongst others, investing in software and hardware to enhance the security and data analytics capability of CMS, and also to increase the capacity of CMS (i.e. from 3,000 cameras at present to be increased to 20,000 cameras as part of our expansion). Accordingly, we intend to acquire security software suites and/ or security risk management solutions, router and server equipment, as well as data analytic software/ solutions, of which the quantity for each required software and hardware can only be determined at a later stage. The investment in security software and router and server equipment is in line with our Group's plan to increase its subscriber base, which in turn requires more cyber security protection and higher capacity upkeep. We also intend to acquire data analytic software/ solutions as means to innovate our CMS system by applying artificial intelligence technology (i.e. data mining/ sorting, predictive modelling, anomaly detection). Such analytics technology can be further tagged to authorities' database to improve crime prevention and detection, and response rate.

(ii) The expansion of CMS command centre mainly entails the cost for setting up command centre including renovation work, mobilisation cost (i.e. installation and moving-in cost), and also operations and administrative expenses (i.e. including the hiring of 15 staffs for each command centre) incidental thereto. These command centres provide command and monitoring services for the Panther 911 and Panther Mobile products which offer support to customers. Presently, we have 4 command centres located in Kuala Lumpur, Melaka, Johor and Sarawak. We plan to set up another 2 command centres in Penang and Sabah with the aim of increasing its market presence and to serve our customers more efficiently as these command centre can generate shorter turnaround response time (i.e. live alert to authorities) in crime prevention and detection. The Group has earmarked an estimated amount of RM600,000 to be raised from the Proposed Private Placement to be utilised for setting up and mobilising a command centre (including operations and administrative expenses incidental thereto). At this juncture, our Group is on the look-out for suitable premises, and envisages to commence setting up the command centre by the fourth quarter of 2020 and subsequently mobilise the CMS command centre operations by the first quarter of 2021.

(iii) The marketing and advertising costs entail amongst others, distribution costs, agent commissioning fees, participating in and/ or organising trade shows/ events/ exhibitions, and investment in digital marketing and advertising to generate awareness of Panther 911 and Panther Mobile to the community and potential customers.

² We intend to use part of the proceeds from the Proposed Private Placement for our general working capital requirements including, repayment to trade creditors (i.e. average trade payable turnover period is about 91 days as at 30 September 2019) and suppliers, servicing of interest costs, and administrative and overhead expenses such as salaries, travelling expenses, utilities, staff training and staff welfare. The breakdown of such proceed has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.

³ *The proceeds earmarked for defrayment of estimated expenses in relation to the Proposed Private Placement will be utilised as follows:-*

	RM'000
<i>Professional fees (i.e. adviser and placement agent) and placement fees</i>	100
<i>Regulatory fees</i>	40
<i>Other incidental expenses in relation to the Proposed Private Placement</i>	60
Total	200

The actual gross proceeds to be raised from the Proposed Private Placement are dependent on the issue price and the number of Placement Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for the general working capital requirement of our Group, which include but not limited to, repayment to trade creditors and suppliers, servicing of interest costs, and administrative and overhead expenses.

Pending utilisation of the proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional general working capital for our Group, which include but not limited to, repayment to trade creditors and suppliers, servicing of interest costs, and administrative and overhead expenses.

2.7 Other fund raising exercises in the past 12 months

Save for the Proposed Private Placement (being subject matter of this Circular), we have not undertaken any other fund raising exercises in the 12 months prior to the date of this Circular.

2.8 Background information on Datuk Wira Lee

Datuk Wira Lee, a Malaysian aged 61, was appointed as the Managing Director of the Company on 18 August 2003. He is presently our Group Managing Director and major shareholder. He is also a member of the Remuneration Committee. He graduated with a Diploma in Electronic Engineering from the Federal Institute of Technology in 1982.

He continued to enhance his technical knowledge by attending courses on advanced system applications in the United States of America. He is the founder of Digistar Group which started as an audio visual system provider in 1982 which expanded to a total solution provider in design, supply, installation and integration of information technology infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems.

He also sits on the Board of Directors of various other private companies and does not have any directorship in other public companies. He has no conflict of interest with the Company, and he has no conviction for any offences (except for traffic offences, if any) within past 10 years.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

After due consideration of the various methods of fund raising, our Board opines that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement enables our Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings which may affect our Group's bottom line and gearing.

The Proposed Private Placement also provides our Company an expeditious way of raising funds from the capital market as opposed to other forms of fund raising. Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to further strengthen our financial position.

The proceeds raised from the Proposed Private Placement, which will be channelled towards the utilisation of proceeds as set out in Section 2.6 of this Circular will be used to fund our Group's business expansion and immediate working capital requirement.

In addition, Datuk Wira Lee, being the Group Managing Director and a major shareholder of Digistar, has agreed to participate in the Proposed Private Placement with the objective of assisting our Company to raise the required funds in order to meet our funding objectives as set out in Section 2.6 of this Circular. The proposed allocation of Placement Shares to Datuk Wira Lee indicates his continued commitment by making further investments into Digistar Group to support its expansion and growth plan.

4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

Based on the assumption that the number of Placement Shares issued amounts up to 20% of the total number of issued shares (excluding treasury shares, if any) and that the indicative issue price is RM0.036 per Placement Share, the effects of the Proposed Private Placement are set out below:-

4.1 Issued share capital

The pro forma effects of the Proposed Private Placement on our issued share capital are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	658,339,134	102,332,764	658,339,134	102,332,764
Less: Treasury shares	(7,372,808)	(3,248,747)	-	-
	650,966,326	99,084,017	658,339,134	102,332,764
Assuming full exercise of the outstanding Warrants	-	-	74,024,334	19,246,327 ^{*1}
Reversal of warrant reserve upon the full exercise of the outstanding Warrants	-	-	-	6,004,487
	650,966,326	99,084,017	732,363,468	127,583,578
Placement Shares to be issued pursuant to the Proposed Private Placement	130,193,265	4,686,958 ^{*2}	146,472,693	5,273,017 ^{*2}
Enlarged issued share capital	781,159,591	103,770,975	878,836,161	132,856,595

Notes:-

^{*1} Assuming all the outstanding Warrants are exercised at an exercise price of RM0.26 per Warrant prior to the Proposed Private Placement

^{*2} Computed based on the indicative issue price of RM0.036 per Placement Share

4.2 NA per Share and gearing

Based on our latest audited consolidated statements of financial position as at 30 September 2019, the pro forma effects of the Proposed Private Placement on our NA per Share and gearing are set out as follows:-

Minimum Scenario

	Audited as at 30 September 2019 RM	After the Proposed Private Placement RM
Share capital	102,332,764	107,019,722 ^{*1}
Treasury shares	(3,248,747)	(3,248,747)
Warrant reserve	6,004,487	6,004,487
Accumulated losses	(44,473,077)	(44,673,077) ^{*2}
Shareholders' fund/ NA	60,615,427	65,102,385
No. of Shares in issue (excl. treasury shares)	650,966,326	781,159,591
NA per Share (RM)	0.09	0.08
Total borrowings (RM)	281,960,503	281,960,503
Gearing ratio (times)	4.65	4.33

Notes:-

^{*1} Assuming 130,193,265 Placement Shares are issued at an indicative issue price of RM0.036 per Placement Share

^{*2} After deducting estimated expenses of RM200,000 in relation to the Proposed Private Placement

Maximum Scenario

	Audited as at 30 September 2019 RM	I Assuming all the treasury shares are resold and full exercise of the outstanding Warrants ^{*1} RM	II After I and the Proposed Private Placement RM
Share capital	102,332,764	127,583,578	132,856,595 ^{*2}
Treasury shares	(3,248,747)	-	-
Warrant reserve	6,004,487	-	-
Accumulated losses	(44,473,077)	(44,473,077)	(44,673,077) ^{*3}
Shareholders' fund/ NA	60,615,427	83,110,501	88,183,518
No. of Shares in issue (excl. treasury shares, if any)	650,966,326	732,363,468	878,836,161
NA per Share (RM)	0.09	0.11	0.10
Total borrowings (RM)	281,960,503	281,960,503	281,960,503
Gearing ratio (times)	4.65	3.39	3.20

Notes:-

^{*1} Assuming all the 7,372,808 treasury shares are resold at the open market at cost, all the outstanding 74,024,334 Warrants are exercised at an exercise price of RM0.26 per Warrant and the corresponding reversal of the warrant reserve upon the full exercise of all the Warrants

^{*2} Assuming 146,472,693 Placement Shares are issued at an indicative issue price of RM0.036 per Placement Share

^{*3} After deducting estimated expenses of RM200,000 in relation to the Proposed Private Placement

4.3 Substantial shareholding structure

The pro forma effects of the Proposed Private Placement on our substantial shareholders' shareholdings as at the LPD are set out below:-

Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement ^{*1}			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}
Datuk Wira Lee	72,772,049	11.18	66,781,873 ^{*3}	10.26	137,868,681 ^{*5}	17.65	66,781,873 ^{*3}	8.55
Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For LWC Capital Sdn Bhd ("LWCCSB")	65,203,526	10.02	72,772,049 ^{*4}	11.18	65,203,526	8.35	137,868,681 ^{*4}	17.65

Notes:-

^{*1} Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)

^{*2} Excluding treasury shares

^{*3} Deemed interested by virtue of his shareholding in LWCCSB pursuant to Section 8 of the Act and the shareholding of his spouse, son and daughter pursuant to Section 59(11)(c) of the Act

^{*4} Deemed interested by virtue of its shareholding in Datuk Wira Lee pursuant to Section 8 of the Act

^{*5} Assuming Datuk Wira Lee subscribes for 65,096,632 Placement Shares, representing 10% of the total number of issued Shares in the Company, under Minimum Scenario

Maximum Scenario

Substantial shareholders	Shareholdings as at the LPD				I Assuming all the treasury shares are resold and full exercise of the outstanding Warrants ^{*1}				II After I and the Proposed Private Placement ^{*2}			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	% ^{*3}	No. of Shares	% ^{*3}	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Wira Lee	72,772,049	11.18	66,781,873 ^{*4}	10.26	77,556,030	10.59	80,387,059 ^{*4}	10.98	150,792,376 ^{*6}	17.16	80,387,059 ^{*4}	9.15
LWCCSB	65,203,526	10.02	72,772,049 ^{*5}	11.18	65,203,526	8.90	77,556,030 ^{*5}	10.59	65,203,526	7.42	150,792,376 ^{*5}	17.16

Notes:-

^{*1} Assuming full exercise of Warrants held by the following substantial shareholders as at the LPD:-

<u>Substantial shareholders</u>	<u>No. of Warrants (direct)</u>	<u>No. of Warrants (indirect)</u>
Datuk Wira Lee	4,783,981	13,605,186
LWCCSB	-	-

^{*2} Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)

^{*3} Excluding treasury shares

^{*4} Deemed interested by virtue of his shareholding in LWCCSB pursuant to Section 8 of the Act and the shareholding of his spouse, son and daughter pursuant to Section 59(1)(c) of the Act

^{*5} Deemed interested by virtue of its shareholding in Datuk Wira Lee pursuant to Section 8 of the Act

^{*6} Assuming Datuk Wira Lee subscribes for 73,236,346 Placement Shares, representing 10% of the total number of issued Shares in the Company, under Maximum Scenario

4.4 Earnings and EPS

The Proposed Private Placement, which is expected to be completed by the third quarter of 2020, will not have any material effect on our earnings for the FYE 30 September 2020. However, there will be a dilution in the EPS of our Group for the FYE 30 September 2020 due to the increase in the number of Digistar Shares in issue arising from the Proposed Private Placement, as and when implemented.

4.5 Convertible securities

Save for the outstanding Warrants, we do not have any existing convertible securities as at the LPD.

No adjustments will be made to the exercise price and the number of outstanding Warrants pursuant to the Proposed Private Placement.

5. INDUSTRY OVERVIEW AND OUTLOOK AND PROSPECTS

5.1 Overview and outlook for the Malaysian economy

The Malaysian economy expanded by 3.6% in the fourth quarter of 2019 (3Q 2019: 4.4%), supported by higher private sector spending (7.4%; 3Q 2019: 5.4%). However, growth was affected by a decline in net exports. On the supply side, higher growth in the services and construction sectors was weighed down by supply disruptions in the commodities sector. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.6% (3Q 2019: 0.9%). For 2019 as a whole, the economy expanded by 4.3% (2018: 4.7%).

The Malaysian economy expanded by 4.3% in 2019. Going into 2020, growth, particularly in the first quarter of the year, will be affected by the coronavirus outbreak. The impact will be felt largely in tourism-related sectors, and to a certain extent, in the manufacturing sector through disruptions within the global supply chain and the expected slowdown in China. The overall impact on the Malaysian economy will, however, depend on the duration and spread of the outbreak as well as policy responses by authorities.

For the year 2020 as a whole, growth will be supported by household spending, underpinned by continued income and employment growth amid modest price pressures. Investment is projected to record a modest recovery, supported by the realisation of approved private investment projects in recent periods, and higher public sector capital spending, particularly in the transport-related segment. Meanwhile, the external sector is expected to benefit from the gradual recovery in global growth and trade. The growth momentum is subject to high near-term downside risks. The most significant would be the prolonged impact of the coronavirus. In addition, uncertainties remain in global economic and financial conditions. On the domestic front, risks emanate mainly from weakness in the commodities sector and delays in projects implementation.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2019, Bank Negara Malaysia)

The prospect of the Malaysian economy remains robust amid increasing uncertainties in the external environment. Real GDP is expected to grow by 4.7% in 2019 and 4.8% in 2020. The growth is underpinned by resilient domestic demand, particularly household spending following stable labour market and low inflation. Meanwhile, private investment is expected to grow at a slower pace in 2019 and gain traction in 2020 following the resumption of infrastructure projects coupled with ongoing capital spending in the services and manufacturing sectors.

Supported by strong fundamentals, the Malaysian economy is expected to remain resilient despite global economic uncertainties. Real GDP is projected to grow by 4.7% in 2019. In 2020, the economy is expected to remain steady, with a growth of 4.8% led by domestic demand. Private sector expenditure will remain the key driver of growth with private consumption and investment rising 6.9% and 2.1% respectively. Meanwhile, public sector expenditure is forecast to rebound, following improvement in investment. On the supply side, the expansion is expected to be broad-based, with all sectors registering positive growth.

(Source: Economic Outlook 2020, Ministry of Finance Malaysia)

5.2 Overview and outlook for the Information and Communication Technology ("ICT") industry in Malaysia

The ICT Industry in Malaysia continues to grow in size and distribution to the economy, albeit at a pace slower than the desired rate to reach 20.0% of national GDP by 2020. As reported in PIKOM's ICT Strategic Review 2018/2019 published in November 2018, the industry grew by 10.3% year-on-year in 2017 to contribute RM247.1 billion or 18.3% to the national economy. However, this was a mere increase of 0.1 percentage points over the 18.2% share of GDP in 2016.

At this stage, it should be noted that the 11th Malaysia Plan has envisaged a growth rate of at least 17.0% per annum from 2016 – 2020 in order for the industry's GDP contribution to reach the 20.0% milestone. Given the prevailing rate of growth, PIKOM had previously expressed doubts the industry could achieve 19.0% of the national economy by 2018. According to PIKOM's projections, this figure should reach 18.6% in 2018, 18.8% in 2019 and potentially pass the 20.0% milestone only in 2022.

It is interesting to note that research house IDC expects the industry to account for 21.0% of GDP by 2022. Nevertheless, any slowdown in the growth rate in recent times is expected to be arrested with the latest moves to develop Malaysia as a digital nation powered by Industry4RWD or smart manufacturing, the internet of things (IoT), blockchain, cloud computing and artificial intelligence. The Department of Statistics Malaysia's (DOSM) ICT Satellite Account reported the value of ICT's contribution to GDP at RM247.1 billion, comprised of ICT-GDP of RM178.2 billion and non-ICT industry e-commerce of RM68.9 billion. The ICT-GDP is the sum total of contributions by the various industry segments: ICT services; ICT Manufacturing; ICT Trade; and Content & Media while non-ICT industry e-commerce takes into account the value of retail e-commerce and B2B transactions in other industries.

(Source: ICT Industry Outlook in Malaysia 2019, The National Tech Association of Malaysia (PIKOM))

5.3 Overview and outlook for the Communications and Media ("C&M") industry in Malaysia

The domestic C&M industry aggregate revenue was at RM51.64 billion for 2018, which increased by 0.2% from RM51.54 billion in 2017. By sector, telecommunications contributed RM35.86 billion or 70% to total domestic C&M industry revenue in 2018, representing an increase of 3.7% (2017: RM34.58 billion) due to rising consumer demand for data and Internet services. On the broadcasting front, the sector revenue was slightly lower by 0.3% to RM6.4 billion in 2018 (2017: RM6.42 billion). The decline was due to lower contribution from advertising revenue and Pay TV subscription.

The Malaysian broadband market is predominantly mobile with subscriptions totalling 36.79 million in 2018, supported by 3G and 4G LTE population coverage of 94.7% and 79.7% respectively. It is worth noting that by subscriptions, U Mobile market share of 18.2% has overtaken Celcom at 17.3%, whilst Digi and Maxis continue to lead at 30.1% and 24.3% respectively. Wider coverage along with more affordable mobile data packages have increased usage of data-intensive content to suit digital lifestyle of Malaysians. Average mobile data prices per gigabyte ("GB") have declined for both prepaid and postpaid plan from as high as RM15 per GB in 2016 to as low as RM2 per GB in 2018. Going forward, MCMC expects more data consumption in view of the more affordable prices.

The global mobile phone Internet penetration is expected to grow to 61.2% in 2018 from 58.9% in 2017. The higher proportion of Internet users on mobile devices together with higher speed is offering opportunities for consumers to consume more media content. Hence, service providers offering new services can reduce churn and grow their market accordingly. Specifically, in Malaysia and United States of America, internet consumption has increased more dramatically over the last three years compared with TV. It is expected that Internet consumption will surpass TV in the next few years.

For 2019, revenue is expected to remain stable. With the nation poised for accelerated digitalisation in several economic sectors, the outlook is positive as C&M industry continues to support seamless connectivity. After almost a decade of national broadband implementation, the Government is taking the next step in driving digital connectivity for the people and the country. The National Fiberisation and Connectivity Plan (NFCP) is the part of this approach, which involves intensifying efforts in providing world-class high speed broadband infrastructure and services to the people and enabling everyone to benefit from opportunities afforded by new technologies and the digital economy. In order to achieve this, there has to be strategic investment by service providers to ensure end-to-end services through network transformation and new business models. Collaboration of all stakeholders is critical, in particular ensuring right of way for faster roll out, which will contribute to lower cost.

(Source: Industry Performance Report 2018, Malaysian Communications and Multimedia Commission (MCMC))

5.4 Prospects of our Group

The principal activities of Digistar Group are as follows:-

- System integration - Design, supply, installation and integration of information technology infrastructure, tele-conferencing, local area networks, interactive media management systems, radio and television news automation, telecommunication systems, integrated audio and visual systems and other related electronic systems. It is also involved in trading of specialised electronic and electrical components and products, as well as provides electronic systems maintenance and support services
- Investment holding - Investment holding
- Rental and hotel management - Renting, maintaining and upkeep of properties, health television operator and hotel operator
- Property development - Development of properties
- Concession - Concession arrangement between the Group and Government of Malaysia for the design, development, construction and completion of the facilities and infrastructure for Jabatan Kerja Raya (JKR) Training Institute ("JKR Project") and to carry out the asset management services (i.e. electronic system and equipment maintenance and support service)
- Central monitoring system (CMS) - Designing, supplying, installation and integration of security monitoring systems

As set out in Section 2.6 of this Circular, our Board had undertaken the Proposed Private Placement with the objective of raising funds to expand the CMS segment in bid to accelerate our business growth. In planning and facilitating its objective, our Board had also taken into consideration the following aspects:-

5.4.1 Current financial position of the Group

The financial summary of our Group for the past 3 financial years up to the FYE 30 September 2019, is set out below:-

	----- Audited ----->		
	FYE 30 September 2017 RM'000	FYE 30 September 2018 RM'000	FYE 30 September 2019 RM'000
Segmental revenue:-			
- System integration	15,199	7,121	4,133
- Investment holding	240	240	240
- CMS	4,402	3,976	2,680
- Rental and hotel management	13,635	16,554	17,352
- Property development	(12)	(1)	-
- Concession	29,964	29,399	32,366
Total revenue	63,428	57,289	56,771
Gross profit	50,239	35,063	40,019
PBT/ (LBT)	6,304	(11,395)	1,875
PAT/ (LAT)	(1,682)	(17,993)	(2,848)
EPS/ (LPS) (sen)	(0.30)	(2.75)	(0.43)
Gross profit margin (%)	79.2	61.2	70.5
Total borrowings*	285,106	309,440	281,961
Fixed deposits, cash and bank balances	78,432	94,542	66,429
Net cash generated from operating activities	34,098	20,119	27,710
Non-current assets	203,024	199,734	261,046
Current assets	193,120	194,164	104,994
Non-current liabilities	222,349	281,564	266,704
Current liabilities	94,792	55,661	44,229
Shareholders' funds/ NA	96,033	63,620	60,615
Weighted average no. of Shares outstanding ('000)	560,777	654,124	658,339
NA per Share (RM)	0.17	0.10	0.09
Current ratio (times)	2.04	3.49	2.37
Gearing ratio (times)	2.97	4.86	4.65

Note:-

* Mainly comprising bonds issued for the (i) financing of the JKR Project, i.e. construction and completion of the JKR Training Institute in Melaka under an 18-year concession agreement with the Government of Malaysia; and (ii) financing for amongst others, the expansion and refurbishment of the hotel in Melaka, the design and construction of Wisma Digistar, the expansion of JKR project, as well as the working capital of the Group

FYE 30 September 2017

For the FYE 30 September 2017, we recorded revenue of RM63.43 million which represents a decrease of RM103.84 million or 62.1% as compared to the preceding financial year of RM167.27 million. The decrease is significantly attributable to the decrease in revenue recognition in our concession segment, as a substantial portion of the JKR Project (i.e. supply and installation of ICT and laboratory equipment at JKR Training Institute) was completed in FYE 30 September 2016 up to 80% completion stage, whilst the remaining 20% work progress was completed in the FYE 30 September 2017.

We recorded PBT of RM6.30 million for the FYE 30 September 2017 which represents a decrease of RM2.83 million or 31.0% as compared to the preceding financial year of RM9.13 million. The decrease is mainly in tandem with the decrease in gross profit in the same financial year under review.

We recorded LAT of RM1.68 million for the FYE 30 September 2017 as compared to the PAT of RM13.01 million posted in the preceding financial year. The LAT was mainly in tandem with the decrease in PBT in the same financial year under review as well as higher tax expense incurred as compared to the preceding financial year.

FYE 30 September 2018

For the FYE 30 September 2018, we recorded revenue of RM57.29 million which represents a decrease of RM6.14 million or 9.7% as compared to the preceding financial year of RM63.43 million. The decrease is mainly due to the decrease in revenue contribution from our system integration segment which was attributable to the completion of most of our existing extra-low voltage (ELV) system projects located in Johor and Selangor, notably Desaru Adventure Water Park (completed in July 2018) and PDRM Subang (completed in February 2018), and that the progress billings from our other ongoing system integration related projects were unable to offset the reduced revenue from the said completed projects.

We recorded LBT of RM11.39 million for the FYE 30 September 2018 as compared to the PBT of RM6.30 million posted in the preceding financial year. The LBT was mainly due to higher operating loss incurred in our system integration segment (i.e. higher bond interest expenses) followed by property development segment (i.e. impairment in investment property) coupled with the recognition for the allowance of impairment loss on trade receivables from system integration amounting to RM3.81 million.

We recorded a LAT of RM17.99 million for the FYE 30 September 2018 which represents an increase of 970.8% as compared to the preceding financial year of RM1.68 million. The higher LAT was in line with the abovementioned LBT incurred by our Group in the same financial year under review.

FYE 30 September 2019

For the FYE 30 September 2019, we recorded revenue of RM56.77 million which represents a decrease of RM0.52 million or 0.9% as compared to the preceding financial year of RM57.29 million. The decrease is mainly due to the decrease in revenue contribution from our system integration segment amounting to RM3.10 million which was attributable to the completion of existing projects.

We recorded PBT of RM1.88 million for the FYE 30 September 2019 as compared to the LBT of RM11.39 million posted in the preceding financial year. The Group managed to register PBT for the FYE 30 September 2019 as it had achieved lower operating loss from our system integration segment and also lower administrative expenses as most of the projects had been completed such as Imperial Heritage Phase 2 and variation order for JKR project (both completed in September 2019), which resulted in reduction of overhead expenses.

We recorded a LAT of RM2.85 million for the FYE 30 September 2019 which represents a decrease of 84.2% as compared to the preceding financial year of RM17.99 million. The improvement to the LAT was in line with the abovementioned PBT incurred by our Group in the same financial year under review as a result of lower operating loss from system integration segment and lower administrative expenses incurred.

5.4.2 Value creation to the Group and its shareholders

The Proposed Private Placement is expected to raise up to RM5.27 million, the majority of which will be utilised for business expansion in our CMS segment, further details of which are set out in Section 2.6 of this Circular.

Notwithstanding that the concession and rental and hotel management business segments have been our major revenue contributor as exhibited in Section 5.4.1 above, we intend to accelerate the business growth of CMS segment to increase our subscriber base as well as to enhance, innovate and develop a more securitised and smarter CMS products and services. The proceeds arising from the Proposed Private Placement shall mainly be utilised for upgrading of CMS, expansion of CMS command centre, and undertaking of marketing and advertising initiatives, as further elaborated in Section 2.6 of this Circular. This in turn allows our CMS products and services to be better marketed to attract more subscribers, particularly corporate customers, in bid to capture more market share in the CMS space.

Our CMS products, namely Panther 911 and Panther Mobile, generates its key revenue through subscription fee model. By expanding our subscriber base, we can potentially generate higher income stream from CMS subscription, which is recurrent in nature, in the medium to long term.

In addition, the Proposed Private Placement will allow us, amongst others, to raise funds expeditiously to meet our aforesaid fundraising objective without incurring additional interest expense as compared to conventional bank borrowings. The Proposed Private Placement also provides our management the flexibility and control of our internally generated funds and at the same time reduce our reliance on conventional bank borrowings which will require us to service interest and repay the principal sum on a periodic basis.

5.4.3 Impact of the Proposed Private Placement to the Group and its shareholders

The effects of the Proposed Private Placement on Digistar's issued share capital, substantial shareholding structure, the NA and gearing, earnings and EPS, are disclosed in Section 4 of this Circular.

Based on the indicative issue price of RM0.036 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM5.27 million. The Proposed Private Placement is expected to result in the following effects:-

	Audited as at 30 September 2019 RM'mil	Pro forma I	
		Minimum Scenario After the Proposed Private Placement* ¹ RM'mil	Maximum Scenario After the Proposed Private Placement* ¹ RM'mil
Issued share capital	102.33	107.02	132.86
No. of shares ('mil) (excluding treasury shares, if any)	650.97	781.16	878.84
Current assets	104.99	109.68 ²	110.26 ²
Current liabilities	44.23	44.23	44.23
Current ratio (times)	2.37	2.48	2.49
NA	60.62	65.10	88.18
NA per Share (RM)	0.09	0.08	0.10
Gearing ratio (times)	4.65	4.33	3.20

Notes:-

*1 *Figures shown are before the utilisation of proceeds of the Proposed Private Placement*

*2 *Based on the gross proceeds to be raised from the Proposed Private Placement amounting to RM4.69 million (under Minimum Scenario) and RM5.27 million (under Maximum Scenario)*

The Proposed Private Placement, which is expected to be completed by the third quarter of 2020, will not have any material effect on our earnings for the FYE 30 September 2020. However, there will be a dilution in the EPS of our Group for the future financial year due to the increase in the number of Digistar Shares in issue arising from the Proposed Private Placement, as and when implemented.

5.4.4 Adequacy of the Proposed Private Placement in addressing the financial concerns of the Group

The purpose of the Proposed Private Placement is to accelerate the business growth of our CMS segment, and may be inadequate to fully address the overall financial concerns of our Group in the short term. However, after due consideration of the potential business growth for CMS which may provide us the opportunity to generate recurrent income in the medium to long term, we are of the view that the Proposed Private Placement represents an appropriate avenue at this juncture for the Group to raise funds on an expeditious manner to meet its fundraising objectives without incurring interest costs or affecting its cash flow requirements.

Our Board and management also consider the success of the Proposed Private Placement to be more certain and expedient as compared to other larger scale equity fund raising exercises such as a rights issue, hence higher certainty that our Group will raise funds for the intended purposes on an expedient basis.

Moving forward, we seek to monitor closely our strategies for the CMS business expansion plan and may consider subsequent fundraising as and when needed depending on the CMS scaling-up progress, whilst striving to continuously working towards the improvement in the overall financial performance of our Group.

(Source: Management of Digistar)

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

6. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the Digistar Shares as traded on Bursa Securities for the past 12 months from February 2019 to January 2020 are set out below:-

	High RM	Low RM
2019		
February	0.055	0.045
March	0.050	0.045
April	0.055	0.045
May	0.050	0.040
June	0.045	0.040
July	0.055	0.045
August	0.060	0.045
September	0.055	0.040
October	0.050	0.040
November	0.045	0.040
December	0.045	0.035
2020		
January	0.045	0.035

Last transacted market price of Digistar Shares as at 20 January 2020
(being the latest trading day prior to the announcement on the Proposed Private Placement) 0.040

Last transacted market price on the LPD 0.045

(Source: Bloomberg)

7. APPROVALS REQUIRED/ OBTAINED

The Proposed Private Placement is subject to the following approvals being obtained:-

- i. Bursa Securities, for which the approval for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities was obtained vide its letter dated 12 February 2020, subject to the following conditions:-

Conditions	Status of compliance
a. Digistar and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;	To be complied
b. Digistar and UOBKH to inform Bursa Securities upon the completion of the Proposed Private Placement; and	To be complied
c. Digistar to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.	To be complied

- ii. the approval of our shareholders at the EGM; and

- iii. any other relevant authority, if required.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by our Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors and/ or major shareholders of Digistar and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement:-

- i. **Datuk Wira Lee**, being a proposed placee, is the Group Managing Director and a major shareholder of Digistar by virtue of his direct shareholdings in Digistar. As at the LPD, he holds 72,772,049 Digistar Shares, representing 11.18% equity interest in Digistar;
- ii. **LWCCSB**, being an entity controlled by Datuk Wira Lee, is a major shareholder of Digistar by virtue of its direct shareholders in Digistar. As at the LPD, it holds 65,203,526 Digistar Shares, representing 10.02% equity interest in Digistar;
- iii. **Lee Mey Ling**, being the sister of Datuk Wira Lee, is an Executive Director of Digistar. As at the LPD, she does not hold any Digistar shares;
- iv. **Lee Jin Jean**, being the daughter of Datuk Wira Lee, is an Executive Director of Digistar. As at the LPD, she holds 328,571 Digistar Shares, representing 0.05% equity interest in Digistar; and
- v. **Lee Chun Szen**, being the son of Datuk Wira Lee, is an Executive Director of Digistar. As at the LPD, he holds 328,571 Digistar Shares, representing 0.05% equity interest in Digistar.

Datuk Wira Lee and LWCCSB are collectively referred to as the "**Interested Major Shareholders**", whilst Datuk Wira Lee, Lee Mey Ling, Lee Jin Jean and Lee Chun Szen are collectively referred to as the "**Interested Directors**".

Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and/ or voting at the relevant Board meeting(s) in relation to the Proposed Private Placement and the allocation of Placement Shares to Datuk Wira Lee and/ or nominee(s).

The Interested Major Shareholders and Interested Directors will abstain from voting in respect of their direct and indirect shareholdings on the resolutions pertaining to the Proposed Private Placement and the proposed allocation of Placement Shares to Datuk Wira Lee and/ or nominee(s) to be tabled at the EGM. Further, the Interested Major Shareholders and Interested Directors have also undertaken that they will ensure that person(s) connected with them will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, on the resolutions pertaining to the Proposed Private Placement and the proposed allocation of Placement Shares to Datuk Wira Lee and/ or nominee(s) to be tabled at the same aforementioned EGM.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed by the third quarter of 2020.

10. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save as disclosed below, the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the LPD:-

The Board had announced on 29 November 2019 wishes to announce that Seni Pujaan Sdn Bhd (a wholly-owned subsidiary of Digistar) had entered into a conditional sale and purchase agreement with Yayasan DMDI for the proposed acquisition of 7 units of 2 bedroom apartment and 33 units of studio room with kitchenette in the condotel, which are located at Kawasan Bandar XXVII, District of Melaka Tengah, for a total consideration of RM8,800,000 ("**Proposed Acquisition**"). The Proposed Acquisition is currently pending the issuance of the strata title.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Interested Directors), having considered all aspects of the Proposed Private Placement, including the rationale and justification, the effects of the Proposed Private Placement and the prospects of our Group, are of the opinion that the Proposed Private Placement is in the best interest of the Company. Accordingly, our Board (save for the Interested Directors) recommends that you **vote in favour** of the resolutions pertaining to the Proposed Private Placement at the EGM.

12. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at Platinum Hall, Level 3, Imperial Heritage Hotel Melaka, No 1, Jalan Merdeka 1, Taman Melaka Raya, 75000 Melaka, Malaysia on Thursday, 12 March 2020 at 11.00 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 17th Annual General Meeting of the Company to be held at the same venue on the same day at 10.00 a.m., whichever is later, or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposed Private Placement.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at our Company's registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding the EGM. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

You are advised to refer to the appendix set out in this Circular for further information.

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

TAN SRI DATO' LR. HJ. ZAINI BIN OMAR
Independent Non-Executive Chairman

APPENDIX I - FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENT

UOBKH, being the Adviser for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to Digistar for the Proposed Private Placement.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, we are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and has no knowledge of any proceedings pending or threatened against us, or of any facts likely to give rise to any proceedings, which might materially or adversely affect our financial position or business.

5. MATERIAL COMMITMENTS

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on our financial results/ position.

6. CONTINGENT LIABILITIES

Save as disclosed below and as at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on our financial results/ position:-

	RM
Unsecured	
• Guarantee given to a subsidiary's supplier for credit facility	115,000
• Guarantee given to a subsidiary's customer for due performance of works by a subsidiary	190,641
• Guarantee given to a subsidiary's bank to grant facilities	23,235,000
Total	<u>23,540,641</u>

APPENDIX I - FURTHER INFORMATION

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Company's registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Malaysia during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- i. Constitution of Digistar;
- ii. Audited consolidated financial statements of the Group for the past 2 financial years up to the FYE 30 September 2019; and
- iii. The letter of consent and declaration of conflict of interests referred to in Sections 2 and 3 above, respectively.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
--



DIGISTAR CORPORATION BERHAD

Registration No.: 200301001232 (603652-K)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Digistar Corporation Berhad ("**Digistar**" or the "**Company**") ("**EGM**") will be held at Platinum Hall, Level 3, Imperial Heritage Hotel Melaka, No 1, Jalan Merdeka 1, Taman Melaka Raya, 75000 Melaka, Malaysia on Thursday, 12 March 2020 at 11.00 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 17th Annual General Meeting of the Company to be held at the same venue on the same day at 10.00 a.m., whichever is later, or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF DIGISTAR ("PROPOSED PRIVATE PLACEMENT")

"THAT subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to allot and issue up to 20% of the total number of issued shares of Digistar ("**Placement Shares**").

THAT approval be and is hereby given to the Board to determine the issue price for the Placement Shares at a later date based on not more than 10% discount to the five (5)-day volume weighted average market price ("**VWAP**") of the ordinary shares in Digistar ("**Digistar Shares**") immediately preceding the price-fixing date.

THAT the Placement Shares will, upon allotment and issuance, rank equally in all respects with the then existing Digistar Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

THAT the proceeds of the Proposed Private Placement be utilised for the purpose as set out in the circular to shareholders dated 26 February 2020 ("**Circular**"), and the Board be and is hereby authorised with full power to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board deem fit, necessary and/ or expedient or in the best interest of the Company, subject to the approval of the relevant authorities, where required.

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Private Placement with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Private Placement."

ORDINARY RESOLUTION 2

PROPOSED ALLOCATION OF UP TO 73,236,346 PLACEMENT SHARES, REPRESENTING UP TO 10% OF THE TOTAL NUMBER OF ENLARGED ISSUED SHARES OF DIGISTAR, TO MEJAR (K) DATUK WIRA LEE WAH CHONG AND/ OR NOMINEE(S) ("PROPOSED ALLOCATION")

"**THAT**, subject to the passing of Ordinary Resolution 1, and approvals being obtained from all relevant authorities and/ or parties (where required), approval and authority are hereby given to the Board (save for the interested Directors) at any time and from time to time to allot and issue up to 73,236,346 Placement Shares, representing 10% of the total number of enlarged issued shares of Digistar to Mejar (K) Datuk Wira Lee Wah Chong, being the Group Managing Director of Digistar, and/ or his appointed nominee(s), at an issue price of not more than 10% discount to the five (5)-day VWAP of Digistar Shares immediately preceding the price-fixing date.

By Order of the Board

WONG YOUN KIM (MAICSA 7018778)

Company Secretary

Kuala Lumpur
26 February 2020

Notes:-

- 1. Only a depositor whose name appears on the Record of Depositors as at 6 March 2020 shall be entitled to attend, participate, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, participate, speak and vote on his/ her stead.*
- 2. A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/ her stead. If a member appoints two (2) proxies, the appointment shall be invalid unless he/ she specifies the proportions of his/ her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.*
- 3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- 4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- 5. Where a member or the authorised nominee or an exempt authorised nominee appoints two (2) or more proxies, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
- 6. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.*
- 7. If the appointer is a corporation, the Form of Proxy shall be executed under its common seal or under the hand of its officer or attorney duly authorised.*
- 8. If this Form of Proxy is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy.*

FORM OF PROXY

CDS Account No.	
No. of Shares held	



DIGISTAR CORPORATION BERHAD

Registration No.: 200301001232 (603652-K)

(Incorporated in Malaysia)

*I/ We _____ *NRIC No./ Passport No./ Company No. _____
 (FULL NAME IN BLOCK CAPITAL)

of _____
 (FULL ADDRESS)

_____ being *a member / members of **DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR THE "COMPANY")**

hereby appoint _____ *NRIC No./ Passport No. _____
 (FULL NAME IN BLOCK CAPITAL)

of _____
 (FULL ADDRESS)

and/ or failing *him/ her _____ *NRIC No./ Passport No. _____
 (FULL NAME IN BLOCK CAPITAL)

of _____
 (FULL ADDRESS)

or failing *him/ her, the Chairman of the Meeting as *my/ our proxy to attend and vote on *my/ our behalf at the Extraordinary General Meeting of the Company to be held at Platinum Hall, Level 3, Imperial Heritage Hotel Melaka, No 1, Jalan Merdeka 1, Taman Melaka Raya, 75000 Melaka, Malaysia on Thursday, 12 March 2020 at 11.00 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 17th Annual General Meeting of the Company to be held at the same venue on the same day at 10.00 a.m., whichever is later, or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without any modification the following resolution:

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

ORDINARY RESOLUTION	FOR	AGAINST
1. PROPOSED PRIVATE PLACEMENT		
2. PROPOSED ALLOCATION		

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

* *Strike out whichever is not applicable*

Signed this day of 2020

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

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

Signature/ Common Seal of Member

Notes:-

- Only a depositor whose name appears on the Record of Depositors as at 6 March 2020 shall be entitled to attend, participate, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, participate, speak and vote on his/ her stead.
- A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/ her stead. If a member appoints two (2) proxies, the appointment shall be invalid unless he/ she specifies the proportions of his/ her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where a member or the authorised nominee or an exempt authorised nominee appoints two (2) or more proxies, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
- If the appointer is a corporation, the Form of Proxy shall be executed under its common seal or under the hand of its officer or attorney duly authorised.
- If this Form of Proxy is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy

Then fold here

AFFIX
STAMP

DIGISTAR CORPORATION BERHAD

COMPANY SECRETARY

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

1st fold here
