

**THIS CIRCULAR TO SHAREHOLDERS OF DIGISTAR CORPORATION BERHAD ("DIGISTAR" OR THE "COMPANY") ("CIRCULAR") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

Bursa Malaysia Securities Berhad ("**Bursa Securities**") 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. Bursa Securities has not perused through the relevant sections relating to the Proposed Amendments (as defined below) as set out in this Circular prior to its issuance.



**DIGISTAR CORPORATION BERHAD**

(Registration No. 200301001232 (603652-K))

(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE FOLLOWING:-**

- (I) PROPOSED PRIVATE PLACEMENT OF UP TO 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF DIGISTAR; AND**
- (II) PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("PROPOSED AMENDMENTS")**

**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 ("**EGM**") of Digistar to be held at Level 3, Imperial Heritage Hotel Melaka, No 1, Jalan Merdeka 1, Taman Melaka Raya, 75000 Melaka, Malaysia on Tuesday, 20 December 2022 at 10.00 a.m., or any adjournment thereof, together with the accompanying Proxy Form are enclosed herein.

A member entitled to attend, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf. In such event, the Proxy Form must be deposited at the Registered Office of the Company at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time stipulated for holding the EGM as indicated below. The lodging of the Proxy Form will not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

Last day, date and time for you to lodge the Proxy Form : Monday, 19 December 2022 at 10.00 a.m.

Day, date and time of the EGM : Tuesday, 20 December 2022 at 10.00 a.m., or any adjournment thereof

This Circular is dated 25 November 2022

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## DEFINITIONS

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

“Act”	: The Companies Act 2016
“Board”	: Our Board of Directors
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“Capital Reduction”	: The reduction and cancellation of RM70.00 million of the issued share capital of Digistar pursuant to Section 116 of the Act which was completed on 12 July 2022
“Circular”	: This circular to the shareholders of Digistar dated 25 November 2022 in relation to the Proposals
“Constitution”	: The constitution of our Company
“COVID-19”	: Coronavirus disease 2019
“Deed Poll B”	: The deed poll dated 4 March 2013 constituting the Warrants B
“Deed Poll C”	: The deed poll dated 16 April 2021 constituting the Warrants C
“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 Act and Section 2(1) of the Capital Markets and Services Act 2007
“EGM”	: Extraordinary general meeting of our Company
“EPS”	: Earnings per Share
“FPE”	: Financial period ended/ending
“FYE”	: Financial year ended/ending
“LAT”	: Loss after taxation
“LBT”	: Loss before taxation
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities
“LPD”	: 21 November 2022, being the latest practicable date prior to the printing and despatch of this Circular
“Maximum Scenario”	: Assuming all treasury shares are resold to the open market, and none of the outstanding Warrants B and Warrants C are exercised prior to the implementation of the Proposed Private Placement

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**DEFINITIONS (CONT'D)**

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“MCO”	:	Movement control order
“Minimum Scenario”	:	Assuming all treasury shares are retained, and none of the outstanding Warrants B and Warrants C are exercised prior to the implementation of the Proposed Private Placement
“NA”	:	Net assets
“PBT”	:	Profit before taxation
“Placement Share(s)”	:	Up to 104,891,087 new Digistar Shares to be issued pursuant to the Proposed Private Placement
“Proposals”	:	Collectively, the Proposed Private Placement and Proposed Amendments
“Proposed Amendments”	:	Proposed amendments to the Constitution to primarily streamline the Constitution to be in line with existing market practices and convention in view of the prevailing statutory and regulatory requirements, and to facilitate and further enhance administrative efficiency
“Proposed Private Placement”	:	Proposed private placement of up to 104,891,087 Placement Shares, representing up to approximately 30% of the total number of issued Digistar Shares, at an issue price to be determined and announced at a later date after receipt of all relevant approvals for the Proposed Private Placement
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Share Consolidation”	:	The consolidation of every 3 existing Digistar Shares into 1 Digistar Share which was completed on 31 May 2022
“UOBKH” or the “Adviser”	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
“VWAP”	:	Volume weighted average market price
“Warrant(s) B”	:	The outstanding Warrant(s) 2013/2023 issued by our Company pursuant to the Deed Poll B and expiring on 4 April 2023
“Warrant(s) C”	:	The outstanding Warrant(s) 2021/2026 issued by our Company pursuant to the Deed Poll C and expiring on 27 May 2026

All references to “we”, “us”, “our” and “ourselves” are to Digistar or Digistar Group. All references to “you” in this Circular are to the shareholders of Digistar.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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**TABLE OF CONTENTS**

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	<b>PAGE</b>
<b>LETTER TO THE SHAREHOLDERS OF DIGISTAR IN RELATION TO THE PROPOSALS CONTAINING:-</b>	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT	2
3. DETAILS OF THE PROPOSED AMENDMENTS	7
4. RATIONALE FOR THE PROPOSALS	8
5. INDUSTRY OVERVIEW AND PROSPECTS	8
6. EFFECTS OF THE PROPOSALS	11
7. THE CURRENT FINANCIAL POSITION OF OUR GROUP	16
8. VALUE CREATION FROM THE PROPOSALS TO OUR GROUP AND SHAREHOLDERS	19
9. IMPACT OF THE PROPOSALS TO OUR GROUP AND SHAREHOLDERS	20
10. THE ADEQUACY OF THE PROPOSALS IN ADDRESSING OUR COMPANY'S FINANCIAL CONCERNS	20
11. STEPS UNDERTAKEN OR TO BE UNDERTAKEN TO IMPROVE THE FINANCIAL CONDITION OF OUR GROUP	21
12. HISTORICAL PRICES	21
13. APPROVALS REQUIRED/OBTAINED AND INTER-CONDITIONALITY OF THE PROPOSALS	23
14. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION	24
15. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM	24
16. DIRECTORS' STATEMENT/RECOMMENDATION	25
17. ESTIMATED TIMEFRAME FOR COMPLETION	25
18. EGM	25
19. FURTHER INFORMATION	26
<b>APPENDICES</b>	
I. PROPOSED AMENDMENTS TO THE CONSTITUTION	27
II. FURTHER INFORMATION	28
<b>NOTICE OF EGM</b>	<b>ENCLOSED</b>
<b>PROXY FORM</b>	<b>ENCLOSED</b>



## **DIGISTAR CORPORATION BERHAD**

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

### **Registered Office**

Level 5, Tower 8  
Avenue 5, Horizon 2, Bangsar South City  
59200 Kuala Lumpur

25 November 2022

### **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: The shareholders of Digistar**

Dear Sir/Madam,

#### **I. PROPOSED PRIVATE PLACEMENT; AND**

#### **II. PROPOSED AMENDMENTS**

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#### **1. INTRODUCTION**

On 18 October 2022, UOBKH, on behalf of our Board, announced that our Company proposes to undertake the following:-

- (a) proposed private placement of up to 104,891,087 new Digistar Shares, representing up to approximately 30% of the total number of issued Digistar Shares, at an issue price to be determined and announced at a later date after receipt of all relevant approvals for the Proposed Private Placement; and
- (b) proposed amendments to the Constitution to primarily streamline the Constitution to be in line with existing market practices and convention in view of the prevailing statutory and regulatory requirements, and to facilitate and further enhance administrative efficiency.

The Proposed Private Placement and Proposed Amendments are not inter-conditional upon each other.

Subsequently, on 17 November 2022, UOBKH, on behalf of our Board, announced that Bursa Securities had, vide its letter dated on even date, approved the listing of and quotation for up to 104,891,087 Placement Shares to be issued under the Proposed Private Placement on the Main Market of Bursa Securities, subject to the conditions as set out in **Section 13** of this Circular.

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

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

## 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

### 2.1 Placement size

The Proposed Private Placement entails an issuance of up to 104,891,087 Placement Shares, representing up to approximately 30% of our Company's total number of issued shares.

The maximum number of up to 104,891,087 Placement Shares to be issued under the Proposed Private Placement was arrived based on the following:-

- (i) our Company's total number of issued shares of 349,636,958 (including treasury shares) as at the LPD;
- (ii) assuming the 2,457,602 treasury shares held by our Company as at the LPD are resold back to the open market;
- (iii) assuming none of the 27,225,764 outstanding Warrants B are exercised prior to the implementation of the Proposed Private Placement; and
- (iv) assuming none of the 86,794,477 outstanding Warrants C are exercised prior to the implementation of the Proposed Private Placement.

Our Board is of the view that the outstanding Warrants B and Warrants C are not likely to be exercised prior to the implementation of the Proposed Private Placement in view that the Warrants B and Warrants C are currently "out-of-the money" with an exercise price of RM0.75 per Warrant B and RM0.30 per Warrant C whilst the 5-day VWAP of Digistar Shares up to and including the LPD is RM0.09 per Digistar Share.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement would depend on the total number of issued Shares of our Company on a date to be determined and announced later, after the approvals set out in **Section 13** of this Circular have been obtained.

For information purposes, Digistar has not undertaken and completed any equity fund raising exercises in the past 12 months prior to the announcement of the Proposals. Our Company, had, however, previously announced on 29 August 2022 that Digistar intends to undertake a proposed private placement of up to 20% of our Company's total number of issued shares in accordance with the general mandate pursuant to Sections 75 and 76 of the Act ("**Proposed 20% Private Placement**"), which was obtained via the 19<sup>th</sup> Annual General Meeting of the Company held on 11 March 2022. The Proposed 20% Private Placement was subsequently aborted on 18 October 2022 following our Board's decision to pursue a larger fund raising issuance. Further details of the termination of the Proposed 20% Private Placement are set out in our Company's announcement dated 18 October 2022.

## 2.2 Placement arrangement

We intend to allocate the Placement Shares to the following placees in the following manner:-

Placees	Minimum Scenario		Maximum Scenario	
	No. of Placement Shares	%	No. of Placement Shares	%
(i) LWC Capital Sdn Bhd	34,714,464	33.33	34,960,199	33.33
(ii) Third-party investor(s)	69,439,342	66.67	69,930,888	66.67
<b>Total</b>	<b>104,153,806</b>	<b>100.00</b>	<b>104,891,087</b>	<b>100.00</b>

Notes:-

- (i) LWC Capital Sdn Bhd is a major shareholder of our Company, with the shareholdings in Digistar as at the LPD as follows:-

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
LWC Capital Sdn Bhd	92,595,403	26.67	-	-

For information purposes, LWC Capital Sdn Bhd is a private limited company incorporate in Malaysia on 28 April 2003 under the Companies Act 1965 and having its registered office at Block H-2-11, Plaza Damas, 60, Jalan Sri Hartamas 1, Sri Hartamas, 50480 Kuala Lumpur. LWC Capital Sdn Bhd is principally involved in investment holding. LWC Capital Sdn Bhd has an issued share capital of RM100,000 comprising 100,000 shares as at the LPD. The directors and shareholders of LWC Capital Sdn Bhd and their respective shareholdings in LWC Capital Sdn Bhd as at the LPD are as follows:-

	Direct		Indirect	
	No. of shares	%	No. of shares	%
<b><u>Directors and shareholders</u></b>				
Mejar (K) Datuk Wira Lee Wah Chong	73,523	73.52	<sup>(1)</sup> 26,477	26.48
Lee Jin Jean	13,238	13.24	-	-
<b><u>Director</u></b>				
Lee Mey Ling	-	-	-	-
<b><u>Shareholder</u></b>				
Lee Chun Szen	13,239	13.24	-	-

Note:-

- (1) Deemed interested by virtue of the shareholdings of his son and daughter in LWC Capital Sdn Bhd pursuant to the Act.

LWC Capital Sdn Bhd had, on 18 October 2022, confirmed to Digistar of its intention to subscribe for up to 34,960,199 Placement Shares, representing up to approximately 10.00% of the total number of issued Shares in our Company as at the LPD. Accordingly, LWC Capital Sdn Bhd has also confirmed on even date that it has sufficient financial resources to subscribe for its portion of the Placement Shares in full. The actual number of Placements Shares to be subscribed by LWC Capital Sdn Bhd will be determined by our management and fixed at a later date after obtaining the relevant approvals for the Proposed Private Placement and subject to a book-building process for up to 104,891,087 Placement Shares (including up to 34,960,199 Placement Shares to be issued to LWC Capital Sdn Bhd) to gauge the level of demand for the Placement Shares. Our management intends to only fix the allocation of the Placement Shares between LWC Capital Sdn Bhd and third party investors after the book building process with the aim and priority to simultaneously place the Placement Shares to LWC Capital Sdn Bhd and the third party investors in 1 tranche. For avoidance of doubt, the Placement Shares will be subscribed and registered in the name of LWC Capital Sdn Bhd and the allocation of Placement Shares to LWC Capital Sdn Bhd will be on the same terms as those given to the third-party investor(s).

Notwithstanding our management's intention above and subject to the prevailing economic conditions and the outcome of the book building process, the said Placement Shares may however be placed and allocated to LWC Capital Sdn Bhd and third party investors in 1 or more tranches within 6 months from the date of approval from Bursa Securities for the listing of and quotation for the Placement Shares or any extended period as may be approved by Bursa Securities.

Further, notwithstanding thereof, any Placement Shares not subscribed by LWC Capital Sdn Bhd ("**Unsubscribed Portion**") will be fully reallocated to third-party investor(s) (who qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007) to be identified later and in the manner as set out in Note (ii) below.

- (ii) The remaining portion of up to 69,930,888 Placement Shares (representing up to approximately 20.00% of the total number of issued Shares in Digistar as at the LPD) and the Unsubscribed Portion, if any, shall be placed out to third-party investor(s) to be identified later ("**Placees**"), where such investor(s) shall be investors who qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007. The aforesaid Placement Shares will not be placed to the following parties:-
- (a) a director, major shareholder or chief executive of Digistar or a holding company of Digistar ("**Interested Person(s)**");
  - (b) person(s) connected with an Interested Person; and
  - (c) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to market conditions and the timing of identification of the Placees, the Proposed Private Placement may be implemented in 1 or more tranches within 6 months from the date of approval from Bursa Securities for the listing of and quotation for the Placement Shares or any extended period as may be approved by Bursa Securities. The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to our Company to procure interested investors to subscribe for the Placement Shares within the period as approved by Bursa Securities.

Pursuant to Paragraph 8.02(1) of the Listing Requirements, we must ensure that at least 25% of the total listed Digistar Shares (excluding treasury shares, if any) are in the hands of a minimum number of 1,000 public shareholders holdings not less than 100 Digistar Shares each. As at the LPD, the public shareholding spread of Digistar is at 72.85% comprising 5,148 shareholders. Upon completion of the Proposed Private Placement, Digistar will remain in compliance with the minimum public spread requirements as the proforma of the public shareholding spread of Digistar after the Proposed Private Placement will be 71.42% comprising 5,148 shareholders under the Minimum Scenario and 71.57% comprising 5,148 shareholders under the Maximum Scenario assuming LWC Capital Sdn Bhd fully subscribes for all the allocated Placement Shares.

## **2.3 Basis of determining and justification for the issue price of the Placement Shares**

The issue price of each tranche of the Placement Shares to be issued will be determined and fixed by our Board after receipt of all relevant approvals and after taking into consideration the prevailing market conditions. In any event, the issue price shall not be priced at a discount of more than 10.0% to the 5-day VWAP of Digistar Shares up to and including the last trading day immediately prior to the price-fixing date for each tranche.

For illustration purposes, the illustrative issue price for the Placement Shares is assumed to be RM0.09, being the 5-day VWAP of Digistar Shares up to and including the LPD of RM0.09 per Digistar Share.

In the event the Proposed Private Placement is implemented in multiple tranches, there could potentially be several price-fixing dates and issue prices. As such the issue price for each tranche of the Placement Shares will be fixed and announced separately.

## **2.4 Ranking of the Placement Shares**

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



## 2.5 Listing of and quotation for the Placement Shares

Bursa Securities had, via its letter dated 17 November 2022, approved the listing of and quotation for up to 104,891,087 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities, subject to the conditions as set out in **Section 13** of this Circular.

## 2.6 Utilisation of proceeds

For illustration purposes, assuming up to 104,891,087 Placement Shares are issued at an illustrative issue price of RM0.09 per Placement Share and the full subscription of the Placement Shares, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM9.44 million. However, the exact amount of the gross proceeds to be raised from the Proposed Private Placement would depend on the actual issue price and number of Placement Shares to be issued, which will be determined at a later date.

The gross proceeds to be raised from the Proposed Private Placement are expected to be utilised by our Group in the following manner:-

Details of utilisation*	Timeframe for utilisation of proceeds	Minimum Scenario		Maximum Scenario	
		RM'000	%	RM'000	%
(i) Working capital	Within 12 months from receipt of funds	6,174	65.86	6,240	66.10
(ii) Repayment of bank borrowings	Within 12 months from receipt of funds	3,000	32.00	3,000	31.78
(iii) Estimated expenses for the Proposals	Within 1 month from receipt of funds	200	2.14	200	2.12
<b>Total</b>		<b>9,374</b>	<b>100.00</b>	<b>9,440</b>	<b>100.00</b>

### Notes:-

\* We intend to utilise the proceeds raised from the Proposed Private Placement in the following order of priority:-

- (i) firstly, to defray the estimated expenses in relation to the Proposals;
- (ii) secondly, to be allocated for working capital of our Group; and
- (iii) lastly, to be allocated for the repayment of bank borrowings.

### (i) Working capital

Although our Group has cash and bank balances of approximately RM13.13 million as well as deposits with licensed banks of approximately RM59.65 million as at 30 June 2022, it is pertinent to note that approximately RM44.75 million of the said cash deposits have been set aside as security in respect of the RM375.0 million bonds issued by our Group, comprising:-

- (a) RM280.0 million fixed rate serial bonds and RM15 million subordinated bonds issued by our 70% owned subsidiary, Indera Persada Sdn Bhd ("**IPSB**") on 5 September 2013 and both bonds are maturing in September 2028; and
- (b) RM80 million unrated fixed rate serial bonds issued by our wholly-owned subsidiary, Jaya Persada Sdn Bhd ("**JPSB**") on 13 March 2018 and both the maturity periods ranging from 12 years to 14 years commencing from April 2030 to April 2032).

For information purposes, the bonds were previously issued by our Group to primarily finance the construction of Jabatan Kerja Raya Training Institute in Melaka (under an 18-year concession agreement with the Government of Malaysia) and to finance the refurbishment of our Imperial Heritage Hotel in Melaka. The coupon rates for the bonds issued by IPSB and JPSB ranges from 4.00% to 16.00% per annum and 6.80% to 7.00% per annum respectively.

In addition, our management has earmarked RM20.0 million of the cash deposits to be utilised towards the potential expansion of our Group's hospitality business (including, amongst others, embarking on the refurbishment of our existing hotel in Melaka, Imperial Heritage Hotel ("Refurbishment") as well as the expansion of our hospitality footprint by way of potential acquisition of suitable properties located in strategic locations and/or partnership to jointly acquire or rebrand existing hotel properties) in anticipation of the recovery of the hospitality and tourism industry. We anticipate that the Refurbishment will be carried out in stages over a period of 12 months, commencing in the second quarter of 2023 and is expected to be completed by second quarter of 2024, with an estimated total refurbishment cost of approximately up to RM6.50 million. Further, it should be noted that the implementation of the potential expansion plans (in the event such strategic and ideal opportunities arises) are subject to detailed feasibility studies by the management of our Group. We will make the necessary announcement(s) in accordance with the Listing Requirements, as and when, we have entered into any agreement in relation to the acquisition of any new properties or potential joint venture. In the event such transactions require shareholders' approval and/or other regulatory approvals, we will obtain the necessary approval(s) to undertake the said transactions.

In view of the above, the remaining balance of cash and bank balances of RM8.03 million are deemed to be insufficient for our Group to fund our working capital requirements. As such, our Company has earmarked up to approximately RM6.24 million of the proceeds from the Proposed Private Placement to support and strengthen the cash flows of the hotel operations of our Group (focusing on short stay accommodations) in view of the recovering business environment. The hospitality industry was one of the hardest-hit sectors during the COVID-19 pandemic. The restrictions placed on international and domestic travel throughout the MCO period in 2020 and 2021 had materially impacted the business environment of the hospitality industry. The occupancy rates of our Group's hotel, Imperial Heritage Hotel dropped to a low of approximately 35.30% during the COVID-19 pandemic period which led to the significant drop in our Group's revenue from Imperial Heritage Hotel from approximately RM15.43 million in FYE 30 September 2019 to approximately RM8.03 million in FYE 30 September 2021, whilst our Group had to incur an average monthly operating expenses of approximately RM0.60 million. As Malaysia has transitioned to "Endemic" phase, our Group anticipates that our working capital requirements for our hospitality operations will increase accordingly on the premise that the hospitality industry is currently on the recovery following the opening of international borders.

The proceeds of up to RM6.24 million will be utilised to fund our hospitality working capital requirements, which includes, but are not limited to, payment to suppliers/trade creditors, general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments (i.e. Employees' Provident Fund (EPF), Social Security Organisation (SOCSSO) and corporate taxes) and any other overhead expenditures (i.e. marketing and advertising expenses and hotel building maintenance expenses). As at 30 June 2022, the total trade payables of our Group stood at approximately RM2.60 million, with an average trade payables turnover period of 92 days. The breakdown on utilisation of such proceeds has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.

Notwithstanding that, and on a best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows:-

	<b>Estimated allocation of proceeds (%)</b>
Payment to suppliers/trade creditors of our Group	50.00
General administrative expenses and operating expenses such as staff-related costs, utilities, statutory payments and any other overhead expenditures	50.00
<b>Total</b>	<b>100.00</b>

(ii) **Repayment of bank borrowings**

As at 30 June 2022, the total bank borrowings of our Group stood at approximately RM252.24 million, of which RM225.94 million are long term borrowings and RM26.30 million are short term borrowings. The borrowings comprise of, amongst others, term loans and overdraft facilities.

Our Group has earmarked up to approximately RM3.00 million for the partial repayment of our existing facility, in the manner set out as follows:-

<b>Facility</b>	<b>Bank</b>	<b>Total amount outstanding as at the LPD (RM'000)</b>	<b>Proposed repayment (RM'000)</b>	<b>Interest rate (% per annum)</b>	<b>Purpose of borrowing</b>
Term loan	Affin Bank Berhad	3,038	3,000	5.81	For purchase of land which was completed in January 2016

For illustration purposes, the repayment of the bank borrowings of our Group set out in the table above amounting to RM3.00 million is expected to result in interest savings of approximately RM0.17 million per annum, assuming an interest rate of 5.81% per annum.

*In the event the amount required for the abovementioned repayment of bank borrowings is higher than budgeted, any deficit will be funded through our Group's internally generated funds. Conversely, if the amount required is less than estimated, the balance proceeds will be utilised for the general working capital requirements of our Group, which includes, but are not limited to, general administrative and daily operational expenses (such as staff-related costs, utilities, statutory payments and any other overhead expenditures), the breakdown on utilisation of such proceeds has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.*

(iii) **Estimated expenses for the Proposals**

*The proceeds earmarked for estimated expenses in relation to the Proposals will be utilised in the following manner:-*

	<b>RM'000</b>
<i>Professional fees (i.e. principal adviser, placement agent, solicitors, company secretary and share registrar)</i>	140
<i>Regulatory fees</i>	30
<i>Contingencies and other incidental expenses in relation to the Proposals (i.e. convening of EGM, printing and advertisement expenses)</i>	30
<b>Total</b>	<b>200</b>

*If the actual expenses in relation to the Proposals are higher than estimated, the deficit will be funded from the portion allocated for working capital. Conversely, any surplus of funds following the payment of the expenses will be utilised for the general working capital requirements of our Group which includes, but are not limited to, general administrative and daily operational expenses (in particular staff-related costs, utilities, statutory payments and any other overhead expenditures), the breakdown on utilisation of such proceeds has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.*

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the actual issue price and the number of Placement Shares to be issued. In the event the actual proceeds raised from the Proposed Private Placement is less than RM9.37 million, the shortfall between actual expenditure to be incurred and total gross proceeds raised will be funded via our Group's internally generated funds and/or bank borrowings from financial institution(s), the exact proportion of which will be determined later and will be dependent on the operating and funding requirements at the time of funding.

Conversely, assuming our Company is able to issue the Placement Shares at a higher issue price than the illustrative issue price of RM0.09 per Placement Share, the additional proceeds raised will be channeled towards the working capital of our Group, which includes, but are not limited to, general administrative and daily operational expenses (in particular the staff-related costs, utilities, statutory payments and any other overhead expenditures). The breakdown of such proceeds has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds (including accrued interest, if any) will be placed as deposits with licensed financial institutions or short-term money market instruments, as our Board may deem fit. Any interest income and/or gains earned from such deposits or instruments will be utilised as additional working capital for our Group, which includes, but are not limited to general administrative and daily operational expenses (in particular the staff-related costs, utilities, statutory payments and any other overhead expenditures), the breakdown of which has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.

### **3. DETAILS OF THE PROPOSED AMENDMENTS**

The Proposed Amendments involve the amendments to the existing Constitution primarily for the purpose of streamlining the Constitution to be in line with market practices and convention in view of the prevailing statutory and regulatory requirements, in particular Section 85 of the Act, and to facilitate and further enhance administrative efficiency. Further details of the Proposed Amendments are set out in **Appendix I** of this Circular.

Pursuant to Section 85 of the Act, our shareholders have a statutory pre-emptive right to be offered any new Shares to be issued by Digistar which rank equally to the existing Shares. The said statutory pre-emptive right is however subject to the Constitution of the Company.

The approval of the shareholders for the Proposed Amendments at the forthcoming EGM shall mean that shareholders will be waiving their statutory pre-emptive right under the Act for all future issuance of new Shares by Digistar, and accordingly, passing the resolution in respect of the Proposed Amendments will exclude the said statutory pre-emptive for any future issuance of new Shares by Digistar. Any pre-emptive rights of the shareholders will thereafter strictly be as contained in the Constitution, and the provisions of Section 85 of the Act shall not apply.

## **4. RATIONALE FOR THE PROPOSALS**

### **4.1 Rationale for the Proposed Private Placement**

The Proposed Private Placement will enable our Group to raise additional funds primarily for our working capital and repayment of bank borrowings, details of which are as set out in **Section 2.6** of this Circular.

After due consideration of the various options available, our Board is of the view that the Proposed Private Placement is the most appropriate avenue to raise funds for our Group due to the following reasons:-

- (i) the Proposed Private Placement will enable our Group to raise funds more expeditiously and in a cost-effective manner as opposed to other fund raising options via equity;
- (ii) the Proposed Private Placement will improve the liquidity and financial flexibility of our Group by strengthening our financial position, particularly during such a challenging economic environment;
- (iii) the Proposed Private Placement will serve as additional source of funding for our Group without incurring interest expense as compared to borrowings; and
- (iv) the Proposed Private Placement is expected to strengthen the shareholders' value and capital base of our Group.

### **4.2 Rationale for the Proposed Amendments**

The Proposed Amendments is primarily for the purpose of streamlining the Constitution to be in line with existing market practices and convention, and ensure compliance with the relevant provisions of the Act and regulatory requirements, as well as to provide clarity and consistency throughout in order to facilitate and further enhance practicality and administrative efficiency.

## **5. INDUSTRY OVERVIEW AND PROSPECTS**

### **5.1 Overview and outlook of the Malaysian economy**

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 (2Q 2022: 8.9%). Apart from the sizeable base effects from negative growth in the third quarter of 2021, the high growth was underpinned by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.9% (2Q 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

During the quarter, domestic demand expanded by 13.1% (2Q 2022: 13.0%), driven by firm private sector expenditure.

Private consumption growth remained robust at 15.1% (2Q 2022: 18.3%). This was attributed to the continued recovery in labour market conditions with higher employment and income growth. The strong performance was driven by spending across both necessities and discretionary items. Policy support, including the increase in minimum wage and Bantuan Keluarga Malaysia also spurred consumer spending.

Public consumption expanded at a faster pace of 4.5% (2Q 2022: 2.6%), attributable to higher growth in spending on supplies and services.

Labour market conditions improved further in the third quarter of 2022, with the unemployment and underemployment rates declining to 3.7% and 1.1% of the labour force, respectively (2Q 2022: 3.9% and 1.3%, respectively). This was supported by strong employment gains, amid an increasing number of workers entering the labour force. The labour force participation rate continued to improve, increasing to 69.4% of the working-age population, above the pre-pandemic level (2Q 2022 69.2%; 4Q 2019: 68.5%). Data on jobless claims and new job placements from the Employment Insurance System (EIS) also showed hiring was sustained amid lower retrenchments during the quarter.

Gross exports advanced by 38.3% (2Q 2022: 29.9%), reflecting a broad-based expansion across products, supported by external demand and high commodity prices. Manufactured exports expanded by 36.8% (2Q 2022: 26.0%), driven by both electrical and electronics (“E&E”) (41.4%, 2Q 2022: 37.6%) and non-E&E exports (33.4%, 2Q 2022: 18.1%). Meanwhile, gross imports grew by 46.5% (2Q 2022: 36.0%), driven by higher intermediate imports (40.8%, 2Q 2022: 36.1%). This was amid firms’ continued effort to build up inventory buffers to mitigate the impact of supply chain disruption and strong expansion in domestic demand. The trade surplus widened to RM64.3 billion (2Q 2022: RM58.0 billion).

*(Source: BNM Quarterly Bulletin Third Quarter 2022, Bank Negara Malaysia)*

On the domestic front, the pace of economic recovery has gained momentum, with a rebound in growth of 3.1% in 2021 compared to a contraction of 5.5% in 2020. The growing trend of the economy has continued into 2022 with a growth of 5% and 8.9% in the first and second quarters, respectively. Currently, the economic recovery process is well underway and as the nation transitions into endemicity, efforts are now focused on quick execution of post-COVID-19 measures and strategies including expediting business recovery, providing conducive business environment, facilitating trade and investment, improving labour market conditions, safeguarding households’ livelihood and inculcating sustainability principles throughout the whole spectrum of the economy.

With a favourable growth momentum in the domestic economy and steady expansion in the external sector as well as continued improvement of the labour market conditions, the economy is anticipated to expand between 6.5% – 7% in 2022. In 2023, the economy is expected to grow moderately between 4% – 5% backed by strong fundamentals and diversified economic structure, coupled with ongoing policy support to cushion the impact of rising cost of living and mitigate the downside risks stemming from prolonged geopolitical uncertainties and tightening global financial conditions.

*(Source: Economic Outlook 2023, Ministry of Finance Malaysia)*

## **5.2 Overview and outlook of information, communication and technology industry in Malaysia**

The information and communication subsector expanded by 6.1% in the first half of 2022, supported by telecommunication segment following a higher digital usage among businesses and individuals and increased subscription of services offered by telecommunication companies. The subsector is projected to increase by 3.3% in the second half of the year, supported by sustained high usage of the e-commerce services and increased subscriptions to media streaming such as sport packages in conjunction with the 2022 Commonwealth Games and 2022 FIFA World Cup campaign. Therefore, the subsector is anticipated to rise by 4.7% in 2022 (2021: 6.3%).

The information and communication subsector is expected to expand by 4.6% in 2023, mainly driven by the increasing digital adoption across all economic sectors. Phase 2 of the Jalanan Digital Negara (JENDELA) is expected to boost the digital connectivity through the utilisation of Fixed Wireless Access and other fit-for-purpose technologies, thus enabling the country to further address the digital divide. In this regard, Digital Nasional Berhad aims to extend the fifth-generation cellular network (5G) coverage to 80% of the nation's populated areas by 2024. In addition, high quality investment in digital-related infrastructures such as data centres and cloud computing services as well as continued surge in the e-commerce and online entertainment activities will further boost the subsector.

*(Source: Economic Outlook 2023, Ministry of Finance Malaysia)*

### **5.3 Overview and outlook of construction industry in Malaysia**

The construction sector contracted by 2.1% in the first half of 2022, mainly due to lower construction activities in civil engineering and residential buildings subsectors. In contrast, non-residential buildings and specialised construction activities subsectors registered a growth during the same period, in line with expansion in business activities, albeit rising prices of construction-related materials. The sector is expected to turn around in the second half with an expansion rate of 6.9%, supported by positive growth in all subsectors. Improvement in private investment and robust domestic economic activities are anticipated to increase demand for more industrial buildings. In addition, the acceleration of major infrastructure projects will continue to drive the sector's performance.

The development of residential property is expected to remain active supported by continuous implementation of measures under the Budget 2022 including a total government guarantee of up to RM2 billion to banks via Skim Jaminan Kredit Perumahan (SJKP) as well as housing projects for low income group with an allocation of RM1.5 billion. In 2022, the construction sector is projected to rebound by 2.3% (2021: -5.2%).

The construction sector is forecast to expand by 4.7% in 2023 following a better performance in all subsectors. Civil engineering subsector is anticipated to rebound buoyed by implementation of new projects such as Mass Rapid Transit Line 3 (MRT3) Circle Line and acceleration of ongoing infrastructure projects which include, Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3).

*(Source: Economic Outlook 2023, Ministry of Finance Malaysia)*

### **5.4 Overview and outlook of the tourism, leisure and hospitality industry in Malaysia**

To further accelerate growth, Malaysia reopened its borders on 1 April 2022 with the aim of reviving the tourism industry which is one of the major contributors to the economy. The Ministry of Tourism, Arts and Culture (MOTAC) reported that for the month of May and June 2022, over 1.6 million tourist arrivals were registered compared to about 490,000 in the first four months of the year. The month of June recorded a remarkable comeback of the industry with tourist arrivals totalling to over 971,000, an increase of more than 150 folds compared to the same month last year which saw arrivals of only around 6,500.

The food & beverages and accommodation subsector is projected to turn around significantly by 29.5% in 2022 (2021: -11.0%) following the expansion in all segments. The subsector rebounded by 29.6% in the first half of 2022 due to substantial recovery in hotel occupancy rate and patronage at eateries, mainly attributed to the increase of tourist arrivals to 2.1 million. The subsector is expected to further increase by 29.5% in the second half of the year attributed to the continuous expansion in tourism-related activities. The favourable outlook is in line with the revised projection of 9.2 million tourist arrivals and RM26.8 billion tourist receipts in 2022 by the Ministry of Tourism, Arts and Culture.

The food & beverages and accommodation subsector is expected to grow by 7.8% in 2023, attributed to the significant increase in both segments following the implementation of the Tourism Recovery Framework 2.0 in June 2022. The framework focuses on strengthening recovery and restoring global competitiveness of tourism industry to be more resilient and sustainable.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

## 5.5 Prospects of Digistar

The outbreak of COVID-19 and the implementation of MCO in 2020 and 2021 had materially affected our business operations, in particular, our hospitality segment. Our Board anticipates that hospitality industry is currently on the recovery as Malaysia has entered into the “Endemic” phase and the increasing vaccination rate worldwide had led to the upliftment of travel restrictions in most countries. This is evident in the improved occupancy rates of our hotel, Imperial Heritage Hotel (which is located in Melaka town) in the first half of 2022. Our Board is also optimistic that our Group will also be able to capitalise on the recent local tourism boom and improve our hospitality earnings given that Imperial Heritage Hotel is an established hotel strategically located in Melaka town, which is a popular tourism spot.

Our security and monitoring segment was also affected by the outbreak of the COVID-19 pandemic. Many companies and businesses had reduced their capital expenditure budgets as part of their cost savings measures in view of the uncertain business environment and financial impact arising from the pandemic. Despite the challenging business environment, our Group remained aggressive in stepping up our efforts to expand our presence in the security and monitoring market. As Malaysia has entered into the Endemic phase and businesses are slowly improving and returning to pre COVID-19 business environments, our Board is confident that the earnings from the security segment of our Group will improve as we continue our efforts to eventually hold a sizeable market share in this industry by leveraging on our expansion plans in the horizon as well as increased investments in new security related technology.

Premised on the above, our Board envisages that the prospect of our Group remain favourable after considering all of the relevant aspects including the outlook of the industries which are closely linked to our business performance. Nevertheless, our management will remain vigilant and will continue to exercise prudence in managing the operations of our Group in order to maintain a healthy balance sheet with manageable gearing and cash flows.

## 6. EFFECTS OF THE PROPOSALS

The Proposed Amendments will not have any effect on our issued share capital, NA, NA per Share, gearing and earnings as well as the shareholdings of our substantial shareholders.

### 6.1 Issued share capital

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

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	349,636,958	47,955,849	349,636,958	47,955,849
Less: Treasury shares, at cost	(2,457,602)	(3,248,747)	-	-
Placement Shares to be issued pursuant to the Proposed Private Placement	347,179,356 104,153,806	44,707,102 (1)9,373,843	349,636,958 104,891,087	47,955,849 (1)9,440,198
<b>Enlarged issued share capital after the Proposed Private Placement</b>	<b>451,333,162</b>	<b>54,080,945</b>	<b>454,528,045</b>	<b>57,396,047</b>

**Note:-**

(1) Based on the illustrative issue price of RM0.09 per Placement Share.

**6.2 NA, NA per Share and gearing**

For illustration purposes, the pro forma effects of the Proposed Private Placement on the NA, NA per Share and gearing based on the audited consolidated statement of financial position of our Group for the FYE 30 September 2021 are set out below:-

**Minimum Scenario**

	<b>Audited as at 30 September 2021 (RM'000)</b>	<b>(1)Subsequent adjustment up to the LPD (RM'000)</b>	<b>Pro forma I After the Proposed Private Placement (RM'000)</b>
Share capital	117,956	47,956	(2)57,330
Treasury shares	(3,249)	(3,249)	(3,249)
Warrants reserves	11,480	11,480	11,480
Discount on share	(5,476)	(5,476)	(5,476)
(Accumulated losses)/Retained earnings	(54,543)	15,457	(3)15,257
<b>Shareholders' equity/NA</b>	<b>66,168</b>	<b>66,168</b>	<b>75,342</b>
Non-controlling interests	(4,744)	(4,744)	(4,744)
<b>Total equity</b>	<b>61,424</b>	<b>61,424</b>	<b>70,598</b>
No. of Shares in issue ('000)	*1,041,543	^347,179	^451,333
<b>NA per Share (RM)</b>	<b>0.06</b>	<b>0.19</b>	<b>0.17</b>
Total borrowings (RM'000)	247,114	247,114	(4)244,114
Deposits, cash and bank balances (RM'000)	62,631	62,631	(2)(3)68,804
Net borrowings (RM'000)	184,483	184,483	175,310
<b>Net gearing ratio (times)</b>	<b>2.79</b>	<b>2.79</b>	<b>2.33</b>

**Notes:-**

\* Excluding 7,372,808 treasury shares in Digistar before the Share Consolidation.

^ Excluding 2,457,602 treasury shares in Digistar after the Share Consolidation.

(1) After adjusting for the following:-

(i) Share Consolidation; and

(ii) Capital Reduction.

(2) Based on the illustrative issue price of RM0.09 per Placement Share.

(3) After deducting the estimated expenses pertaining to the Proposals amounting to approximately RM0.20 million.

(4) After adjusting for the utilisation of proceeds pursuant to the Proposed Private Placement of which RM3.00 million is earmarked for the partial repayment of bank borrowings.



## Maximum Scenario

	Audited as at 30 September 2021 (RM'000)	(1) Subsequent adjustment up to the LPD (RM'000)	Pro forma I Assuming all treasury shares are resold to the open market (RM'000)	Pro forma II After Pro forma I and the Proposed Private Placement (RM'000)
Share capital	117,956	47,956	47,956	(2)57,396
Treasury shares	(3,249)	(3,249)	-	-
Warrants reserves	11,480	11,480	11,480	11,480
Discount on share	(5,476)	(5,476)	(5,476)	(5,476)
(Accumulated losses)/Retained earnings	(54,543)	15,457	15,457	(3)15,257
<b>Shareholders' equity/NA</b>	<b>66,168</b>	<b>66,168</b>	<b>69,417</b>	<b>78,657</b>
Non-controlling interests	(4,744)	(4,744)	(4,744)	(4,744)
<b>Total equity</b>	<b>61,424</b>	<b>61,424</b>	<b>64,673</b>	<b>73,913</b>
No. of Shares in issue ('000)				
<b>NA per Share (RM)</b>	<b>0.06</b>	<b>0.19</b>	<b>0.20</b>	<b>0.17</b>
Total borrowings (RM'000)	247,114	247,114	247,114	(4)244,114
Deposits, cash and bank balances (RM'000)	62,631	62,631	65,879	(2)(3)72,120
Net borrowings (RM'000)	184,483	184,483	181,235	171,994
<b>Net gearing ratio (times)</b>	<b>2.79</b>	<b>2.79</b>	<b>2.61</b>	<b>2.19</b>

### Notes:-

\* Excluding 7,372,808 treasury shares in Digistar before the Share Consolidation.

^ Excluding 2,457,602 treasury shares in Digistar after the Share Consolidation.

(1) After adjusting for the following:-

(i) Share Consolidation; and

(ii) Capital Reduction.

(2) Based on the illustrative issue price of RM0.09 per Placement Share.

(3) After deducting the estimated expenses pertaining to the Proposals amounting to approximately RM0.20 million.

(4) After adjusting for the utilisation of proceeds pursuant to the Proposed Private Placement of which RM3.00 million is earmarked for the partial repayment of bank borrowings.

### 6.3 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the shareholdings of the substantial shareholders of Digistar are set out below:-

#### Minimum Scenario

	As at the LPD			After the Proposed Private Placement		
	Direct		Indirect	Direct		Indirect
	No. of Shares	(1)%		No. of Shares	(2)%	
LWC Capital Sdn Bhd	92,595,403	26.67	-	(4)127,309,867	28.21	-
Mejar (K) Datuk Wira Lee Wah Chong	1,361,166	0.39	(3)92,814,449	1,361,166	0.30	(3)127,528,913
						28.26

#### **Notes:-**

- (1) Based on the existing issued share capital comprising of 347,179,356 Shares (excluding 2,457,602 treasury shares held by our Company) as at the LPD.
- (2) Based on the enlarged issued share capital comprising of 451,333,162 Shares (excluding 2,457,602 treasury shares held by our Company) after the implementation of the Proposed Private Placement.
- (3) Deemed interested by virtue of his shareholdings in LWC Capital Sdn Bhd pursuant to Section 8 of the Act and the shareholdings of his son and daughter pursuant to Section 59(1)(c) of the Act.
- (4) Assuming LWC Capital Sdn Bhd subscribes for up to 34,714,464 Placement Shares under the Proposed Private Placement.

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### **Maximum Scenario**

	As at the LPD				Pro forma I Assuming all treasury shares are resold to the open market			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
LWC Capital Sdn Bhd	92,595,403	26.67	-	-	92,595,403	26.48	-	-
Mejar (K) Datuk Wira Lee Wah Chong	1,361,166	0.39	(4)92,814,449	26.73	1,361,166	0.39	(4)92,814,449	26.55

	Pro forma II After Pro forma I and the Proposed Private Placement			
	Direct		Indirect	
	No. of Shares	(3)%	No. of Shares	(3)%
LWC Capital Sdn Bhd	(5)127,555,602	28.06	-	-
Mejar (K) Datuk Wira Lee Wah Chong	1,361,166	0.30	(4)127,774,648	28.11

### **Notes:-**

- (1) Based on the existing issued share capital comprising of 347,179,356 Shares (excluding 2,457,602 treasury shares held by our Company) as at the LPD.
- (2) Based on the issued share capital comprising of 349,636,958 Shares assuming all 2,457,602 treasury shares held by our Company as at the LPD are resold to the open market at their respective acquisition cost.
- (3) Based on the enlarged issued share capital comprising of 454,528,045 Shares after the implementation of the Proposed Private Placement.
- (4) Deemed interested by virtue of his shareholdings in LWC Capital Sdn Bhd pursuant to Section 8 of the Act and the shareholdings of his son and daughter pursuant to Section 59(1)(c) of the Act.
- (5) Assuming LWC Capital Sdn Bhd subscribes for up to 34,960,199 Placement Shares under the Proposed Private Placement.

## 6.4 Earnings and EPS

The Proposed Private Placement is not expected to have any material effect on the earnings of our Group for the FYE 30 September 2023. However, there will be a corresponding dilution in the EPS of our Group as a result of the increase in the number of Digistar Shares issued pursuant to the Proposed Private Placement.

Nevertheless, the Proposed Private Placement is expected to contribute positively to the future earnings of our Group when the benefits arising from the proposed utilisation of proceeds as set out in **Section 2.6** of this Circular are realised.

## 6.5 Existing convertible securities

As at the LPD, save for the outstanding Warrants B and Warrants C, our Company does not have any other convertible securities.

The Proposals will not give rise to any adjustments to the exercise price and/or number of outstanding Warrants B and Warrants C pursuant to the Deed Poll B and Deed Poll C respectively.

## 7. THE CURRENT FINANCIAL POSITION OF OUR GROUP

The financial performance of our Group for the past 3 financial years up to the FYE 30 September 2021 and the unaudited 9-month FPE 30 June 2022 are as follows:-

	Audited FYE 30 September			Unaudited
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	9-month FPE 30 June 2022 (RM'000)
Revenue	32,495	26,261	16,517	16,808
PBT/(LBT)	1,875	629	(7,956)	(1,957)
LAT attributable to the owners of our Company	(2,849)	(2,750)	(6,665)	(3,158)
Accumulated losses	(44,473)	(47,223)	(54,543)	(57,701)
NA	60,615	60,469	66,168	63,010
Total borrowings	280,994	264,615	247,114	252,237
Gearing (times)	4.64	4.38	3.73	4.00
No. of Shares in issue^ ('000)	650,966	781,159	1,041,543	*347,179
Basic loss per share (sen)	(0.44)	(0.35)	(0.64)	(0.91)
NA per Share (sen)	9.31	7.74	6.35	18.15
Current ratio (times)	2.37	1.35	2.05	2.05

### Notes:-

^ Excluding treasury shares.

\* After the Share Consolidation.

## **Commentary on past performance**

### **(i) Audited FYE 30 September 2019 (“FYE 2019”)**

Our Group recorded a lower revenue of approximately RM32.50 million in the FYE 2019, representing a decrease of approximately 43.27% or RM24.79 million, as compared to the revenue of approximately RM57.29 million recorded in the previous financial year. The decrease in revenue was mainly attributed to the reclassification of the interest income from our Group's concession assets from revenue to other income in the FYE 2019 following the recommendation and opinion of our auditor that interest income from concession assets of our subsidiary should be recognised as other income by our Company (as opposed to a revenue source) on the premise that the operating subsidiary is involved in the concession business and not involve in the provision of financial services. Had the concession income been recognised as revenue, our Group would record a revenue of RM56.77 million for the financial period under review, which is consistent with the revenue of RM57.29 million recorded in the previous financial year.

Our Group recorded a PBT of approximately RM1.88 million in the FYE 2019 as compared to the LBT of RM11.39 million recorded in the previous financial year. The increase in profits was mainly due to the following:-

- (i) decrease in staff costs from approximately RM13.23 million incurred in the FYE 2018 to RM11.22 million incurred in the FYE 2019 due to the high staff turnover of our Group's hospitality segment in the FYE 2019; and
- (ii) the write back of impairment losses on trade and other receivables. During the financial year under review, our Group recorded a higher write back of impairment losses on trade and other receivables of RM5.16 million as compared to approximately RM1.73 million recorded in the previous financial year. This was mainly due to the successful collection of the outstanding billings of RM1.08 million in respect of system engineering and integration segment in the FYE 2019.

Our Group recorded a lower LAT of approximately RM2.85 million in the FYE 2019, representing a decrease of approximately 84.16% of RM15.14 million, as compared to the LAT of approximately RM17.99 million recorded in the previous financial year. The lower LAT incurred was mainly attributable to improved profits of our security and monitoring segment as well as the successful efforts of our Group to strengthen our financial position with the reduced spending on selling and marketing expenses, administrative expenses and other expenses (collectively referred to “**Operating Expenses**”) in the FYE 2019 as compared to the previous financial year. The Operating Expenses incurred by our Group in the FYE 2019 totalled approximately RM25.92 million as compared to RM31.34 million incurred by our Group in the previous financial year.

### **(ii) Audited FYE 30 September 2020 (“FYE 2020”)**

Our Group recorded a lower revenue of approximately RM26.26 million in the FYE 2020, representing a decrease of approximately 19.20% or RM6.24 million, as compared to the revenue of approximately RM32.50 million recorded in the previous financial year. The decrease in revenue was mainly attributed to the impact of the COVID-19 and the MCO on the business segments of our Group, in particular, the hospitality and the system engineering and integration segments.

Our Group recorded a lower PBT of approximately RM0.63 million in the FYE 2020, representing a decrease of approximately 66.49% or RM1.25 million, as compared to the PBT of RM1.88 million recorded in the previous financial year. The decrease in PBT was mainly due to the following:-

- (a) increase in bad debts written off from approximately RM1.09 million in the FYE 2019 to approximately RM2.51 million in the FYE 2020. During the financial year under review, our Group's system engineering and integration segment had written off approximately RM2.00 million of outstanding debts from our Group's customers as they were deemed unrecoverable by the management; and
- (b) increase in impairment losses on trade receivables from approximately RM0.67 million in the FYE 2019 to approximately RM1.68 million in the FYE 2020 (most of which relates to billings issued by our Group's system engineering and integration segment that have been outstanding for more than 12 months).

Our Group recorded a lower LAT of approximately RM2.75 million in the FYE 2020, representing a decrease of approximately 3.51% of RM0.10 million, as compared to the LAT of approximately RM2.85 million recorded in the previous financial year. The lower LAT incurred was mainly attributable to the decrease in tax expenses from approximately RM3.28 million in the previous financial year to approximately RM1.64 million in the FYE 2020 following lower deferred taxes of RM1.42 million incurred in the FYE 2020 (as compared the deferred taxes of RM3.24 million incurred in the previous financial year).

**(iii) Audited FYE 30 September 2021 ("FYE 2021")**

Given that the operating business environment continued to be dampened by the COVID-19 pandemic, our Group recorded a lower revenue of approximately RM16.52 million in the FYE 2021, representing a decrease of approximately 37.09% or RM9.74 million, as compared to the revenue of approximately RM26.26 million recorded in the previous financial year. The decrease in revenue was mainly attributed to the substantial decline in revenue contribution from the construction and the hospitality segments of our Group due to the impact of the MCO phases (in particular temporary closures and interstate border travel restrictions).

During the FYE 2021, our Group had recorded a LBT of approximately RM7.96 million in the FYE 2021 as compared to the PBT of approximately RM0.63 million recorded in the previous financial year. This was mainly due to the following:-

- (i) substantial decline in revenue from both the hospitality and construction business segments;
- (ii) increase in impairment losses arising from the trade receivables and other receivables from approximately RM1.73 million in the FYE 2020 to approximately RM4.45 million in the FYE 2021; and
- (iii) lower interest income earned from concession receivables and deposits with licensed banks in the FYE 2021 of approximately RM23.42 million as compared to the income earned of approximately RM25.02 million in the previous financial year.

Our Group recorded a higher LAT of approximately RM6.67 million in the FYE 2021, representing an increase of approximately 142.55% of RM3.92 million, as compared to the LAT of approximately RM2.75 million recorded in the previous financial year. The increase in LAT was mainly attributable to continued decline in profits from hospitality segments due to the economic and business impact of the COVID-19 pandemic on our businesses.

(iv) **Unaudited 9-month FPE 30 June 2022**

Our Group recorded a higher revenue of approximately RM16.81 million for the FPE 30 June 2022, representing an increase of approximately 80.75% or RM7.51 million, as compared to the revenue of approximately RM9.30 million for the corresponding financial period. The increase in revenue was mainly attributed to higher revenue generated from the hospitality segment of our Group of approximately RM10.06 million in the FPE 30 June 2022 (driven by the recovery of hospitality industry following the upliftment of travelling restrictions) as compared to revenue of RM4.28 million recorded in the corresponding financial period.

As a result of our Group recording a higher revenue in financial period under review, our Group had managed to record a lower LBT of approximately RM1.96 million for the FPE 30 June 2022, representing a decrease of approximately 68.13% or RM4.19 million, as compared to the LBT of approximately RM6.15 million for the corresponding financial period.

Our Group recorded a lower LAT of approximately RM3.16 million in the FPE 30 June 2022, representing a decrease of approximately 60.55% of RM4.85 million, as compared to the LAT of approximately RM8.01 million recorded in the corresponding financial period. The decrease in LAT was mainly attributable to the improved profits from our hospitality segment (which was driven by the recovery of hospitality industry).

**8. VALUE CREATION FROM THE PROPOSALS TO OUR GROUP AND SHAREHOLDERS**

Our Company had explored various financing options, including but not limited to debt financing. Given the high gearing ratio of our Group, our Company had decided that the Proposed Private Placement is the most appropriate and expedient avenue to raise funds for the purposes set out in the **Section 2.6** of this Circular. Further, as set out in **Section 4** of this Circular, our Board considers the Proposed Private Placement to be more expedient as compared to other larger-scale equity fund raising exercises such as a rights issue, given that the placement exercise may be implemented within a shorter time period (as opposed to the implementation time period of a rights issue). In respect thereof, our Group will be able to raise necessary funds for the intended purposes on an expedient basis via the placement route.

The Proposed Private Placement will also serve as an additional source of funding for the working capital of our Group without incurring interest expenses as compared to conventional means of debt financing. The Proposed Private Placement will also strengthen the capital structure of our Group by increasing the capital base of our Company. The Proposed Private Placement is expected to raise up to approximately RM9.44 million (based on an illustrative issue price of RM0.09 per Placement Share and on a Maximum Scenario) and shall be utilised towards, amongst others, the working capital of our Group, particularly hospitality division and repayment of bank borrowings.

For illustration purposes only, should the requisite funds of up to approximately RM9.24 million be raised (after deducting estimated expenses of RM0.20 million in relation to the Proposals) through bank borrowings, Digistar would incur additional finance costs of approximately RM0.65 million per annum (based on our current average interest rate of 7.06% per annum). Therefore, the Proposed Private Placement will allow Digistar to preserve funds for our business operation as opposed to incurring additional finance costs.

In addition, the Proposed Private Placement will provide an opportunity for the introduction of new investors to participate in the equity of our Company, our future prospects and growth as well as broadening the shareholding base of our Company.

## **9. IMPACT OF THE PROPOSALS TO OUR GROUP AND SHAREHOLDERS**

The financial impact of the Proposed Private Placement to our Company and shareholders as highlighted in **Section 6** of this Circular, will increase the NA of our Group from approximately RM66.17 million to approximately RM78.66 million upon completion of the Proposed Private Placement under the Maximum Scenario. The increase in NA position will strengthen the capital base of our Group and result in a lower gearing ratio. For illustrative purposes, after taking into consideration the increase in NA position, our Group's net gearing level is expected to improve from 2.79 times to 2.19 times. Notwithstanding the improvements in NA and net gearing, our NA per Share of our Group is expected to decrease from RM0.19 to RM0.17 upon completion of the Proposed Private Placement under the Maximum Scenario due to increase in the number of Shares in issue.

The enlarged issued share capital of our Group will increase shareholders' equity and enhance the overall financial position of our Group. Nevertheless, the increase in the total number of issued Shares arising from the Proposed Private Placement will have a dilutive impact on the EPS of our Group, in the event the earnings of our Group does not increase in line with the increased number of Digistar Shares to be issued pursuant to the Proposed Private Placement.

## **10. THE ADEQUACY OF THE PROPOSALS IN ADDRESSING OUR COMPANY'S FINANCIAL CONCERNS**

Our Board is of the view that the Proposed Private Placement serves as a measure to meet our Group's immediate working capital needs in the short-term without relying on conventional debt financing (which will result in higher finance costs to be incurred). It is also pertinent to note that our Group is also unable to solely rely on our cash flow from operations to fund our working capital requirements as our business operations are currently still recovering from the business and economic impact of the COVID-19 pandemic. In particular, the hotel operations of our Group had to incur an average monthly operating expenses of approximately RM0.60 million in 2020 and 2021 despite the substantially low occupancy rates during the pandemic period.

Premised on the above, our Board believes that the Proposed Private Placement will be beneficial to our Group and our shareholders, and is deemed adequate in addressing our Group's current financial concerns. The proceeds raised from the Proposed Private Placement will also serve to support our Company in improving our financial position. In addition, our Board will also continue to explore, assess and evaluate all other suitable funding proposals for our Group's long term financial requirements, which may include our Group undertaking a rights issue with a large quantum of proceeds to be raised or issuance of debt securities to sufficiently address the current financial position of our Group. We will make the necessary announcements as required under the Listing Requirements as and when our Board wishes to undertake such funding proposals for our Group's financial requirements. In the event that shareholders' approval and/or regulatory approvals are required, such approvals will be sought by our Company.

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## 11. STEPS UNDERTAKEN OR TO BE UNDERTAKEN TO IMPROVE THE FINANCIAL CONDITION OF OUR GROUP

We have undertaken several initiatives to improve our financial condition, which includes, amongst others:-

- (i) the continuous efforts to reduce our operating and capital expenditure as part of our cost savings measures with the aim to strengthen the financial position and cash flow of our Group; and
- (ii) our Company had also carried out efforts to expand our current product offerings for our securities and monitoring segment with the aim to hold a sizeable market share in this industry given our expansion plans in the horizon as well as investments in new security related technology. This in turn would potentially translate to a growth in earnings for our Group.

## 12. HISTORICAL PRICES

The monthly highest and lowest transacted market prices of Digistar Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular from November 2021 to October 2022 are as follows:-

	High (RM)	Low (RM)
<b><u>2021</u></b>		
November	0.180	0.150
December	0.180	0.150
<b><u>2022</u></b>		
January	0.225	0.165
February	0.195	0.165
March	0.165	0.135
April	0.165	0.120
May	0.180	0.105
June	0.110	0.095
July	0.120	0.090
August	0.105	0.095
September	0.105	0.080
October	0.095	0.070
Last transacted market price of Digistar Shares as at 17 October 2022, being the last trading date prior to the announcement of the Proposals (RM)		0.085
Last transacted market price of Digistar Shares as at the LPD (RM)		0.090

(Source: Bloomberg)

The monthly highest and lowest transacted market prices of Warrants B as traded on Bursa Securities for the past 12 months preceding the date of this Circular from November 2021 to October 2022 are as follows:-

	High (RM)	Low (RM)
<b><u>2021</u></b>		
November	0.015	0.015
December	0.015	0.010
<b><u>2022</u></b>		
January	0.020	0.010
February	0.015	0.015
March	0.010	0.010
April	-	-
May	0.020	0.005
June	0.010	0.005
July	0.010	0.010
August	0.015	0.005
September	0.005	0.005
October	-	-
Last transacted market price of Warrants B as at 17 October 2022, being the last trading date prior to the announcement of the Proposals (RM)		0.005
Last transacted market price of Warrants B as at the LPD (RM)		0.005

(Source: Bloomberg)

The monthly highest and lowest transacted market prices of Warrants C as traded on Bursa Securities since the listing of Warrants C in November 2021 to October 2022 are as follows:-

	High (RM)	Low (RM)
<b><u>2021</u></b>		
November	0.025	0.020
December	0.025	0.015
<b><u>2022</u></b>		
January	0.025	0.020
February	0.025	0.020
March	0.020	0.010
April	0.020	0.010
May	0.030	0.010
June	0.050	0.020
July	-	-
August	0.035	0.030
September	0.050	0.030
October	-	-
Last transacted market price of Warrants C as at 17 October 2022, being the last trading date prior to the announcement of the Proposals (RM)		0.050
Last transacted market price of Warrants C as at the LPD (RM)		0.025

(Source: Bloomberg)

### 13. APPROVALS REQUIRED/OBTAINED AND INTER-CONDITIONALITY OF THE PROPOSALS

The Proposals are subject to and conditional upon the following approvals being obtained:-

- (i) Bursa Securities for the listing of and quotation for up to 104,891,087 Placement Shares on the Main Market of Bursa Securities.

The approval of Bursa Securities was obtained vide its letter dated 17 November 2022 and is subject to the following conditions:-

Condition(s)	Status of compliance
(i) 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
(ii) Digistar and UOBKH to inform Bursa Securities upon the completion of the Proposed Private Placement; and	To be complied
(iii) 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) our shareholders for the Proposals (namely the Proposed Private Placement<sup>(1)</sup> and Proposed Amendments<sup>(2)</sup>) and the proposed allocation of up to 34,960,199 Placement Shares (representing up to approximately 10% of the total number of issued shares in Digistar) to LWC Capital Sdn Bhd at the forthcoming EGM; and
- (iii) any other relevant authorities, if required.

#### Notes:-

- (1) *Section 85 (1) of the Act provides that "Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders". Accordingly by virtue of the said Section 85, our shareholders have a statutory pre-emptive right to be offered any new Placement Shares (which rank equally to the existing Shares) to be issued by Digistar pursuant to the Proposed Private Placement prior to any issuance of such Placement Shares to any third parties (who are not existing shareholders of our Company). The said statutory pre-emptive right is however, subject to the Constitution of the Company and such pre-emptive right is however subject to "any direction to the contrary that may be given by the Company in general meeting".*

*The approval of the shareholders for the Proposed Private Placement at the forthcoming EGM shall constitute a direction to the contrary given in general meeting, i.e. shareholders will be waiving their statutory pre-emptive right under the Act, in connection with the Proposed Private Placement. Accordingly, passing the resolution in respect of the Proposed Private Placement will exclude the said statutory pre-emptive right of the shareholders to be offered new Placement Shares to be issued pursuant to the Proposed Private Placement.*

- (2) *The statutory pre-emptive right under Section 85 of the Act is subject to the Constitution. By agreeing to amend the Constitution to exclude the applicability of the said Section 85 (hence rendering it to be in line with the existing market practice and convention in view of the prevailing statutory and regulatory requirements, and to facilitate and further enhance administrative efficiency), the approval of the shareholders for the Proposed Amendments at the forthcoming EGM shall mean that shareholders will be waiving their statutory pre-emptive right under the Act for all future issuance of new Shares by Digistar and accordingly, passing the resolution in respect of the Proposed Amendments will exclude the said statutory pre-emptive right for any future issuance of new Shares by Digistar. Any pre-emptive rights of the shareholders will thereafter strictly be as contained in the Constitution, and the provisions of Section 85 of the Act shall not apply.*

The Proposed Private Placement and Proposed Amendments are not inter-conditional upon each other. The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by Digistar.

#### 14. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there are no other outstanding proposals announced by us but not yet completed prior to the date of this Circular.

#### 15. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of our Directors, major shareholders, chief executive of our Company and/or persons connected to them has any interest, direct or indirect, in the Proposed Amendments.

In respect of the Proposed Private Placement, save for the Interested Persons (as disclosed below), none of our Directors, major shareholders, chief executive of our Company and/or persons connected to them has any interest, direct or indirect, in the Proposed Private Placement:-

- (i) LWC Capital Sdn Bhd, our major shareholder is deemed interested in the Proposed Private Placement by virtue of it being the placee of the Proposed Private Placement;
- (ii) Mejar (K) Datuk Wira Lee Wah Chong, our Group Managing Director and major shareholder is deemed interested in the Proposed Private Placement by virtue of his directorship and shareholdings in LWC Capital Sdn Bhd. He is the father of Lee Jin Jean and Lee Chun Szen and the brother of Lee Mey Ling;
- (iii) Lee Jin Jean, our Executive Director and shareholder is deemed interested in the Proposed Private Placement by virtue of her directorship and shareholdings in LWC Capital Sdn Bhd. She is the daughter of Mejar (K) Datuk Wira Lee Wah Chong, sister of Lee Chun Szen and niece of Lee Mey Ling;
- (iv) Lee Chun Szen, our Executive Director and shareholder is deemed interested in the Proposed Private Placement by virtue of his shareholdings in LWC Capital Sdn Bhd. He is the son of Mejar (K) Datuk Wira Lee Wah Chong, brother of Lee Jin Jean and nephew of Lee Mey Ling; and
- (v) Lee Mey Ling, our Executive Director and shareholder is deemed interested in the Proposed Private Placement by virtue of her directorship in LWC Capital Sdn Bhd. She is the sister of Mejar (K) Datuk Wira Lee Wah Chong and aunt of Lee Jin Jean and Lee Chun Szen.

(LWC Capital Sdn Bhd, Mejar (K) Datuk Wira Lee Wah Chong, Lee Jin Jean, Lee Chun Szen and Lee Mey Ling are collectively referred to as the “**Interested Shareholders**”. Mejar (K) Datuk Wira Lee Wah Chong, Lee Jin Jean, Lee Chun Szen and Lee Mey Ling are collectively referred to as the “**Interested Directors**”). The Interested Shareholders and Interested Directors are collectively referred to as the “**Interested Parties**”).

The direct and indirect shareholdings of the Interested Parties in our Company as at the LPD are as follows:-

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
LWC Capital Sdn Bhd	92,595,403	26.67	-	-
Mejar (K) Datuk Wira Lee Wah Chong	1,361,166	0.39	<sup>(1)</sup> 92,814,449	26.73
Lee Jin Jean	109,523	0.03	-	-
Lee Chun Szen	109,523	0.03	-	-
Lee Mey Ling	83,333	0.02	-	-

**Note:-**

- (1) Deemed interested by virtue of his shareholdings in LWC Capital Sdn Bhd pursuant to Section 8 of the Act and the shareholdings of his son and daughter pursuant to Section 59(11)(c) of the Act.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposed Private Placement. The Interested Parties will also abstain from voting, in respect of their direct and/or indirect shareholdings in our Company on the resolutions pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM.

In addition, the Interested Parties have undertaken to ensure that all persons connected to them will abstain from voting in respect of their direct and/or indirect interest, if any, on the resolutions pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM.

**16. DIRECTORS' STATEMENT/RECOMMENDATION**

After considering all aspects of the Proposals:-

- (i) our Board (save for the Interested Directors) is of the opinion that the Proposed Private Placement is in the best interest of our Company and recommend that you vote in favour of the resolutions pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM; and
- (ii) our Board is of the opinion that the Proposed Amendments is in the best interest of our Company and recommend that you vote in favour of the resolution pertaining to the Proposed Amendments to be tabled at the forthcoming EGM.

**17. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposals are expected to be completed by end of 2022.

**18. EGM**

The EGM, the Notice of which is enclosed with this Circular, will be held at Level 3, Imperial Heritage Hotel Melaka, No 1, Jalan Merdeka 1, Taman Melaka Raya, 75000 Melaka, Malaysia on Tuesday, 20 December 2022 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without any modifications to the resolutions to give effect to the Proposals.

If you are unable to attend, speak and vote in person at the EGM, please complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, which Proxy Form shall be deposited at our registered office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, not less than twenty-four (24) hours before the time and date stipulated for the holding of the EGM or any adjournment thereof. The Proxy Form should be completed strictly in accordance with the instructions contained therein. The lodging of the Proxy Form will not prevent you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

**19. FURTHER INFORMATION**

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

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

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

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**PROPOSED AMENDMENTS TO THE CONSTITUTION**


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The Constitution is proposed to be amended as follows:-

Article No.	Existing Article	Proposed Amendments
54.	<p><b>Issue of new shares to existing Members</b></p> <p>Subject to any direction to the contrary that may be given by the Company in general meeting any shares or securities from time to time to be created shall before they are issued be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may in like manner dispose of any such new shares or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors be conveniently offered in the manner herein provided.</p>	<p><b>Issue of new shares to existing Members</b></p> <p>In accordance with paragraph 7.08 of the Listing Requirements, subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the directors may dispose of those shares or securities in such manner as they think most beneficial to the company. The directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the directors, be conveniently offered under this Constitution.</p> <p>For the avoidance of doubt, where the approval of Members is obtained in a general meeting for any issuance of shares or convertible securities, including approvals obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable.</p> <p>In any case and in respect of any issuance of shares or convertible securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of pre-emptive rights to new shares, shall not apply.</p>

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**FURTHER INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by our Board, and they 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 false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

**2. CONSENT**

UOBKH, being the Adviser for the Proposals, 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 INTEREST**

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser to our Company for the Proposals.

**4. MATERIAL CONTRACTS**

Neither our Company nor our Group has entered into any contracts which are or may be material (not being contracts entered into the ordinary course of business of our Group) within 2 years immediately preceding the date of this Circular.

**5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, neither our Company nor our Group is engaged in any other material litigation, claims or arbitration, either as a plaintiff or defendant, which has a material effect on the financial position or the business of our Group, and our Board does not have any knowledge of any proceeding pending or threatened against our Group, or of any fact likely to give rise to any proceeding, which may materially or adversely affect the financial position or business of our Group.

**6. MATERIAL COMMITMENTS**

As at the LPD, there are no material commitments incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the financial results or position of our Group.

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**FURTHER INFORMATION (CONT'D)**


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**7. CONTINGENT LIABILITIES**

As at the LPD, save as disclosed below, there are no contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact on the financial results or position of our Group.

	RM
<b>Unsecured:-</b>	
Corporate guarantee given by our Company to our subsidiary's suppliers to guarantee payment primarily for the purchase of construction materials <sup>(1)</sup>	732,785
Corporate guarantee given by our Company to our subsidiary's customer as part of performance guarantee on the project undertaken by our subsidiary	190,641
<b>Total</b>	<b>923,426</b>

**Note:-**

- (1) *It is an industry norm in the construction sector for suppliers to request for payment guarantee in the form of corporate guarantee to secure payment for the purchases of construction materials.*

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at our registered office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia, during normal business hours between Mondays and Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:-

- (i) the Constitution;
- (ii) the audited consolidated financial statements of our Group for the past 2 financial years up to the FYE 30 September 2021;
- (iii) the unaudited consolidated financial statements of our Group for the 9-month FPE 30 June 2022; and
- (iv) the letter of consent and declaration of conflict of interest referred to in **Sections 2 and 3** of this **Appendix II**.

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## **DIGISTAR CORPORATION BERHAD**

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

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting ("**EGM**") of Digistar Corporation Berhad ("**Digistar**" or the "**Company**") will be held at Level 3, Imperial Heritage Hotel Melaka, No 1, Jalan Merdeka 1, Taman Melaka Raya, 75000 Melaka, Malaysia, on Tuesday, 20 December 2022 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the following resolutions:-

#### **ORDINARY RESOLUTION 1**

#### **PROPOSED PRIVATE PLACEMENT OF UP TO 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF DIGISTAR ("PROPOSED PRIVATE PLACEMENT")**

**"THAT**, subject to all approvals being obtained from the relevant authorities and/or parties, if applicable, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to issue and allot up to 104,891,087 new ordinary shares in Digistar ("**Digistar Share(s)**" or "**Share(s)**") ("**Placement Share(s)**"), representing up to approximately 30% of the existing total number of issued Digistar Shares;

**THAT**, approval be and is hereby given to the Board to determine the issue price for each tranche of the Placement Shares at a later date based on a discount of not more than 10.0% to the 5-day volume-weighted average market price ("**VWAP**") of Digistar Shares up to and including the last trading day immediately prior to the price-fixing date for each tranche;

**THAT**, the Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Digistar Shares, save and except that the holders of the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid where the entitlement date precedes the date of allotment and issuance of the said Placement Shares;

**THAT**, the Board be and is hereby authorised to utilise the proceeds to be raised from the Proposed Private Placement for such purposes and in such manner as set out in **Section 2.6** of the circular to shareholders dated 25 November 2022 ("**Circular**") and the Board be and is hereby authorised with full power to vary the manner and/or purpose of the 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);

**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 and do all such acts and things in any manner as they deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Private Placement;

**THAT**, pursuant to Section 85 of the Companies Act 2016, read together with Clause 54 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of Digistar to be offered new Digistar Shares ranking equally to the existing issued Digistar Shares arising from any issuance of new Digistar Shares pursuant to the Proposed Private Placement.

**AND THAT**, the Board is exempted from the obligation to offer such new Shares first to the existing shareholders of the Company."

## ORDINARY RESOLUTION 2

### PROPOSED ALLOCATION OF UP TO 34,960,199 PLACEMENT SHARES, REPRESENTING UP TO APPROXIMATELY 10% OF THE TOTAL NUMBER OF ISSUED SHARES IN DIGISTAR, TO LWC CAPITAL SDN BHD ("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 34,960,199 Placement Shares, representing 10% of the total number of issued Digistar Shares to LWC Capital Sdn Bhd, being the major shareholder of Digistar, at an issue price of not more than 10% discount to the 5-day VWAP of Digistar Shares immediately preceding the price-fixing date."

## SPECIAL RESOLUTION

### PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("CONSTITUTION") ("PROPOSED AMENDMENTS")

"**THAT**, subject to all approvals being obtained from the relevant authorities and/or parties, if applicable, approval be and is hereby given to the Company to amend the Constitution in the manner as set out in **Appendix I** of the Circular;

**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 Amendments 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 and do all such acts and things in any manner as they deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Amendments."

By Order of the Board,  
**DIGISTAR CORPORATION BERHAD**

**WONG YOUN KIM (MAICSA 7018778)**  
**SSM Practising Certificate No. 201908000410**  
Company Secretary

Kuala Lumpur  
25 November 2022

#### Notes:-

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the EGM, the Company shall be requesting the Record of Depositors as at 13 December 2022. Only a depositor whose name appears on the Record of Depositors as at 13 December 2022 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, speak and vote in his/her stead.*
2. *A member entitled to attend, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend, speak and vote in his/her stead. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.*
3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *Where a member or the authorised nominee or an exempt authorised nominee appoints two (2) or more proxies, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

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 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, not less than twenty four (24) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.*
7. *If the appointer is a corporation, this form shall be executed under its common seal or under the hand of its officer or attorney duly authorised.*
8. *If this Proxy Form is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Proxy Form.*

#### **Explanatory Notes**

**(a) Explanatory Note 1**

**PROPOSED PRIVATE PLACEMENT**

The approval of the issuance and allotment of the new Digistar Shares pursuant to the Proposed Private Placement shall have the effect of the shareholders having agreed to waive their statutory pre-emptive rights pursuant to Section 85 of the Act and Clause 54 of the Constitution. The shareholders of the Company hereby agree to waive and are deemed to have waived their statutory pre-emptive rights pursuant to Section 85 of the Act and Clause 54 of the Constitution pertaining to the issuance and allotment of new Digistar Shares pursuant to the Proposed Private Placement, which will result in a dilution to their shareholdings in the Company.

**(b) Explanatory Note 2**

**PROPOSED AMENDMENTS**

The approval of the Proposed Amendments shall have the effect of the shareholders having agreed to amend the Constitution such that Section 85 of the Act shall no longer apply for all future issuance of new Shares by Digistar, and that any pre-emptive right of the shareholders will thereafter strictly be as contained in the Constitution, as amended herein.

Further details on the Proposed Amendments are set out in **Appendix I** of the Circular. This Special Resolution requires a majority of not less than seventy-five percent (75%) of such members who are entitled to vote either in person or by proxy.

#### **PERSONAL DATA POLICY**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## Form of Proxy



### DIGISTAR CORPORATION BERHAD

Registration No. 200301001232 (603652-K)  
(INCORPORATED IN MALAYSIA)

CDS Account No.	
No. of shares held	

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

of .....  
(FULL ADDRESS)

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

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

NRIC No. .... of .....  
(FULL ADDRESS)

.....

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

NRIC No. .... of .....  
(FULL ADDRESS)

or failing \*him/her, the Chairman of the Meeting as \*my/our proxy to attend, speak and vote on \*my/our behalf at the Extraordinary General Meeting of the Company ("EGM") to held at Level 3, Imperial Heritage Hotel Melaka, No 1, Jalan Merdeka 1, Taman Melaka Raya, 75000 Melaka, Malaysia on Tuesday, 20 December 2022 at 10.00 a.m., or at any adjournment thereof.

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

		FOR	AGAINST
<b>ORDINARY RESOLUTION 1</b>	Proposed Private Placement		
<b>ORDINARY RESOLUTION 2</b>	Proposed Allocation		
<b>SPECIAL RESOLUTION</b>	Proposed Amendments		

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

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

\*Delete where applicable

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022

*For appointment of two proxies, percentage of Shareholdings to be presented by the proxies:*

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		

Signature/Common Seal of Member



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Fold this flap for sealing

Then fold here

AFFIX  
STAMP



**DIGISTAR CORPORATION BERHAD  
COMPANY SECRETARY**

Level 5, Tower 8, Avenue 5, Horizon 2  
Bangsar South City, 59200 Kuala Lumpur

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