

13. ESOS

The shareholders of Digistar have on 15 August 2003 adopted an ESOS for the benefits of the full-time employees and full-time salaried Executive Directors of Digistar and its subsidiaries to be implemented upon the listing of Digistar on the KLSE subject to the approvals of the relevant authorities. The ESOS was approved by the KLSE / SC on 4 July 2003 and 3 July 2003, respectively.

On the date of listing of the Company on the MESDAQ Market, the Directors of the Company propose to grant up to 15,000,000 ESOS options to the executive directors and eligible employees of the Group ("Initial Grant"). The exercise price of the ESOS options which are the subject matter of the Initial Grant is the Issue Price of the Digistar Shares. The ESOS Bye-Laws are as follows:

1. DEFINITIONS

1.1 Except where the context otherwise requires, the following expressions in these Bye-Laws shall have the following meanings:

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| "Alliance" | : Alliance Merchant Bank Berhad |
| "Board" | : The Board of Directors of Digistar |
| "Bye-Laws" | : The Bye-Laws governing the Scheme, as amended from time to time |
| "CDS" | : Central Depository System |
| "Central Depositories Act" | : The Malaysian Securities Industry (Central Depositories) Act, 1991 |
| "Digistar" or "Company" | : Digistar Corporation Berhad |
| "Digistar Group" or "Group" | : Digistar and its non-dormant Subsidiaries, collectively |
| "Digistar Share(s)" | : Ordinary share(s) of RM0.10 each in the capital of the Company |
| "Deposited Security(ies)" | : A security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense |
| "Depositor" | : A holder of a Securities Account |
| "Duration of the Scheme" | : The duration of the Scheme shall be five (5) years from the commencement of the Scheme as defined in Bye-Law 19 hereof unless extended in accordance with Bye-Law 19 hereof or terminated in accordance with Bye-Law 20 hereof |
| "Effective Date" | : The date the scheme comes into effect as determined in the manner specified in Bye-Law 19.1 hereof |
| "Eligible Employee" | : An employee (including an Executive Director) of the Digistar Group who meets the criteria of eligibility for participation in the Scheme as set out in Bye-Law 4 hereof |
| "ESOS" | : Employees' Share Option Scheme |

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| “Executive Director” | : A Director on the board of directors of a company within the Digistar Group holding office in an executive capacity and on the payroll and involved in day to day management of the aforesaid company and who satisfies the criteria set out in Bye-Law 4 hereof |
| “Grantee” | : An Eligible Employee who has accepted an Offer in the manner indicated in Bye-Law 8 hereof |
| “KLSE” | : Kuala Lumpur Stock Exchange |
| “Market Day” | : Any day between Mondays and Fridays, both days inclusive, which is not a market holiday or public holiday |
| “Maximum Allowable Allotment” | : The maximum number of new Digistar Shares in respect of which Offers may be made to Eligible Employees, as provided in Bye-Law 6 hereof |
| “MCD” | : Malaysian Central Depository Sdn Bhd |
| “MESDAQ Market” | : MESDAQ Market of the KLSE |
| “Offer” | : An offer made in writing by the Option Committee to an Eligible Employee in the manner indicated in Bye-Law 5 hereof |
| “Offer Date” | : The date on which an Offer is made by the Option Committee to an Eligible Employee to participate in the Scheme in accordance with the Bye-Laws |
| “Option” | : The rights of a Grantee to subscribe for new Digistar Shares pursuant to the contract constituted by acceptance by an Eligible Employee, in the manner as set out in Bye-Law 8 hereof, of an Offer made to such Eligible Employee pursuant to Bye-Law 5 hereof |
| “Option Certificate” | : A certificate issued by the Company pursuant to Bye-Law 8.1 hereof |
| “Option Committee” | : The committee to be appointed by the Board to implement and administer the Scheme |
| “Option Period” | : A period commencing from the Offer Date for each Eligible Employee and expiring on a date which the Option Committee may in its discretion decide provided that no Option Period shall extend beyond the Duration of the Scheme |
| “Option Price” | : In respect of each Option, the price per share at which a Grantee shall be entitled to subscribe for new Digistar Shares by exercising his Option as set out in Bye-Law 7 hereof |
| “Record of Depositors” | : A record of Depositors established by the MCD under the Rules of the MCD |
| “RM” and “sen” | : Ringgit Malaysia and sen respectively |
| “SC” | : Securities Commission, Malaysia |

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- “Scheme” : The Digistar Employees’ Share Option Scheme for Eligible Employees to subscribe for new Digistar Shares on the terms as set out herein
- “Securities Account” : An account established by MCD for a Depositor for the recording of Deposited Securities and for dealings in such securities by the Depositor
- “Subsidiary(ies)” : A subsidiary company of Digistar as defined in Section 5 of the Companies Act, 1965

- 1.2 In these Bye-Laws, unless the context requires otherwise, words denoting the singular shall include the plural and words denoting the masculine gender shall include the feminine and neuter gender.
- 1.3 The headings in these Bye-Laws are for convenience only and shall not be taken into account in the interpretation of these Bye-Laws.
- 1.4 If an event is to occur on a stipulated day which is not a market day, then the stipulated day will be taken to be the next market day.

2. NAME OF SCHEME

This Scheme will be named the “Digistar Corporation Berhad Employees’ Share Option Scheme”.

3. MAXIMUM NUMBER OF SHARES ALLOWABLE UNDER THE SCHEME

- 3.1 Subject to Bye-Law 3.2, the maximum number of new Digistar Shares which may be available under the Scheme shall not exceed in aggregate thirty per cent (30%) of the total issued and paid-up share capital of the Company at any one time.
- 3.2 Notwithstanding the provision of Bye-Law 3.1 nor any other provisions herein contained, in the event the maximum number of new Digistar Shares comprised in the Options granted under the Scheme exceeds the aggregate of thirty per cent (30%) of the issued and paid-up share capital of the Company as a result of the Company purchasing its own shares and thereby diminishing its issued and paid-up capital, then such Options granted prior to the adjustment of the issued and paid-up capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme.
- However, no further Offer shall be made to any Eligible Employees as long as the aggregate shares comprised in the number of Options offered exceeds thirty per cent (30%) of the issued and paid-up share capital of the Company as a result of the Company purchasing its own shares and thereby diminishing its issued and paid-up capital.
- 3.3 The Company will during the Option Period keep available sufficient authorised and unissued Digistar Shares to satisfy all Options, which may be exercised, in whole or in part during the Option Period.

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4. ELIGIBILITY

4.1 Subject to the discretion of the Option Committee, any employee (including an Executive Director) of the Digistar Group shall be eligible to participate in the Scheme if, as at the Offer Date, the employee:

- (i) has attained the age of eighteen (18) years;
- (ii) is confirmed and employed full-time and is on the payroll of a company within the Digistar Group; and
- (iii) for employee serving under an employment contract, the employee must have completed a continuous period of at least one (1) year.

4.2 Eligibility, however, does not confer on an Eligible Employee a claim or right to participate in the Scheme unless an Offer has been made in writing by the Option Committee to the Eligible Employee under Bye-Law 5.

5. OFFER

5.1 The Option Committee may at its discretion at any time and from time to time within the Duration of the Scheme as it shall deem fit make an Offer to any Eligible Employee whom the Option Committee may in its discretion select to subscribe during the Option Period for new Digistar Shares in accordance with the terms of the Scheme.

5.2 Nothing herein shall prevent the Option Committee from making more than one (1) Offer to any Eligible Employee provided always that, the total aggregate number of new Digistar Shares comprised in the Offers shall not be less than one hundred (100) new Digistar Shares but not more than the Maximum Allowable Allotment as set out in Bye-Law 6 hereof and shall always be in multiples of one hundred (100) Digistar Shares. In any case, any eligible Executive Director's maximum entitlement shall be based on one sitting only irrespective of his sittings on the board of directors of more than one (1) company within the Group.

5.3 Each Offer shall be made in writing by the Option Committee and shall state the number of new Digistar Shares which the Eligible Employee shall be entitled to subscribe, the price at which the Eligible Employee is entitled to subscribe for each new Digistar Share and the closing date for acceptance of the Offer.

5.4 No Option shall be granted to any Executive Director of the Company unless specific grant of Options to that Executive Director shall have previously been approved by the shareholders of the Company in a general meeting.

5.5 With the exception to Bye-Law 10.1, the Offer shall automatically lapse and be null and void in the event the Eligible Employee ceased to be employed by the Digistar Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Bye-Law 8 hereof.

5.6 Subject to Bye-Law 10.1(v), the Offer shall automatically lapse and be null and void in the event of death of the Eligible Employee.

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6. MAXIMUM ALLOWABLE ALLOTMENT AND THE BASIS OF ALLOTMENT

- 6.1 Subject to Bye-Law 3.1 hereof, the allocation to the eligible Executive Directors and senior management, in aggregate, shall not exceed fifty per cent (50%) of the total Digistar Shares available under the Scheme and the allocation shall be equitable throughout the various categories of Eligible Employees. In addition, not more than twenty-five per cent (25%) of the new Digistar Shares available under the Scheme should be allocated to any individual Eligible Employee.
- 6.2 Subject to any adjustments which may be made under Bye-Law 14 hereof, the maximum number of new Digistar Shares that may be offered and allotted to an Eligible Employee shall be determined at the discretion of the Option Committee taking into consideration the performance, seniority and years of service of the Eligible Employee and no maximum allowable allotment to each Eligible Employee shall be fixed, subject always to Bye-Law 3 hereof and the provisions of the Listing Requirements of the KLSE for the MESDAQ Market on ESOS relating to allocations to Eligible Employees.

In the circumstances where the maximum allowable allotment as provided in the Listing Requirements of the KLSE for the MESDAQ Market on ESOS is amended by the KLSE, from time to time, the Option Committee shall have the discretion to make the necessary adjustments so that the number of new Digistar Shares comprised in an Option that may be offered to any one of the Eligible Employees shall be in accordance with the provisions of the Listing Requirements of the KLSE for the MESDAQ Market prevailing during the Option Period.

7. OPTION PRICE

The price at which a Grantee is entitled to subscribe for each new Digistar Share shall be:

- (i) based on the five (5)-day weighted average market price of Digistar Shares immediately preceding the Offer Date of the Option with a discount of not more than ten per cent (10%) if deemed appropriate, subject to the Offer Date of the Option being a date not less than five (5) days from the date of listing of Digistar; or
- (ii) not less than the initial public offer price, where the ESOS is being offered to the Eligible Employees as part of Digistar's listing proposal.

8. ACCEPTANCE OF THE OFFER

- 8.1 The Offer to participate in the Scheme shall be valid for acceptance for a period of thirty (30) days from the Offer Date or such longer period as may be determined by the Option Committee on a case to case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to the Option Committee in the form prescribed by the Option Committee from time to time. Within thirty (30) days from receipt of such notice and payment, the Company shall issue to the Eligible Employee a certificate confirming the grant to the Option and the number of new Digistar Shares comprised therein ("Option Certificate"). In the event that the Eligible Employee fails to accept the Offer within the prescribed period and in the manner aforesaid, the Offer shall automatically lapse PROVIDED THAT the Option Committee shall not be precluded from making a new Offer to the Eligible Employee subsequently.

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- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) as non-refundable consideration for Option.
- 8.3 An Option shall be personal to the Grantee and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.
- 8.4 The Option may be cancelled at the discretion of the Grantee by notice in writing to the Option Committee.

9. EXERCISE OF OPTIONS

- 9.1 Subject to Bye-Law 9.2 hereof, an Option may be exercised by the Grantee by notice in writing to the Company in the prescribed form from time to time during the Option Period in respect of all or any part of the new Digistar Shares comprised in the Option, provided that where an Option is exercised in respect of a part of the new Digistar Shares comprised therein, the number of new Digistar Shares of which such Option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).
- 9.2 Subject to Bye-Law 14 hereof, the Option Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Digistar Shares and/or such percentage of the total new Digistar Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its discretion including amending/varying any terms and conditions imposed earlier.

The partial exercise of an Option shall not preclude the Grantee from exercising the Option for the remaining duration of the Option Period in respect of the balance of the new Digistar Shares comprised in the Option.

Any new Digistar Shares comprised in an Option not subscribed for in any year following the date on which the Option was granted, may be subscribed for in any subsequent year until and including the last year of the Option Period.

- 9.3 Every such written notice referred to in Bye-Law 9.1 hereof must be in the form prescribed by the Option Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Bye-Law 7 hereof) for the full amount of the subscription monies for the new Digistar Shares in respect of which notice is given. Within ten (10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee, the Company shall allot such new Digistar Shares to the Grantee accordingly, subject to and in accordance with the provisions of the Articles of Association of the Company, the Central Depositories Act and the Rules of the MCD, and if applicable, return the Option Certificate to the Grantee with an endorsement thereof stating the balance new Digistar Shares comprised therein.

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- 9.4 A Grantee who exercises his Option shall provide the Option Committee with his CDS account number or the CDS account number of his Authorised Nominee, as the case may be, in the notice referred to in Bye-Law 9.1. The new Digistar Shares to be issued pursuant to the exercise of an Option will be credited into the CDS account of the Grantee or his Authorised Nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS account will be issued and despatched to the Grantee or the Grantee's Authorised Nominee with a copy to the Grantee, as the case may be, within ten (10) Market Days from the date of receipt by the Company of the written notice of the exercise of the Option together with the requisite remittance. No physical share certificate(s) will be issued.
- 9.5 No Options shall be exercisable after the expiry of the Option Period.
- 9.6 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Option Committee may, in its discretion, suspend and/or cancel the right of the Grantee to exercise his Option pending the outcome of such disciplinary proceedings. The Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee and the outcome of such disciplinary proceedings PROVIDED ALWAYS THAT in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the rights of such Grantee to exercise his Option PROVIDED THAT such reinstatement is within the Duration of the Scheme in accordance with Bye-Law 19 hereof.
- 9.7 The Board, the Option Committee, the Company and/or any officer of the Company shall not under any circumstances be held liable for any costs, losses, expenses and/or damages whatsoever or howsoever arising in any event relating to the delay on the part of the Company in allotting and issuing the new Digistar Shares or in procuring the KLSE to list the new Digistar Shares for which the Grantee is entitled to subscribe.
- 9.8 Subject to the discretion of the Option Committee, failure by the Grantee to comply with the procedure for an exercise of an Option as stipulated in Bye-Laws 9.1 to 9.5 herein will invalidate the purported exercise of such Option by an Eligible Employee.
- 9.9 Every Option shall be subject to the condition that no new Digistar Shares shall be issued to a Grantee pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

10. TERMINATION OF THE OPTION

- 10.1 In the event of the cessation of employment of a Grantee with the Digistar Group for whatever reason prior to the exercise of his Options or prior to full exercise of his Options, such Option shall cease immediately on the date of such cessation without any claim against the Company PROVIDED ALWAYS THAT subject to the written approval of the Option Committee in its discretion, if such cessation occurs by reason of:-
- (i) retirement on attaining the retirement age under the Digistar Group's retirement policy;
 - (ii) retirement before attaining the normal retirement age but with the consent of the Board;
 - (iii) redundancy or any voluntary separation scheme;

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- (iv) ill-health, injury, physical or mental disability; or
- (v) any other circumstances which are acceptable to the Option Committee,

such Option shall remain exercisable during the Option Period.

- 10.2 Subject to Bye-Law 10.1 above, upon the resignation of the Grantee from his employment with the Digistar Group, his remaining unexercised Options shall cease with immediate effect on the date of cessation of his employment.
- 10.3 An Option shall immediately become void and of no further effect upon the Grantee being adjudicated a bankrupt.
- 10.4 In the event of the liquidation of the Company, all unexercised or partially exercised Options shall lapse.
- 10.5 Where a Grantee dies before the expiry of the Option Period and at the time of his death held unexercised Options, such Options shall cease immediately on the date of such death without any claim against the Company PROVIDED ALWAYS THAT, subject to the written approval of the Option Committee in its discretion, such unexercised Options may be exercised in full by the legal or personal representatives of the Grantee after the date of his death provided that such exercise shall be within the Option Period and shall not be later than twelve (12) months after the date of his death.

11. TAKEOVER

Notwithstanding Bye-Law 9 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities:

- (i) in the event a takeover offer being made to the shareholders of the Company by a general offer or otherwise and such offer becoming or being declared unconditional, then notwithstanding Bye-Law 9 hereof, the Grantee shall be entitled, within three (3) months of the date on which such offer becomes or is declared unconditional, to exercise in full or in part any Option as yet unexercised within the Option Period, after which the Option shall automatically lapse and be null and void; and
- (ii) in the event a person becomes entitled or bound to exercise rights of compulsory acquisition of Digistar Shares under the provisions of the Companies Act, 1965 or the Securities Commission Act, 1993 and gives notice to the Grantee that it intends to exercise such rights on a specific date ("Specific Date"), then notwithstanding Bye-Law 9 hereof, the Option shall remain exercisable by the Grantee until the expiry of the Specific Date. In the foregoing circumstance if the Grantee fails to exercise his Option or elects to exercise only part of his Option by the Specific Date, then the Option, or as the case may be the Option in relation to the balance thereof, shall automatically lapse after the Specific Date and be null and void.

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12. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.

Notwithstanding Bye-Law 9 hereof and subject to the discretion of the Option Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Companies Act, 1965 or its amalgamation with any other company or companies under Section 178 of the Companies Act, 1965, then notwithstanding Bye-Law 9 hereof, a Grantee may be entitled to exercise all of any part of his Option or Options at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

13. RETENTION PERIOD

The new Digistar Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option or Options will not be subject to any retention period. However, the Grantees are encouraged to hold the Digistar Shares as a long-term investment and not for any speculative purpose and/or realisation or immediate gains.

14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issues, reduction, subdivisions or consolidation of capital or otherwise howsoever taking place:

- (i) the Option Price; and/ or
- (ii) the number of new Digistar Shares comprised in the Option so far as the same have not been offered to any Eligible Employee,

shall be adjusted in such manner as the external auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the Option Committee, confirm in writing to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:-

- (i) no adjustment to the Option Price shall be made which would result in the new Digistar Shares to be issued on the exercise of the Option being issued at a discount to par value, and if such an adjustment would but for this provision have so resulted, the Option Price payable shall be the par value of the new Digistar Shares;
- (ii) upon any adjustment being made pursuant to this Bye-Law hereof, the Option Committee shall within ten (10) Market Days of the effective date of the alteration in the capital structure of the Company notify the Grantee (or his legal or personal representatives where applicable) in writing informing him of the adjusted Option Price thereafter in effect and/or the revised number of new Digistar Shares thereafter to be issued on the exercise of the Option; and
- (iii) all participants are given the same proportion of the issued and paid-up share capital of the Company as they were previously entitled to, by ensuring the capital outlay to be incurred by option holders in exercising their options remains unaffected. Where it is not practicable to ensure that all participants are given the same proportion of the issued and paid-up share capital of the Company as they were previously entitled to, the Company will seek a waiver from the SC and KLSE from complying with the requirement.

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14.2 The provisions of this Bye-Law shall not apply where the alteration in the capital structure of the Company arises from:

- (i) an issue of new Digistar Shares or other securities convertible into or securities with rights to acquire or subscribe for Digistar Shares, and in any such case, in consideration or part consideration for an acquisition of any other securities, assets or business;
- (ii) a special issue of new Digistar Shares to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or any other government authority to comply with Government policy on Bumiputera capital participation;
- (iii) a private placement or restricted issue of new Digistar Shares by the Company;
- (iv) a share buy-back arrangement by the Company;
- (v) an issue of new Digistar Shares arising from the exercise of any conversion rights attached to securities convertible to new Digistar Shares or upon exercise of any other rights including Warrants (if any) issued or to be issued by the Company; and
- (vi) an issue of new Digistar Shares upon the exercise of Options pursuant to the Scheme.

15. QUOTATION OF SHARES

The new Digistar Shares to be allotted and issued to the Grantee will not be listed or quoted on the KLSE until the Option is exercised in accordance with Bye-Law 9 above whereupon the Company shall make the necessary application to the KLSE for the listing of and quotation for such new Digistar Shares and use its best endeavours to obtain permission for the dealing therein.

16. RANKING OF NEW Digistar SHARES

The new Digistar Shares to be allotted upon any exercise of any Options granted shall, upon allotment and issue, rank *pari passu* in all respects with the existing Digistar Shares save and except that the new Digistar Shares so allotted will not be entitled to any dividends, rights, allotments and/or other distributions made or paid to shareholders of the Company the entitlement date thereof precedes the date of allotment of the said shares. For the purpose hereof, entitlement date means the date as at the close of business on which shareholders must be registered in order to participate in any dividends, rights, allotments and/ or other distributions.

17. ADMINISTRATION

The Scheme shall be administered by the Option Committee consisting of such persons appointed by the Board. The Option Committee shall administer the Scheme in such manner as it shall in its discretion deem fit. For the purpose of administering the Scheme, the Option Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Scheme, as the Option Committee may in its discretion deem fit necessary and/or expedient for the implementation of the Scheme.

The Board shall have the discretion as it deems fit to approve, rescind and/or revoke the appointment of any person in the Option Committee.

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18. **AMENDMENT AND/OR MODIFICATION TO THE SCHEME**

Subject to the approvals of any relevant authorities, the Board shall have the power at any time and from time to time by resolution to amend and/or modify all or any of the provisions of the Scheme PROVIDED THAT no such amendment and/or modification shall be made which would either materially prejudice the rights then accrued to any Grantee without the Grantee's prior consent or alter to the advantage of any Grantee in respect of any provisions of the Scheme without the prior approval of the Company's shareholders in a general meeting.

Where an amendment and/or modification is made to the Bye-Laws of the Scheme, the Company shall submit to the SC and KLSE a confirmation letter that the amendment and/or modification does not contravene any of the provision of the guidelines on ESOS as stipulated under the Listing Requirements of the KLSE for the MESDAQ Market.

19. **EFFECTIVE DATE AND DURATION OF THE SCHEME**

19.1 The Scheme shall commence from the date the advising merchant bank for the Scheme submits the final copy of the Bye-Laws of the Scheme and confirms in writing to the SC and KLSE that the Company has:

- (i) fulfilled the SC's and KLSE's conditions of approval for the Scheme and that the Bye-Laws do not contravene the guidelines on ESOS as stipulated under the Listing Requirements of the KLSE for the MESDAQ Market; and
- (ii) obtained other relevant approvals for the ESOS and has fulfilled any conditions imposed therein;

and shall be in force for a period of five (5) years from the date of commencement PROVIDED ALWAYS THAT the Scheme may at the Option Committee's discretion be extended or renewed (as the case may be) subject to an aggregate duration of ten (10) years from the date of the confirmation letter from the adviser of the Company as provided herein. In the event that the Scheme is extended or renewed in accordance with the terms herein, the Option Committee shall furnish a written notification to all relevant parties to the proposed extension or renewal of the Scheme.

19.2 If the existing Scheme is not extended, the Company may establish a new scheme after the expiry date of the existing Scheme subject to the approval of the SC and KLSE.

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20. TERMINATION OF THE SCHEME

20.1 Notwithstanding the provisions of Bye-Law 19, the Scheme may be terminated by the Company at any time during the Duration of the Scheme provided the following approval(s)/consent(s) are obtained:-

- (i) the approval of the SC for the termination of the Scheme;
- (ii) the approval of the KLSE for the termination of the Scheme;
- (iii) the consent of the shareholders at a general meeting wherein at least a majority of the shareholders present voted in favour of the termination; and
- (iv) the written consent of all Grantees who have yet to exercise their Options, either in part or in whole.

20.2 In seeking the above approvals/ consents for the termination of the Scheme, the Company must provide sufficient information on the following matters:

- (i) reasons for termination;
- (ii) whether or not the termination of the Scheme would be in the best interest of the Company; and
- (iii) any other information that would justify termination of the Scheme.

21. DISPUTES

In the event of any dispute or difference between the Option Committee and an Eligible Employee or Grantee, as to any matter or thing of any nature arising hereunder, the Option Committee shall determine such dispute or difference by a written decision (without any obligation to give any reasons therefor) given to the Eligible Employee or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Grantee, as the case may be, shall dispute the decision by written notice to the Option Committee within fourteen (14) days of the receipt of the written decision, in which case such dispute or difference shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of the dispute, such dispute shall be referred to a court of law of competent jurisdiction in Malaysia, whose decision shall be final and binding in all respects.

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22. COMPENSATION

- 22.1 An Eligible Employee or Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 22.2 No Eligible Employee or Grantee or legal or personal representatives shall bring any claim, action or proceeding against the Company or the Option Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these Bye-Laws, as may be amended from time to time in accordance with Bye-Law 18 hereof.

23. TRANSFERS FROM OTHER COMPANIES TO THE GROUP

In the event that:

- (i) an employee or an Executive Director who was employed in:
- (a) a corporation which is related to the Company pursuant to Section 6 of the Companies Act, 1965 (but excluding any subsidiaries of the Company); or
 - (b) a corporation which is an associated company of the Company; or
 - (c) a corporation in which the Company is an associated company; or
 - (d) a corporation which is a subsidiary of the first mentioned corporation referred to in Bye-Law 23(i)(c) above

and is subsequently transferred from such corporation to any company within the Group; or

- (ii) an employee or an Executive Director who was in the employment of a corporation referred to in Bye-Law 23(i) above which subsequently becomes a member of the Group as a result of a restructuring or divestment exercise or otherwise involving the Company and/or any company within the Group;

(the corporation in Bye-Laws 23(i) and 23(ii) above are hereinafter referred to as the "Previous Company"), such an employee or Executive Director of the Previous Company (the "Affected Employee") will, if the Affected Employee satisfies all the conditions of these Bye-Laws, be eligible to participate in the Scheme PROVIDED THAT the Affected Employee:

- (i) may be entitled to exercise all such unexercised or partially exercised option(s) which were granted to him under the ESOS (if any) which he was participating (hereinafter referred to as "Previous Company ESOS") whilst the Affected Employee was in the employment of the Previous Company, if the same is provided for under the Bye-Laws of such Previous Company ESOS but he shall not, upon such transfer or restructuring or other exercise as the case may be, be eligible to participate for further options of such Previous Company ESOS; and
- (ii) will only be eligible to participate in the Scheme for its remaining duration; and

13. ESOS (Cont'd)

- (iii) if the Affected Employee has participated in the Previous Company ESOS, the number of such new Digistar Shares to be offered to such Affected Employee under the Scheme shall be subject to the discretion of the Option Committee.

24. DIVESTMENT FROM THE GROUP

If a Grantee who was in the employment with a company in the Group which was subsequently divested wholly or in part from the Group which resulted in a subsequent holding of fifty percent (50%) or less by the Group, then such Grantee:

- (i) may be entitled to continue to exercise all such unexercised Options which were granted to him under the Scheme within a period of three (3) months from the date of such divestment and within the Option Period, failing which the right of such employee to subscribe for the number of new Digistar Shares or any part thereof granted under such unexercised Options shall automatically lapse upon the expiry of the said three (3) months period and be null and void and of no further force and effect; and
- (ii) shall not be eligible to participate for further Options under the Scheme.

25. COSTS AND EXPENSES

All costs and expenses incurred in relation to the Scheme including but not limited to the costs and expenses relating to the issue and allotment of the new Digistar Shares upon the exercise of any Option shall be borne by the Company.

26. NOT A TERM OF EMPLOYMENT

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any employee.

27. ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall at all times prevail.

28. INSPECTION OF THE AUDITED ACCOUNTS

All Grantees are entitled to inspect the latest audited financial statements of the Company during normal office hours on any working day at the Registered Office of the Company.

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14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

- (i) No shares will be allotted on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.
- (ii) There is no founder, management or deferred shares in the Company. There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each, all of which rank pari passu with one another.
- (iii) Save as disclosed in Sections 4.2, 4.3 and 13 of this Prospectus, no shares or debentures of the Company or its subsidiaries have been issued or been agreed to be issued or is proposed to be issued as fully or partly paid-up, in cash or otherwise, within the two (2) years immediately preceding the date of this Prospectus.
- (iv) Other than the 1,500,000 Public Issue Shares offered to the eligible employees of the Digistar Group as disclosed in Section 4.3.4 of this Prospectus and the approved ESOS as disclosed in Section 13 of this Prospectus:
 - (a) no person or employee of the Group has been or is entitled to be given an option to purchase or subscribe for any shares or debentures of the Company or its subsidiaries; and
 - (b) there is no other scheme involving the employees of the Group in the shares of the Company or its subsidiaries.
- (v) The Company and its subsidiaries have no outstanding convertible debt securities.
- (vi) Save for the Public Issue and the approved ESOS as disclosed in Section 13 of this Prospectus, there is no present intention on the part of the Directors of the Company to issue any part of the authorised but unissued share capital of the Company.

14.2 ARTICLES OF ASSOCIATION

The following provisions are reproduced from the Company's Articles of Association.

Terms defined in the Company's Articles of Association shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

14.2.1 Transfer of shares

The provisions of the Articles of Association of the Company in respect of the arrangements for the transfer of shares and restrictions on their free transferability are as follows:

Article 36

Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), the transfer of any securities of the Company shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act and any exemption that may be made from compliance with sub-Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the securities which have been deposited with the Central Depository. Subject to these Articles, there shall be no restriction on the transfer of fully paid securities except where required by law.

14. ADDITIONAL INFORMATION (Cont'd)

Article 37

No share shall in any circumstances be transferred to any partnership or unincorporated association or body, minor, bankrupt or person of unsound mind.

Article 38

The Register of Transfers may be closed at such time and for such period as the Directors may from time to time determine Provided Always that it shall not be closed for more than thirty (30) days in any year. Any notice of intention to fix a books closing date and the reason therefore shall be given to the Exchange, such notice shall state the books closing date, which shall be at least twelve (12) market days (or such other period as prescribed by the Exchange or any relevant governing laws and/or guidelines) after the date of notification to the Exchange, and the address of share registry at which documents will be accepted for registration. At least three (3) market days prior notice shall be given to the Central Depository to enable the Central Depository to prepare the appropriate Record of Depositors.

Article 39

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside. And in every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto. Provided always that where the share is a deposited security, subject to the Rules, a transfer or withdrawal of the share may be carried out by the person becoming so entitled.

14.2.2 Remuneration of Directors

The provisions in the Articles of Association of the Company dealing with the remuneration of the Directors are as follows:

Article 80

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

Article 81

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

14. ADDITIONAL INFORMATION (Cont'd)

Article 82

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

Article 98

The remuneration of a Managing Director shall subject to any contract between him and the Company be fixed by the Directors and may be by way of fixed salary or commission or participation in profits or by all or any of these modes.

Article 108

Any Director may by writing under his hand or under the hand of his agent, duly authorised in writing appoint any person (who shall be subject to the approval of a majority of the other Directors of the Company) to be an alternate director and every such alternate director, shall be entitled to receive notices of all meetings of the Directors to attend and vote at all such meetings at which the Director appointing him is not personally present, and shall have and exercise all the powers, duties and authorities, as a Director, or his appointor in his absence. Provided always that a Director or his agent duly authorised may at any time by writing under his hand revoke the appointment of any alternate director appointed by him or his agent duly authorised, and appoint another person approved as aforesaid in his place as such Director or his agent may think fit; and if a Director shall die or otherwise cease to hold the office of Director, the appointment of his alternate director shall thereupon cease and determine. Provided further that no such alternate director shall be required to hold any share qualification or be entitled to any remuneration from the Company except that any fee paid by the Company to the alternate Director shall be deducted from that Director's remuneration.

14.2.3 Voting and borrowing powers of Directors

The provisions in the Articles of Association of the Company in respect of the powers of Directors, in particular the voting powers of Directors in proposals, arrangements or contracts in which they are interested and the borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:

Article 99

The Directors may meet together for the despatch of business adjourn and otherwise regulate their meetings as they think fit and may determine the quorum necessary for the transaction of business. Until otherwise determined two (2) Directors shall form a quorum. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote.

Article 104

When two (2) Directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote in the question at issue shall not have a casting vote.

Article 116

The Directors may from time to time at their discretion raise or borrow any sum or sums of money for the purposes of the Company.

14. ADDITIONAL INFORMATION (Cont'd)

Article 117

The Directors may secure the repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, notes, perpetual or redeemable debentures or debenture stock or any mortgage charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

Article 118

Any bonds, notes, debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

Article 119

The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

14.2.4 Changes in capital and variations of class rights

The provisions in the Articles of Associations of the Company as to the changes in capital or variation of class rights which are no less stringent than these required by law are as follows:

Article 44

The Company may by ordinary resolution at the general meeting:-

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- (b) cancel any shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its capital by the amount of the shares so cancelled.
- (c) reduce its issued share capital by the cancellation of shares purchased by the Company and the amount by which the Company's issued capital is diminished shall be transferred to the capital redemption reserve in accordance with Section 67A of the Act and the Listing Requirements.
- (d) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association and so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division one or more of the shares may have any such preferred or other special rights over or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

Article 45

The Company may by special resolution at the general meeting reduce its share capital, any capital redemption reserve fund or any premium account in any manner and with, and subject to, any incident authorised, and consent required by law.

14. ADDITIONAL INFORMATION (Cont'd)

Article 48

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 152 of the Act shall with such adaptations as are necessary apply. Provided however that in the event of the necessary majority not having been obtained in the manner aforesaid consent in writing may be secured from members holding at least three-fourths of the issued shares of the class and such consent if obtained within two (2) months from the date of the separate general meeting shall have the force and validity of a special resolution duly carried by a vote in person or by proxy.

Article 49

The rights conferred upon the holders of the shares of any class with preference or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith but in no respect in priority thereto.

14.3 PROMOTERS, DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- (i) The names, addresses and occupations of the Directors are set out in the Corporate Information Section of this Prospectus.
- (ii) A Director is not required to hold any qualification share in the Company unless otherwise so fixed by the Company in general meeting.
- (iii) The Promoters have not received any amounts or benefits paid or intended to be paid or given by the Company other than by the virtue of their directorships and by virtue of their employment by the Company as disclosed in Section 6.2.4 of this Prospectus within the two (2) years preceding the date of this Prospectus.
- (iv) The Directors' interests, direct and indirect, in the shares of the Company before and after the Public Issue are as follows:

| Directors | <u>Before the Public Issue⁽ⁱ⁾</u> | | | | <u>After the Public Issue</u> | | | |
|-------------------------------|--|-------|----------------------------|-------|-------------------------------|------|----------------------------|-------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % |
| YB Haji AB Karim Bin Sulaiman | 3,637,019 | 5.81 | 48,809,397 ⁽ⁱⁱ⁾ | 78.00 | 3,637,019 | 4.36 | 48,809,397 ⁽ⁱⁱ⁾ | 58.50 |
| Lee Wah Chong | 6,884,951 | 11.00 | 48,809,397 ⁽ⁱⁱ⁾ | 78.00 | 6,884,951 | 8.25 | 48,809,397 ⁽ⁱⁱ⁾ | 58.50 |
| Ong Fcc Chong | 1,479,055 | 2.37 | - | - | 1,479,055 | 1.78 | - | - |
| Wa Siew Yam | 560,615 | 0.90 | - | - | 560,615 | 0.67 | - | - |
| Lee Mely | - | - | - | - | - | - | - | - |
| YB Datuk Haji Hasan bin Malek | - | - | - | - | - | - | - | - |
| Ir. Loh Khoon Hong | - | - | - | - | - | - | - | - |

14. ADDITIONAL INFORMATION (Cont'd)

Notes:

- (i) Based on the Register of Directors' Shareholdings as at 22 September 2003
(ii) Deemed interest by virtue of his interest in KLSB

- (v) The substantial shareholders' interests, direct and indirect, in the shares of the Company before and after the Public Issue are as follows:

| | <u>Before the Public Issue⁽ⁱ⁾</u> | | | | <u>After the Public Issue</u> | | | |
|-------------------------------|--|-------|----------------------------|-------|-------------------------------|-------|----------------------------|-------|
| | Direct | | Indirect | | Direct | | Indirect | |
| Directors | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % |
| YB Haji AB Karim Bin Sulaiman | 3,637,019 | 5.81 | 48,809,397 ⁽ⁱⁱ⁾ | 78.00 | 3,637,019 | 4.36 | 48,809,397 ⁽ⁱⁱ⁾ | 58.50 |
| Lee Wah Chong | 6,884,951 | 11.00 | 48,809,397 ⁽ⁱⁱ⁾ | 78.00 | 6,884,951 | 8.25 | 48,809,397 ⁽ⁱⁱ⁾ | 58.50 |
| KLSB | 48,809,397 | 78.00 | - | - | 48,809,397 | 58.50 | - | - |

Notes:

- (i) Based on the Register of Substantial Shareholders as at 22 September 2003
(ii) Deemed interest by virtue of his interest in KLSB

- (vi) Save as disclosed in Sections 8.2, 8.3 and 14.5 of this Prospectus, none of the Directors or substantial shareholders of the Company has any interest in any contract or arrangement subsisting as at 22 September 2003 which is significant in relation to the business of the Company and its subsidiaries, taken as a whole.

14.4 MATERIAL LITIGATION

As at 22 September 2003, the Company and its subsidiaries are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors of the Company have no knowledge of any proceedings pending or threatened against the Company and its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company or its subsidiaries.

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14. ADDITIONAL INFORMATION *(Cont'd)*

14.5 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by the Company and its subsidiaries within two (2) years immediately preceding 22 September 2003:

- (i) Underwriting Agreement dated 22 September 2003 between Digistar and Alliance for the underwriting of 3,500,000 Public Issue Shares which are available for application by the Malaysian public. The Underwriter has further conditionally agreed to underwrite the Public Issue Shares made available for application by the eligible employees of the Digistar Group which are not taken up. Underwriting commission is payable at the rate of 2.0% of the issue price of RM0.55 per Public Issue Share;
- (ii) Sponsor Agreement dated 22 September 2003 between Digistar and Alliance whereby Digistar appointed Alliance as the sponsor for the Company for a period of one (1) year after listing for sponsor fee of RM50,000;
- (iii) Placement Agreement dated 15 August 2003 between Digistar and Alliance for the placement of 15,860,000 Public Issue Shares for a placement commission of 2.0% of the total subscription/purchase price payable for placees identified and secured by the Placement Agent and 0.5% of the total subscription/purchase price payable for placees identified and secured by the Company;
- (iv) Deed of Novation dated 4 August 2003 between Digistar, DHSB, Rauland-Borg Corporation, United States of America and Mr Eric Wong Weng Kee whereby the parties thereto have agreed that Digistar became a party to the agreement referred to in paragraph 14.5(ix) below in place of DHSB;
- (v) Deed of Novation dated 4 August 2003 between Lim Yee Soo, Melissa M Chen and Kan Kok Chee as assignors ("the Assignors"), Hap Seng Properties Development Sdn Bhd as Vendors and DPSB as assignee, the Assignors have assigned absolutely to DPSB all whatsoever the Assignors' rights title and interests in and to all that parcel of business premises identified as Parcel No. A6/2/2, Storey No. 2 (Level 2), Block A6, One Ampang Business Avenue together with one (1) basement car park bay known as Bay No. 55, in the development known as "One Ampang Business Avenue" erected on part of the land held under HS(M) Negeri Selangor under and pursuant to the agreement referred to in paragraph 14.5 (vi) below upon the terms and conditions therein contained;
- (vi) Sale and Purchase Agreement dated 26 May 2003 between DPSB, as Purchaser, and Lim Yee Soo, Melissa M Chen and Kan Kok Chee, as Vendors, for purchase of Parcel A6/2/2, Storey No. 2, (Level 2), Block A6 known as B6/2/2, One Ampang Business Avenue, Ampang, 68000 Selangor measuring an area of approximately 173.2 square metres together with car park Bay No. 55 erected on a piece of land held under HSM 26564, PT 17790 (Lot 34357), Mukim of Ampang, State of Selangor for a total purchase consideration of RM565,000;
- (vii) Share Sale Agreement dated 25 February 2003 between Digistar, as Purchaser and Lee Wah Chong, YB Haji AB Karim Sulaiman, Low Lye Seng, Ong Fee Chong and Wa Siew Yam, as Vendors for the entire enlarged issued and paid-up share capital of DHSB for a total purchase consideration of RM5,006,006 to be satisfied by the allotment and issuance of 50,060,060 new Digistar Shares at par to the Vendors;
- (viii) Share Sale Agreement dated 25 February 2003 between DHSB, as Purchaser, and Lee Wah Chong and Wa Siew Yam, as Vendors, for 49.0% equity interest in DPSB for a total purchase consideration of RM37,264 to be satisfied by the allotment and issuance of 37,264 new DHSB Shares at par to the Vendors; and

14. ADDITIONAL INFORMATION (Cont'd)

- (ix) An Agreement dated 22 January 2003 between DHSB, Rauland-Borg Corporation of United States of America and Mr Eric Wong Weng Kee to form a joint-venture company whereby the parties thereto have agreed to pool their resources and expertise so as to contribute to the growth and success of the joint venture by participating in the opportunities being afforded in the MSC.

14.6 MATERIAL AGREEMENTS

Save as disclosed below, there are no material agreements subsisting as at 22 September 2003 (including but not limited to shareholders' agreements underlying the basis of the corporation/group's business, supplier agreements, customer agreements, insurance policies and directors' service agreements) which have been entered into by the Company and its subsidiaries in the ordinary course of business and, in respect of the project agreements thereunder, the contract works have not been completed:

14.6.1 Licence agreements/arrangement

- (i) Exclusive International Dealership Agreement dated 1 May 2002 between DHSB and Leitch Technology International Inc. ("LT") whereby DHSB was appointed by LT as its authorised dealer within Malaysia for LT's products on an exclusive basis, with effect from 1 May 2002;
- (ii) Export Distribution Agreement dated 25 March 2002 between DHSB and Biamp Systems of the United States of America ("Biamp") whereby DHSB was appointed by Biamp as its distributor for the Biamp products for Malaysia on an exclusive basis, with effect from 1 October 2001; and
- (iii) The Agreement dated 5 September 2002 between DHSB and Dalet Systems Asia Pte Ltd ("Dalet") whereby DHSB was appointed by Dalet as its authorised and exclusive agent in Malaysia to canvas business and secure orders for Dalet in respect of proprietary software programmes marketed under the trademark of "Dalet". DHSB is required to perform installation of systems sold to customers by Dalet and provide after-sales services.

14.6.2 Project agreements

- (i) Purchase Order dated 14 July 2003 issued by Gala Antena Sdn Bhd to DHSB in respect of the installation of HC for the forensic ward at Hospital Bahagia, Ulu Kinta, Ipoh for the contract sum of RM725,708 upon the terms and conditions contained therein;
- (ii) Letter of Award dated 1 July 2003 issued by Mechtric Sdn Bhd and accepted by DHSB on 21 July 2003 for the sub-contracted installation of HC at Pekan Hospital, Pahang for the sub-contract sum of RM730,450 upon the terms and conditions contained therein;
- (iii) Purchase Order dated 9 May 2003 issued by Gala Antena Sdn Bhd to DHSB in respect of the installation of IAV for Masjid Negara, Kuala Lumpur for the contract sum of RM1,995,000 upon the terms and conditions contained therein;
- (iv) Letter of Award dated 26 March 2003 issued by Konsortium Ranhill Sdn Bhd and accepted by DHSB on 17 April 2003 for the sub-contracted installation of IAV for the proposed 620-bBed Serdang Teaching Hospital in Serdang, Mukim Dengkil, Selangor for the sub-contract sum of RM829,400 upon the terms and subject to the conditions contained therein;

14. ADDITIONAL INFORMATION (Cont'd)

- (v) Purchase Order dated 27 December 2002 issued by Gala Antena Sdn Bhd to DHSB in respect of the installation of CCTV (main hospital complex) for Hospital Sg. Buloh and College of Allied Health Science for the contract sum of RM2,279,500 upon the terms and conditions contained therein;
- (vi) Letter of Award dated 30 December 2002 issued by Viro M&E Sdn Bhd and accepted by DHSB on 28 January 2003 for the sub-contracted installation of IAV for Universiti Malaysia Sabah, Fasa 2A in Kota Kinabalu, Sabah for the sub-contract sum of RM4,800,000 upon the terms and conditions contained therein;
- (vii) Letter of Award dated 12 December 2002 issued by Hanaz Sdn Bhd and accepted by DIHSB on 19 December 2002 for the sub-contracted installation of HC for Jempol Hospital (108 Beds), Bandar Sri Jempol, Negeri Sembilan Darul Khusus for the sub-contract sum of RM1,900,000 upon the terms and conditions contained therein;
- (viii) Letter of Award dated 11 December 2001 issued by IJM Construction Sdn Bhd and accepted by DHSB on 18 January 2002 for the sub-contracted design, construction and completion of Putrajaya convention centre at Precinct 5, Putrajaya for the sub-contract sum of RM13,800,000 upon the terms and conditions contained therein;
- (ix) Letter of Award dated 18 November 2002 issued by Ahmad Zaki Sdn Bhd and accepted by DHSB on 30 November 2002 for the sub-contracted installation of IIC for Ampang Hospital for the sub-contract sum of RM3,800,000 upon the terms and conditions contained therein;
- (x) Work Order dated 5 November 2002 issued by Kejuruteraan Bintai Kindenko Sdn Bhd to DHSB in respect of the installation of a complete IAV, HC, PSS, MATV and CCTV for Kuala Penyu Hospital for the contract sum of RM571,600 upon the terms and conditions contained therein;
- (xi) Letter of Award dated 25 October 2002 issued by Trillion Millennium Sdn Bhd and accepted by DHSB for the sub-contracted of installation of HC, IAV, PSS and CCTV at East Malaysia Hospitals for the sub-contract sum of RM610,000 upon the terms and conditions contained therein;
- (xii) Purchase Order dated 21 October 2002 issued by Gala Antena Sdn Bhd to DHSB in respect of the installation of IAV for Hospital Sg. Buloh and College of Allied Health Science for the contract sum of RM3,055,500 upon the terms and conditions contained therein;
- (xiii) Work Order dated 5 November 2002 issued by Kejuruteraan Bintai Kindenko Sdn Bhd agreeing to award DHSB the sub-contract for the installation of IAV, HC, PSS, MATV, and CCTV for Kunak Hospital for the sub-contract sum of RM617,600 upon the terms and conditions contained therein.
- (xiv) Work Order dated 5 November 2002 issued by Kejuruteraan Bintai Kindenko Sdn Bhd agreeing to award DHSB the sub-contract for the installation of IAV, HC, PSS, MATV, and CCTV for Sarikei Hospital for the sub-contract sum of RM1,170,800 upon the terms and conditions contained therein;
- (xv) Letter of Award dated 1 October 2002 issued by Metronic Engineering Sdn Bhd and accepted by DIHSB on 7 October 2002 for the sub-contracted installation of HC and IAV for the nurses training college at the new Alor Setar Hospital (660 beds) Kedah Darul Aman for the sub-contract sum of RM850,000 upon the terms and conditions contained therein;

14. ADDITIONAL INFORMATION (Cont'd)

- (xvi) Official Order dated 30 September 2002 issued by R.E. Morris Technologies Sdn Bhd to DHSB in respect of the supply installation testing and commissioning of IAV and PSS for Hospital Duchess of Kent Sandakan, Sabah for the contract sum of RM506,388 upon the terms and conditions contained therein;
- (xvii) Letter of Award dated 15 August 2002 issued by Projek Hospital Temerloh Sdn Bhd and accepted by DHSB on 28 August 2002 for the sub-contracted installation of PSS, LAN and TC at Temerloh Hospital, Pahang for the sub-contract sum of RM4,000,000 upon the terms and conditions contained therein;
- (xviii) Letter of Award dated 15 August 2002 issued by Projek Hospital Temerloh Sdn Bhd and accepted by DHSB on 28 August 2002 for the sub-contracted installation of IAV at Temerloh Hospital, Pahang for the sub-contract sum of RM1,450,000 upon the terms and conditions contained therein;
- (xix) Letter of Award dated 15 August 2002 issued by Projek Hospital Temerloh Sdn Bhd and accepted by DHSB on 28 August 2002 for the sub-contracted installation of HC at Temerloh Hospital, Pahang for the sub-contract sum of RM1,550,000 upon the terms and conditions contained therein;
- (xx) Purchase Order dated 18 July 2002 issued by Syarikat Sinarjaya Elektrik to DHSB in respect of the supply installation testing and commissioning of IAV, CCTV, MATV and PSS for Ibu Pejabat Polis, Gua Musang, Kelantan for the contract sum of RM730,000 upon the terms and conditions contained therein;
- (xxi) Letter of Award dated 5 July 2002 issued by Jopami Sdn Bhd and accepted by DHSB on 18 July 2002 for the sub-contracted installation of HC, MC, IAV, CS and PSS for the ambulatory care centre at Tengku Ampuan Rahimah Hospital, Klang for the sub-contract sum of RM2,340,000 upon the terms and conditions contained therein;
- (xxii) Letter of Award dated 26 June 2002 issued by DKLS Construction Sdn Bhd and accepted by DHSB on 23 July 2002 for the sub-contracted installation of IAV, PSS, TC and HC for 76-bed hospital at Jasin, Melaka for the sub-contract sum of RM1,101,966 upon the terms and conditions contained therein;
- (xxiii) Letter of Award dated 10 April 2002 issued by WRA Services Sdn Bhd and accepted by DHSB on 19 April 2002 for the sub-contracted of installation of IAV, PSS, TC and HC for the ambulatory care centre of Hospital Tengku Ampuan Afzan, Kuantan, Pahang Darul Makmur for the sub-contract sum of RM948,675 upon the terms and conditions contained therein;
- (xxiv) Letter of Award dated 29 March 2002 issued by Tunas Selatan Consortium Sdn Bhd and accepted by DHSB on 8 April 2002 for the sub-contracted installation of HC at Hospital Sungai Buloh and the college of Allied Health Science at Sungai Buloh, Selangor for the sub-contract sum of RM2,700,000 upon the terms and conditions contained therein;

14. ADDITIONAL INFORMATION (Cont'd)

- (xxv) Letter of Award dated 21 March 2002 issued by Castleteam Services Sdn Bhd and accepted by DHSB on 28 May 2002 for the sub-contracted installation of HC, IAV, PSS, TC and LAN for the Ambulatory Care Centre Hospital, Pulau Pinang for the sub-contract sum of RM890,000 upon the terms and conditions contained therein;
- (xxvi) Letter of Award dated 5 February 2002 issued by Muhibbah Engineering Sdn Bhd and accepted by DHSB on 12 March 2002 for the sub-contracted installation of IAV, PSS and TC at Kem Gerup Gerak Khas Mersing, Johor Darul Takzim for the sub-contract sum of RM990,000 upon the terms and conditions contained therein;
- (xxvii) Letter of Award dated 26 October 2001 issued by Ranhill Engineering and Constructors Sdn Bhd and accepted by DHSB on 9 November 2001 for the sub-contracted installation of HC for nurses hostel and hospital block, for the proposed 620-bed Serdang Hospital in Serdang, Dengkil, Selangor for the sub-contract sum of RM10,500,000 upon the terms and conditions contained therein;
- (xxviii) Letter of Award dated 13 August 2002 issued by DHSB and accepted by Syarikat Golden Bright Sdn Bhd on 19 August 2002 for the sub-contracted installation of HC for the ambulatory care centre at Tengku Ampuan Rahimah Hospital, Klang for the sub-contract sum of RM796,457 upon the terms and conditions contained therein;
- (xxix) Letter of Award dated 17 April 2001 issued by Metro Health Sdn Bhd and accepted by DHSB on 20 April 2001 for the sub-contracted installation of HC, IAV, TC and PSS at Pandan Hospital, Johor Bahru, Johor for the sub-contract sum of RM8,750,000 upon the terms and conditions contained therein;
- (xxx) Letter of Award dated 13 April 2001 issued by Metronics Engineering Sdn Bhd and accepted by DHSB on 20 April 2001 for the sub-contracted of design, construction, equipping, commissioning and maintenance of HC and IAV for the new Alor Setar Hospital, Kedah for the sub-contract sum of RM6,080,000 upon the terms and conditions contained therein; and
- (xxxi) Letter of Award dated 22 April 1999 issued by Gas Altimate Services Sdn Bhd and accepted by DHSB for the sub-contracted installation of IIC at Hospital Kangar Perlis for the sub-contract sum of RM582,145 upon the terms and conditions contained therein.

14.6.3 Insurance policies

- (i) DHSB has purchased Special Contingency Policy No. 46-0001540 SPC from QBE-MBF Insurans Berhad to insure DHSB against fire, lightning, burglary or theft consequent upon visible, violent and forcible entry into the premises, accidental and external means on various items contained in the policy at Lot B5/2/2, Lot B5/4/4, Lot B5/5/5, Lot B6/3/3 and Lot B6/5/5, One Ampang Business Avenue for an aggregate insured sum of RM300,000 from 1 January 2003 to 31 December 2003;
- (ii) DHSB has purchased Fire Insurance Policy No. 460000627F1R from QBE-MBF Insurans Berhad to insure DHSB against fire material damage on all stock of every description and the like contained in the policy at Lot B5/5/5, B5/4/4, B5/3/3, B5/2/2, B6/5/5 and B6/3/3, One Ampang Business Avenue, Ampang Utama, 68000 Selangor for an aggregate insured sum of RM1,000,000 from 1 January 2003 to 31 December 2003;

14. ADDITIONAL INFORMATION (Cont'd)

- (iii) DHSB has purchased Burglar Insurance Policy No. 460001553BUR from QBE-MBF Insurans Berhad to insure DHSB against burglary damage on all property of every description belonging to the insured or held by them in trust or on commission for which they are responsible at Lot B5/5/5, B5/4/4, B5/3/3, B5/2/2, B6/5/5 and B6/3/3, One Ampang Business Avenue, Ampang Utama, 68000 Selangor for an aggregate insured sum of RM500,000 from 1 January 2003 to 31 December 2003;
- (iv) DHSB has purchased Fire Insurance Policy No. 03DHQ/FFA242859 from Berjaya General Insurance Berhad to insure DHSB against fire material damage on all stock of every description and the like contained in the policy at Lot B5/5/5, B5/4/4, B5/3/3, B5/2/2, B6/5/5 and B6/3/3, One Ampang Business Avenue, Ampang Utama, 68000 Selangor for an aggregate insured sum of RM1,000,000 from 1 January 2003 to 31 December 2003; and
- (v) DHSB has purchased Burglar Insurance Policy No. 03DHQ/ABH139240 from Berjaya General Insurance Berhad to insure DHSB against burglary damage on all property of every description belonging to the insured or held by them in trust or on commission for which they are responsible at Lot B5/5/5, B5/4/4, B5/3/3, B5/2/2, B6/5/5 and B6/3/3, One Ampang Business Avenue, Ampang Utama, 68000 Selangor for an aggregate insured sum of RM500,000 from 1 January 2003 to 31 December 2003.

14.7 PUBLIC TAKE-OVERS

During the last financial year and the current financial year, there were no:

- (i) Public take-over offers by third parties in respect of the shares of the Company and its subsidiaries; and
- (ii) Public take-over offers by the Company and its subsidiaries in respect of other companies' shares.

14.8 GENERAL

- (i) The names of the Digistar Group's business and the names of all corporations, which are deemed to be related to the Digistar Group by virtue of Section 6 of the Companies Act, 1965 are set out in Section 4 of this Prospectus.
- (ii) The manner in which copies of this Prospectus together with the official Application Forms and envelopes may be obtained is set out in Section 15 of this Prospectus.
- (iii) The time of opening and closing of the Application Lists is set out in Section 15 of this Prospectus.
- (iv) The amount payable in full on application to the Company is RM0.55 per share.
- (v) Save as disclosed in Section 3 of this Prospectus, so far as known to the Company, there does not exist any persons who are able to, directly or indirectly, jointly or severally, exercise control over the Company and its subsidiaries.
- (vi) The name and address of the Auditors and Reporting Accountant of the Company are set out under the Corporate Directory of this Prospectus.

14. ADDITIONAL INFORMATION *(Cont'd)*

14.9 CONSENTS

The written consents of the Adviser/Underwriter/Placement Agent/Sponsor, Principal Bankers, Issuing House, Registrar, Solicitor, Company Secretaries and ACNielsen to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consents of the Auditors and Reporting Accountants to the inclusion of their name, Accountants' Report and their letters relating to the profit estimate for the financial year ended 30 September 2003 and the profit forecast for the financial year ending 30 September 2004 and the Proforma Consolidated Balance Sheets as at 31 May 2003 in the manner and form in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

14.10 RESPONSIBILITY

This Prospectus has been seen and approved by the Directors and Promoters of the Company and they, collectively and individually, accept full responsibility for the accuracy of the information contained herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading. The Directors of the Company hereby accept full responsibility for the profit estimate and the profit forecast included in this Prospectus and confirm that the profit estimate and the profit forecast have been prepared based on assumptions made.

Alliance acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes full and true disclosure of all material facts concerning the Public Issue and is satisfied that the consolidated profit estimate and the profit forecast (for which the Directors are fully responsible) prepared for inclusion in this Prospectus have been stated by the Directors of the Company after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

14.11 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at C15-1, Level 15, Tower C, Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, during normal business hours for a period of twelve (12) months from the date of this Prospectus:

- (i) Memorandum and Articles of Association of Digistar;
- (ii) The service agreements referred to in Section 6.7 of this Prospectus;
- (iii) The Reporting Accountants' letter relating to the profit estimate for the financial year ended 30 September 2003 and the profit forecast for the financial year ending 30 September 2004 included in Section 10.5 of this Prospectus;
- (iv) The Reporting Accountants' letter relating to the Proforma Consolidated Balance Sheets as at 31 May 2003 included in Section 10.7 of this Prospectus;
- (v) The Accountants' Report and the Directors' Report as included in Sections 11 and 12 respectively in this Prospectus;
- (vi) The Bye-Laws of the ESOS as included in Section 13 of this Prospectus;
- (vii) The material contracts referred to in Sections 14.5 of this Prospectus;
- (viii) The material agreements referred to in Section 14.6 of this Prospectus;
- (ix) The letters of consent referred to in Section 14.9 of this Prospectus;

14. ADDITIONAL INFORMATION (Cont'd)

- (x) The audited financial statements of Digistar for the financial period commencing from the date of incorporation to 31 May 2003;
- (xi) The audited financial statements of DHSB for the five (5) financial years ended 30 September 1998 to 2002 and the eight-(8) month financial period ended 31 May 2003; and
- (xii) The audited financial statements of DPSB for the five (5) financial years ended 30 September 1998 to 2002 and the eight-(8) month financial period ended 31 May 2003.

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