

## 7. SUMMARY OF FIVE-YEAR BUSINESS PLAN

### 7.1 Business Directions for the Next Five (5) Years

STB Group's five-year business plan is geared towards achieving exponential growth, diversifying to other related products, maintaining its competitiveness in the industry and be one of the market leaders in the paints and coatings industry in Malaysia. STB Group believes that in order to meet its objectives and visions, the Group has to be constantly innovative and in touch with the latest technology available in the market. With innovation and technology, the Group will be able to develop and manufacture new innovative products which meet its customers' requirements and needs as well as expand its product base.

In order to facilitate the Group's future expansion, the Group will expand its R & D team and acquire new machineries and R & D equipment which have the latest technology. It will constantly perform various testing and R & D activities to develop products that are needed in the market. In addition, the Group will also undertake various marketing and distribution strategies such as establishing its brand names, strengthening its networking and participating in marketing campaigns.

STB Group also believes that to be successful, it needs adequate workforce whom are motivated and dedicated to the Group. As such, in line with its future expansion, the Group will strengthen its workforce gradually in the next five (5) years and to provide the opportunity for its employees to participate in the equity via its Pink Form Allocation Scheme. STB Group also plans to reward its employees in the future by offering its employees with the Employee Share Option Scheme.

The Group also plans not only to increase its local market share but also to expand its export business to Thailand, Vietnam and Philippines in the ASEAN region.

### 7.2 Product and Business Development Policy

For the first year after admission to the MESDAQ Market, STB Group intends to:

- develop new variants of the Group's existing products such as the UVC coatings range for plastics and glass protective coatings;
- further expansion into the ASEAN market as AFTA agreement takes effect;
- modernise and automate the industrial coatings' production methodology; and
- develop new automotive refinishing coatings system.

In the next subsequent four (4) years, STB Group will gear its focus and directions towards the following:

- development of additional variants and new products range such as the water-borne and UV plastic coatings, advance plastic specialty coating for interior car parts, coatings for motorcycles and advanced industrial coatings for plastic and PCB;
- continuous development of radiation curable and water-borne coatings systems through its R & D effort;
- continuous effort in its marketing and distribution campaign through recognition of brand names, reinforcement of upstream and downstream network, strategic distribution and participation in trade fairs, seminars etc.; and
- better management and human resource development.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL OF THE STB GROUP

### 8.1 Promoters and Substantial Shareholders

#### 8.1.1 Particulars and Shareholdings of Promoters and Substantial Shareholders

Based on the Register of Substantial Shareholders of STB as at 13 September 2004, the direct and indirect interests of the Promoters and substantial shareholders (with 5% or more shareholdings) in STB before and after the Public Issue are as follows:

Designation	Before Public Issue				After Public Issue and Transfer				Nationality/ Place of Incorporation	
	Direct		Indirect		Direct		Indirect			
	No. of STB Shares	%	No. of STB Shares	%	No. of STB Shares	%	No. of STB Shares	%		
<b>Promoters and Substantial Shareholders</b>										
SHSB	-	43,950	0.062	-	-	49,838,949	52.500	-	-	Malaysia
Tan Fie Ping	Chairman & Managing Director	30,444,787	42.760	43,950 <sup>1</sup>	0.062	2,547,448	2.683	49,838,949 <sup>1</sup>	52.500	Malaysian
Tan Fie Jen	Executive Director	20,297,988	28.509	43,950 <sup>1</sup>	0.062	3,372,824	3.553	49,838,949 <sup>1</sup>	52.500	Malaysian
<b>Promoters</b>										
Tan Chuan Thye	Production Manager	6,766,582	9.504	-	-	2,124,086 <sup>2</sup>	2.238	-	-	Malaysian
Tan Bee Ngoh	Executive Director	3,385,489	4.755	-	-	3,385,489	3.566	-	-	Malaysian

Note:

<sup>1</sup> Deemed interested by virtue of their substantial shareholdings in SHSB pursuant to Section 6A of the Act

<sup>2</sup> Assuming that Mr. Tan Chuan Thye will subscribe for the 330,000 STB Shares allotted to him under the Pink Form Share Allocation Scheme

#### 8.1.2 Profile of the Promoters and Substantial Shareholders

Save as disclosed below, the profiles of Mr Tan Fie Ping, Mr Tan Fie Jen and Ms Tan Bee Ngoh, who are also the Directors of STB, are outlined in Section 8.2.2 of this Prospectus.

##### SHSB

SHSB was incorporated in Malaysia on 27 March 2003 as a private limited company under the Act. Its principal activity is investment holding and has an authorised share capital of 100,000 ordinary shares of RM1.00 each with an issued and paid-up share capital of 2,133 ordinary shares of RM1.00 each.

The Directors of SHSB are Mr Tan Fie Ping and Ms Tan Bee Ngoh. The shareholding structure of SHSB is as follows:

Shareholder	Before Transfer		After Transfer		Nationality
	No. of SHSB Shares held	% held	No. of SHSB Shares held	% held	
Tan Fie Ping	560	56.00	1,195	56.00	Malaysian
Tan Fie Jen	340	34.00	725	34.00	Malaysian
Tan Chuan Thye	100	10.00	213	10.00	Malaysian
<b>Total</b>	<b>1,000</b>	<b>100.00</b>	<b>2,133</b>	<b>100.00</b>	

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL OF THE STB GROUP

**Mr Tan Chuan Thye**, aged 32, graduated with a Diploma in Marine Engineering in 1993 from the Singapore Polytechnic, Singapore. He joined Tru Marine Pte Ltd in 1993 as a Supervisor responsible for maintenance and services. He subsequently joined MSSB in 1994 as an Executive and was promoted to Production Manager in 2002. Overall, Mr Tan has nine (9) years of experience in the industrial coatings industry.

### 8.1.3 Changes in the Promoters' and Substantial Shareholders' Shareholdings in STB Since Incorporation

The changes in the Promoters and substantial shareholders' shareholdings in STB since the date of incorporation are as follows:

Shareholders	Date	No. of STB Shares acquired/ (disposed)	Balance	% of enlarged share capital
<b>Promoters and Substantial Shareholders</b>				
SHSB	1 September 2004	43,950	43,950	0.062
Tan Fie Ping	1 September 2004	30,444,785	30,444,785	42.760
	1 September 2004	2	30,444,787	42.760
Tan Fie Jen	1 September 2004	20,297,988	20,297,988	28.509
<b>Promoters</b>				
Tan Chuan Thye	1 September 2004	6,766,582	6,766,582	9.504
Tan Bee Ngoh	1 September 2004	3,385,489	3,385,489	4.755

### 8.1.4 Directorships and Major Shareholdings in All Other Public Companies for the Past Two (2) Years

As at the 13 September 2004, (being the latest practicable date prior to the printing of the Prospectus), none of the Promoters and substantial shareholders hold any directorships and/or major shareholdings in other public companies for the past two (2) years.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL OF THE STB GROUP

### 8.2 Directors

#### 8.2.1 Particulars and Shareholdings of Directors

Save for Ms Tan Lay Beng and Encik Azahar Bin Baharudin, the two (2) independent Non-Executive Directors, the shareholdings for the Directors of STB, who are also the Promoters of the Group, are as disclosed in Section 8.1.1.

Designation	Before Public Issue				After Public Issue and Transfer				Nationality	
	Direct		Indirect		Direct		Indirect			
	No. of STB Shares	%	No. of STB Shares	%	No. of STB Shares	%	No. of STB Shares	%		
<b>Independent Directors</b>										
Tan Lay Beng	Independent Non-Executive Director	-	-	-	-	100,000 <sup>1</sup>	0.10	-	-	Malaysian
Azahar Bin Baharudin	Independent Non-Executive Director	-	-	-	-	100,000 <sup>1</sup>	0.10	-	-	Malaysian

Note:

<sup>1</sup> Assuming that Ms Tan Lay Beng and Encik Azahar Bin Baharudin will subscribe for the STB Shares allocated to them under the Pink Form Share Allocation Scheme.

#### 8.2.2 Profile of the Directors

The profiles of the Directors of STB are as follows:

**Mr Tan Fie Ping**, aged 42, was appointed to the Board on 1 September 2004 as the Chairman and Managing Director. He graduated with a Bachelor of Business Studies degree in 1985 from the University of Winnipeg, Canada and started his career as a production supervisor in Daihwa (M) Sdn Bhd (Daihwa) in 1986. After working with Daihwa for two (2) years, he was promoted as Head of Department for the 2<sup>nd</sup> Process Department and was subsequently transferred to be the Head of Secondary Sales and Marketing Department. In 1990, Mr Tan was re-assigned to head the Purchasing Department which he worked for another year. In 1991, Mr Tan left Daihwa to join Lea Tat (M) Sdn Bhd as a Manager and subsequently left the company in 1992 to set up his own business. Since then, he founded his own company, namely MSSB, and held the position of Director cum General Manager of the company. Overall, Mr Tan has seven (7) years and eleven (11) years of experience in the E & E and industrial coatings industries respectively.

**Mr Tan Fie Jen**, aged 39, was appointed to the Board on 1 September 2004 as the Executive Director and currently holds the position of Assistant General Manager in MSSB. He graduated from the Tunku Abdul Rahman College with a Diploma in Building in 1989. Since 1989, he worked as Sales Executive in various companies such as Hunter Products (M) Sdn Bhd, Supermax Enterprise and Lea Tat (M) Sdn Bhd for a duration of one (1) year in each of the company until 1992. Since then, he joined MSSB as a Sales Executive for nine (9) years before being promoted as the Assistant General Manager in 2001. Overall, he has eleven (11) years of experience in the industrial coatings industry.

**Ms Tan Bee Ngoh**, aged 42, was appointed to the Board on 1 September 2004 as the Executive Director. She graduated with a Bachelor of Economics degree from the University of Winnipeg, Canada in 1986. Ms Tan started her career as a Purchaser in Clayton

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**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL OF THE STB GROUP**

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Industries Sdn Bhd for three (3) years until 1988 before she joined Fairwood Furniture (M) Sdn Bhd as a Personnel Officer until 1992. She joined MSSB in the same year as a Director and the Administrator of the Company. Overall, she has eleven (11) years of experience in the industrial coatings industry.

**Ms Tan Lay Beng**, aged 50, was appointed to the Board on 1 September 2004 as the Independent Non-Executive Director. She obtained her certificate as a Certified & Chartered Accountants (ACCA) from the Association of Certified and Chartered Accountants, United Kingdom in 1984 and was subsequently accredited with Fellow Certified and Chartered Accountants (FCCA). She is a Chartered Accountant of the Malaysian Institute of Accountants, Certified Financial Planner of the Financial Planning Association of Malaysia and a Fellow Member of the Malaysian Institute of Taxation. Ms Tan started her career in the accounting and auditing field in 1973. After eight (8) years, she chose to specialize in taxation work whereby she became the Tax Manager of a medium size firm and then continued her career in taxation work with Price Waterhouse in 1989. She left the firm in 1999 to run her own consultancy firm known as TLB Consultancy. Overall, Ms Tan has twenty five (25) years of accounting, auditing and taxation experience.

**Encik Azahar Bin Baharudin**, aged 48, was appointed to the Board on 1 September 2004 as the Independent Non-Executive Director. He obtained his Malaysia Certificate of Education (MCE) in 1973 and subsequently a Diploma in Banking from MARA Institute of Technology in 1984. Encik Azahar started his career in 1977 as a clerk in United Asian Bank and was subsequently promoted to an Officer in 1981. Encik Azahar worked in various divisions of United Asian Bank until he was further promoted to Executive Officer of the retail and consumer banking division. Encik Azahar left United Asian Bank in 1991 and joined Affin Bank Berhad as an Executive Officer. In 1992, he was promoted to Head of Credit in one of the bank's branch in Johor and became the Deputy Branch Manager in 1993. In 1994, Encik Azahar was promoted again to Branch Manager and worked in various branch of the bank in Johor. In 2002, Encik Azahar was stationed in the Johor Bahru main branch and business centre as the Head of Business Centre cum Branch Manager until 2003. Currently, Encik Azahar is a financial consultant with The Royal Mint Exchange. Overall, Encik Azahar has twenty six (26) years of experience in the banking industry.

**8.2.3 Directors' Directorship and/or Substantial Shareholdings in Other Public Companies for the Past Two (2) Years**

As at the 13 September 2004 (being the latest practicable date prior to the printing of this Prospectus), none of the Directors hold any directorship and/or substantial shareholdings in other public companies for the past two (2) years.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL OF THE STB GROUP

### 8.2.4 Directors' Remuneration and Benefits

For the financial year ended 31 December 2003, the aggregate remuneration and benefits paid to the Directors of the MSSB for services rendered in all capacities to the Group was RM390,119. For the financial years ending 31 December 2004, the aggregate amount of remuneration and benefits to be paid to the Directors of STB for services rendered to STB Group are estimated to be approximately RM534,629.

The banding of remuneration and benefits of Directors of STB for the financial year ended 31 December 2003 and financial year ending 31 December 2004 respectively are as follow:

Financial year ended/ ending	No. of Directors	Range
31 December 2003	1	RM0 – RM100,000
	0	RM100,001 – RM200,000
	1	RM200,001 – RM300,000
31 December 2004	3	RM0 – RM100,000
	1	RM100,001 – RM200,000
	1	RM200,001 – RM300,000

### 8.3 Audit Committee

The members of the Audit Committee are as follows:

Name	Designation	Directorship
Tan Lay Beng	Chairman	Independent Non-Executive Director
Azahar Bin Baharudin	Member	Independent Non-Executive Director
Tan Fie Jen	Member	Executive Director

The Audit Committee is responsible for recommending to the Board of Directors the selection of external auditors, reviewing the scope of audit work and findings conducted by the Group's external auditors including any other services provided, reviewing and evaluating the Company's internal audit and controls, assessing financial risks and matters relating to related party transactions and conflict of interest and undertake such other responsibilities as may be agreed by the Audit Committee and the Board.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL OF THE STB GROUP

### 8.4 Key Management and Key Technical Personnel

#### 8.4.1 Particulars and Shareholdings of Key Management and Key Technical Personnel

None of the key management or key technical personnel of the STB Group holds any STB Shares prior to the Public Issue except for the shareholdings of Mr Tan Chuan Thye, who is the Promoter of STB which are disclosed in Section 8.1.1 above. Pursuant to the Pink Form Share Allocation Scheme in conjunction with the Public Issue, the shareholdings of key management and key technical personnel, on the assumption they subscribe for their respective STB Shares entitled under the Pink Form Share Allocation Scheme, will be as follows:

Designation	Before Public Issue				After Public Issue and Transfer				Nationality
	Direct		Indirect		Direct		Indirect		
	No. of STB Shares	%	No. of STB Shares	%	No. of STB Shares	%	No. of STB Shares	%	
<b>Key Management and Key Technical Personnel</b>									
Tan Chuan Thye	Production Manager	6,766,582	9.504	-	-	2,124,086	2.238	-	Malaysian
Lim Eng Tin	Assistant General Manager	-	-	-	-	225,500	0.238	-	Malaysian
Marchetto Fabio	Technical Advisor	-	-	-	-	116,000	0.122	-	Italian
Lau Lee Cheng	Chemical Engineer	-	-	-	-	162,500	0.171	-	Malaysian
Wong Siaw Yin	Assistant Account Manager	-	-	-	-	225,500	0.238	-	Malaysian

#### 8.4.2 Profile of Key Management and Key Technical Personnel

The key management and key technical personnel of STB Group consist of a group of experienced and dedicated personnel headed by the Managing Director and Executive Directors (except for the heads of the manufacturing departments) with each responsible for his or her respective sections as follows:

Department	Headed by
R & D	Tan Fie Ping
Operations	Tan Fie Jen
Administration	Tan Bee Ngoh
Manufacturing – Coatings	Lim Eng Tin
Manufacturing – Thinner/ Diluents	Tan Chuan Thye

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**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL OF THE STB GROUP**

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Save as disclosed below, the profiles of Mr Tan Fie Ping, Mr Tan Fie Jen and Ms Tan Bee Ngoh, who are the Directors of STB and Mr Tan Chuan Thye, who is the promoter of STB, are outlined in Section 8.1.2 and 8.2.2 of this Prospectus.

**Mr Lim Eng Tin**, aged 43, is the Assistant General Manager of the manufacturing division of MSSB. He graduated with a Sijil Tinggi Pelajaran Malaysia (STPM) from Tunku Abdul Rahman (TAR) College in 1984. In 1988, he joined Koda Woodcraft Sdn Bhd as a Foreman and later as a Superintendent. He later joined Art-Fibre Sdn Bhd as a Supervisor in 1997 for one (1) year. Since 1999, Mr Lim joined MSSB as a Production Manager and was promoted to a Factory Manager in 2001. He was subsequently promoted to Assistant General Manager of the manufacturing division in 2004.

The R & D and administration departments are assisted by the following key personnel:

**Mr Marchetto Fabio**, aged 38, is the technical advisor of MSSB. He obtained his Chief Master of Construction in 1985 under a Professional Course and later graduated as a Bachelor of Science in Chemistry and minor in Computer Programming from the School of Galilei, Italy in 1999. He subsequently obtained his MBA Degree from the University of Devonshire, United Kingdom in 2000. He started off as a Leather Processing Director in Compel Group, Italy, from 1982 to 1987. Then, he moved on to LA Fenice, Italy, as an Industrial Chemical, Development Manager for the Asia region from 1987 to 1991. In 1991, Mr Fabio joined M. Dohmen, Germany, as the Europe-Asia Technical/ Business Development Manager and in 1997, he joined BASF Leather and Textile Centre Asia as Asia Regional Technical/ Marketing Senior Manger. After leaving BASF Leather and Textile Centre Asia in 2000, he worked as a Marketing Director for the European and Africa region in Stoppani, Italy. Subsequently, Mr Fabio joined MSSB and thus STB Group as a Technical Advisor in 2002. Overall, he has twenty (20) years of working experience in various areas of expertise.

**Ms Lau Lee Cheng**, aged 27, is the Chemical Engineer of MSSB. She graduated with a Bachelor of Chemistry, majoring in Industrial Chemistry in 2000 and subsequently obtained a Master degree in Chemistry, majoring in Organic Chemistry in 2001. Both degrees were obtained from the University Technology of Malaysia. Ms Lau was engaged as an assistant chemist with EPI Sdn Bhd for three (3) months as part of her industry training requirement for her bachelor degree in 1999 as an assistant chemist. Upon obtaining her master degree, Ms Lau joined MSSB in December 2001 as a chemist and was promoted to her current position in MSSB in February 2004. Overall, she has about two (2) years of working experience in the industrial coatings industry.

**Ms Wong Siaw Yin**, aged 29, is the Assistant Account Manager of MSSB. She graduated with a Bachelor of Commerce, majoring in Accounting and Finance, in 1998 from Deakin University, Australia and is currently an Associate member of the Australian Society of Certified Practising Accountants. Ms Wong started her career as an Accounts Executive in 1999 for two (2) months in Pacific Insurance Bhd. Since then, she joined MSSB as an Accounts Supervisor for two (2) years and was subsequently promoted to Assistant Account Manager in 2001.



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## **8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL OF THE STB GROUP**

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### **8.5 Declaration by the Directors, Key Management and Key Technical Personnel**

None of the Directors, key management or key technical personnel is or has been involved in any of the following events (whether in or outside Malaysia):

- i) A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel; or
- ii) Convicted in a criminal proceedings or is a named subject of a pending criminal proceedings; or
- iii) Being the subject of any order, judgment or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

### **8.6 Family Relationships or Associations**

Save as disclosed below, there are no other family (as defined under Section 122A of the Act) relationship or associations between the substantial shareholders, Promoters, Directors, key management or key technical personnel.

Mr Tan Fie Ping and Mr Tan Fie Jen, who are the Promoters and Directors of the Group, are brothers while Ms Tan Bee Ngoh, the promoter and Director of the Group is the wife of Mr Tan Fie Ping and the sister-in-law of Mr Tan Fie Jen. Mr Tan Chuan Thye is the brother of Ms Tan Bee Ngoh and brother-in-law of Mr Tan Fie Ping.

### **8.7 Executive Directors, Key Management and Technical Personnel's Involvement in Other Business/ Corporations**

Save for Mr Tan Fie Ping and Mr Tan Fie Jen, none of the Executive Directors, key management and technical personnel are involved in any other businesses or corporations.

Presently, Mr Tan Fie Ping and Mr Tan Fie Jen are also the Directors in several private limited companies which are either investment holding or dormant companies. In addition, Tan Fie Jen is a passive partner in a partnership which supplies automotive parts.

Both Mr Tan Fie Ping and Mr Tan Fie Jen have ensured that they have been responsible and will continue with their responsibilities to the STB Group without jeopardising the performance of the Group.

### **8.8 Service Agreements**

As at 13 September 2004 (being the latest practicable date prior to the printing of this Prospectus), there are no existing or proposed service agreements entered into or to be entered into between the Group and its Directors, key management or key technical personnel.

## 9. APPROVALS AND CONDITIONS

### 9.1 Approvals Required

STB has obtained the approvals from the following relevant authorities on its application for listing on the MESDAQ Market of Bursa Securities:

Authorities	Date of approval obtained	Conditions imposed	Status of compliance
MITI	10 June 2003 and 26 July 2004	<ul style="list-style-type: none"> <li>STB is required to have at least 30% Bumiputera equity participation five (5) years after admission to the MESDAQ Market or, within one (1) year after meeting the profit track record criteria for the Second Board of the Bursa Securities, whichever is earlier.</li> </ul>	An undertaking letter has been furnished to MITI on 30 April 2003 by the Board on this compliance.
		<ul style="list-style-type: none"> <li>To obtain FIC's approval on the Listing.</li> </ul>	Complied. Obtained via SC on 28 April 2004 and 24 August 2004.
		<ul style="list-style-type: none"> <li>To obtain SC's approval on the Listing.</li> </ul>	Complied. Obtained on 28 April 2004 and 24 August 2004.
SC and FIC (via SC)	28 April 2004 and 24 August 2004	<ul style="list-style-type: none"> <li>To obtain Bursa Securities's approval on the Listing.</li> </ul>	Complied. Obtained on 29 April 2004 and 25 August 2004.
		<ul style="list-style-type: none"> <li>STB is required to disclose the status of the utilisation of its proceeds raised from the Public Issue in its quarterly announcements and annual reports until the amount is fully utilised.</li> </ul>	To be complied.
		<ul style="list-style-type: none"> <li>STB is required to undertake proactive steps to increase the number of researchers involved in its R &amp; D team, to exhibit its commitment to the improvement of its polymer/ plastic coatings technology and other relevant technologies.</li> </ul>	To be complied. STB is actively seeking qualified chemists to join the Group via online recruitment agency.
		<ul style="list-style-type: none"> <li>STB is required to have at least 30% Bumiputera equity participation five (5) years after admission to the MESDAQ Market or, within one (1) year after meeting the profit track record criteria for the Second Board of the Bursa Securities, whichever is earlier.</li> </ul>	An undertaking letter has been furnished to the SC on 15 September 2004 by the Board on this compliance.
		<ul style="list-style-type: none"> <li>SIBB/STB should submit a preliminary proposal to SC on how they intend to meet the Bumiputera equity condition, six (6) months before the expiry date of compliance.</li> </ul>	To be complied.

## 9. APPROVALS AND CONDITIONS

Authorities	Date of approval obtained	Conditions imposed	Status of compliance
		<ul style="list-style-type: none"> <li>• SIBB/STB should inform the SC upon completion of the Proposed flotation scheme</li> </ul>	To be complied
Bursa Securities	29 April 2004 and 25 August 2004	<ul style="list-style-type: none"> <li>• In relation to the proposed dividend payment by MSSB for the financial year ended 31 December 2003:               <ul style="list-style-type: none"> <li>– The dividend payment by MSSB must not deteriorate the NTA of MSSB for the financial year ended 2003 to below RM4,007,366; and</li> <li>– The dividend payment must be financed by internally generated funds.</li> </ul> </li> <li>• With regard to the related party transaction with Euphomas Sdn Bhd (Euphomas), STB to make detailed disclosure in its Prospectus of the following:               <ul style="list-style-type: none"> <li>– The nature of related party transaction between STB and Euphomas;</li> <li>– Equity interest held by Mr Tan Chuan Thye in Euphomas and his involvement in the business of Euphomas (if any);</li> <li>– Principal activities and market of Euphomas;</li> <li>– Justification on how Euphomas does not compete with STB Group and how the related party transaction between Euphomas and STB Group would not result in a conflict of interest;</li> <li>– Justification on how the present business arrangement between STB and Euphomas would benefit the business of STB; and</li> <li>– Any future transaction between the STB Group and other companies related to the Directors/ promoters must be on an "arms-length" basis and must not be unfavourable to companies in the Group.</li> </ul> </li> <li>• STB is reminded to strictly comply with Rule 6.6 of the MMLR on related party transactions.</li> </ul>	<p>No longer applicable as no dividend was declared for the financial year ended 31 December 2003.</p> <p>No longer applicable as Mr Tan Chuan Thye has disposed its shareholdings in Euphomas to an unrelated third party individual on 11 June 2004. Bursa Securities had, vide its letter dated 25 August 2004, uplifted this condition.</p> <p>No longer applicable as Mr Tan Chuan Thye has disposed its shareholdings in Euphomas to an unrelated third party</p>

## 9. APPROVALS AND CONDITIONS

Authorities	Date of approval obtained	Conditions imposed	Status of compliance
		<ul style="list-style-type: none"> <li>STB to include a negative statement in its Prospectus on the exclusion of profit forecast and projections from the Prospectus and the reason thereof.</li> </ul>	<p>individual on 11 June 2004. Bursa Securities had, vide its letter dated 25 August 2004, uplifted this condition.</p> <p>Complied. Refer to Section 12.5.</p>

### 9.2 Moratorium on Disposal of Shares

It is a condition of the MMLR that shares held by the Promoters amounting to 45% of the nominal issued and paid-up share capital of STB as at the date of its admission to the Official List of the MESDAQ Market be placed under moratorium.

The Promoter, whose shares are subject to moratorium is as follows:

Promoter	After Public Issue and Transfer		Shares to be held under moratorium	
	No. of STB Shares Held	% of the issued and paid-up share capital	No. of STB Shares Held	% of the issued and paid-up share capital
SHSB	49,838,949	52.500	42,718,950	45.000

The Promoter will not be allowed to sell, transfer or otherwise dispose of any part of its interest in the shares held in STB as disclosed above for one (1) year from the date of admission of STB to the Official List of MESDAQ Market. Thereafter, it is allowed to sell, transfer or otherwise dispose only up to a maximum of one-third per annum of its shareholding on a straight-line basis under moratorium.

The restriction that is fully accepted by the aforesaid Promoter, is specifically endorsed on the share certificates of STB representing the shareholding of the aforesaid Promoter which are under moratorium to ensure that the Registrar of STB does not register any transfer which is not in compliance with the restriction imposed by Bursa Securities. Additionally, the individual shareholders of SHSB, namely Mr Tan Fie Ping, Mr Tan Fie Jen and Mr Tan Chuan Thye have also provided a written undertaking not to sell, transfer or otherwise dispose of any part of their interest in all and any shares which they hold in SHSB on the date of the STB's admission to the MESDAQ Market, until the expiry of three (3) years from such date of admission.

## 10. RELATED PARTY TRANSACTIONS AND/OR CONFLICTS OF INTEREST

### 10.1 Related Party Transactions

Save as disclosed below, there is no existing or potential related party transaction between the STB Group and STB's Directors, substantial shareholders and/or persons connected with such Directors or substantial shareholders as defined under Section 122A of the Act:

- (i) On 31 December 2002, MSSB has entered into a SPA with Innobeam Sdn Bhd (Innobeam), a company related by common shareholders, namely Tan Fie Ping, Tan Fie Jen, Tan Chuan Thye, Tan Bee Ngoh, Teo Kim Hock and Tan Yan Wah, to sell a piece of industrial land held under HS(M) 2912 PTD 154848 Mukim of Plentong, District of Johor Bahru, State of Johor measuring 1 acre (the Property) at a total sale consideration of RM653,400 (SPA1). The sale consideration was based on market value assessed by an Independent Valuer, KGV-Lambert Smith Hampton in its valuation report dated 19 November 2002. The Property was previously purchased by MSSB from Speed Returns Sdn Bhd and Pelangi Lumayan (M) Sdn Bhd (collectively known as the Principal Vendors) on 6 May 1997 at a purchase consideration of RM958,320 (Principal SPA). As at 31 December 2002, MSSB has paid a total amount of RM545,996 to the Principal Vendors, leaving an outstanding balance of RM412,324.

In conjunction with SPA1, on the same date, MSSB entered into a deed of assignment cum novation agreement with Innobeam and the Principal Vendors whereby MSSB agreed to assign its titles, rights and interests and novate all MSSB's duties, liabilities and obligations of MSSB in regards of the Property to Innobeam. In addition, MSSB has also entered into a Supplementary Agreement with the Principal Vendors whereby the original purchase price of RM958,320 was reduced to RM871,200. This results in the amount owing by MSSB, which has been assigned to Innobeam to reduce from RM412,324 to RM325,204.

Therefore, under the written agreement, Innobeam will be obliged to:

- (a) pay to the Principal Vendors the sum or RM325,204 towards completing the purchase of the Property in accordance to the terms of the Principal SPA and Supplementary Agreement; and
- (b) pay to MSSB the sum or RM328,196 within 120 days from the date of the execution of the deed of assignment cum novation agreement. This outstanding amount has been set off against amount owing to certain shareholders of MSSB who are also substantial shareholders of Innobeam in 2002.

STB Group has not entered into any transactions that are unusual in its nature or conditions, involving goods, services, tangible or intangible assets, to which STB Group was a party in respect of the past one (1) financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

There were no outstanding loans including guarantees of any kinds made by the STB Group to or for the benefit of Directors, substantial shareholders, key persons or persons connected with them.

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## **10. RELATED PARTY TRANSACTIONS AND/OR CONFLICTS OF INTEREST**

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### **10.2 Conflict of Interests**

#### **10.2.1 Declaration of Conflict of Interests by Directors and Substantial Shareholders**

As at 13 September 2004 (being the latest practicable date prior to the printing of this Prospectus), none of the Directors or substantial shareholders of STB has any interest, direct or indirect, in any business carrying on a similar trade as STB Group.

As at 13 September 2004 (being the latest practicable date prior to the printing of this Prospectus), none of the STB Group's Directors and other companies controlled by the Directors and substantial shareholders (those holding 5% or more in the issued and paid-up share capital), (with the exception of STB's subsidiary) and/or persons connected with such Directors or substantial shareholders as defined under Section 122A of the Act, has any debts owing to the STB Group.

#### **10.2.2 Declaration by the Advisers, Auditors, Reporting Accountants, Solicitors and Independent Market Researcher**

SIBB hereby confirms that there is no existing or potential interest or conflict of interest in its capacity as the Adviser, Sponsor, Managing Underwriter and Placement Agent to STB for the Listing of the Company.

Messrs Horwath Wong & Co., Messrs Abdul Raman Saad & Associates and Frost and Sullivan (M) Sdn Bhd, have given their confirmations that there were no existing or potential interest or conflict of interest in their capacities as the Auditors for the financial year and period ended 31 December 2003 and 30 April 2004 and Reporting Accountants, Solicitors and Independent Market Researcher respectively for the Listing.

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## 11. OTHER INFORMATION CONCERNING THE STB GROUP

### 11.1 Approvals, Major Licences and Permits

A summary of the licenses issued to MSSB is as follows:

Authority	Date of issue	Type of license	Equity/other conditions	Status of compliance
Royal Customs and Excise Malaysia	19 December 1992	Manufacturing license to manufacture thinner, paint and filler pursuant to the Sales Tax Act, 1972.	None	N/A
MITI	19 June 2003	Manufacturing license to manufacture paint and coating and thinner*	MITI should be informed of any changes in shareholding structure	N/A

Note:

\* The manufacturing license is for the Group's factory located at No. 28, Jalan Canggih 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim

One of the brand names used by MSSB, i.e. "Quality" has been approved by the IPD of the Ministry of Domestic Trade and Consumers Affairs, and the Certificate of Registration of Trademark has been issued on 12 September 2003. Meanwhile, STB Group has also submitted its applications for eleven (11) other brand names to the IPD of Ministry of Domestic Trade and Consumers Affairs on 28 March 2003 which are still pending approvals.

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## 11. OTHER INFORMATION CONCERNING THE STB GROUP

### 11.2 Summary of Landed Properties

Registered Owner	Postal Address	Title No. / Location	Description/ Existing Use	Tenure / Date of Expiry of Leasehold Land	Approximate Age of Building (years)	Land Area (square feet)	Built-up Area (square feet)	Date of Certificate of Fitness Issued	NBV as at 30 April 2004 RM
MSSB <sup>(i)</sup>	No. 1 Jalan Canggih 5 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Darul Takzim	HS(D) No. 191514 PTD No. 89771 Mukim of Plentong District of Johor Bahru	One and a half (1 ½) storey terrace factory.  Currently used as warehouse for MSSB's inventory.	Freehold	7	9,429	7521.6	6 May 1997	753,470
MSSB <sup>(ii)</sup>	No. 1 Jalan Anggenik Mokara 31/59 Kota Kemuning Seksyen 31 40460 Shah Alam Selangor Darul Ehsan	HS(D) No. 54980 No. P. T. 56399 Mukim of Klang District of Klang Negeri Selangor	One and a half (1 ½) storey terrace factory.  Currently used for as marketing office and storage of inventory with small scale of thinner's manufacturing.	Freehold	8	5,909	4,550	26 June 2001	501,309
Mega Kabel Sdn Bhd <sup>(iii)</sup>	No. 28 Jalan Canggih 1 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Darul Takzim	HS(D) No. 191622 PTD No. 91802 Mukim of Plentong District of Johor Bahru	Detached factory cum office.  Currently used as head office, marketing office, R & D office, and manufacturing of STB's products.	Freehold	11	52,889	35,416	27 May 1993	3,017,912

Note:

- (i) This property is charged to Citibank Berhad for total banking facilities of RM2,250,000.
  - (ii) This property is charged to Affin Bank Berhad for total banking facilities of RM1,440,000.
  - (iii) This property is charged to EON Bank Berhad for total banking facilities of RM5,000,000.
- The presentation of transfer from Mega Kabel Sdn Bhd to MSSB has been presented on 5 August 2002 and is currently pending endorsement by the Land Registry of Johor Bahru.

Save as disclosed in note (i) to (iii) above, there are no restrictions in interest for the above properties. None of the above properties was acquired during the two (2) years preceding the date of this Prospectus.



## 12. FINANCIAL INFORMATION

### 12.1 Historical Financial Information

The table below has been extracted from the Accountant's Report in Section 13 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

A summary of the audited proforma consolidated financial results of STB after incorporating certain adjustments and reclassifications to conform with the latest period of accounts presentation in accordance with MASB for the five (5) years ended 31 December 2003 and the four (4) months period ended 30 April 2004, prepared based on the assumption that the current structure of the Group has been in existence throughout the period under review, is as follows:

	Financial year ended 31 December					Four (4) months period ended 30 April 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Turnover	14,777	18,997	20,837	25,372	26,685	7,385
Consolidated profit before interest, taxation, depreciation and amortisation of development expenditure	613	754	1,530	2,586	3,638	1,205
Depreciation	(364)	(398)	(420)	(620)	(765)	(247)
Interest expense	(139)	(150)	(143)	(291)	(391)	(126)
Amortisation of development expenditure	-	-	-	(8)	(33)	(14)
Consolidated PBT	110	206	967	1,667	2,449	818
Taxation	(3)	(58)	(171)	(309)	(290)	(155)
Consolidated PAT	107	148	796	1,358	2,159	663
<b>Number of STB Shares assumed in issue ('000)*</b>	71,199	71,199	71,199	71,199	71,199	71,199
Gross EPS (sen)	0.15	0.29	1.36	2.34	3.44	3.45**
Net EPS (sen)	0.15	0.21	1.12	1.91	3.03	2.79**
Gross dividend rate (%)	-	-	-	3.51***	-	-

Notes:

\* The number of ordinary shares assumed in issue throughout the financial years/ period under review is pursuant to MSSB Acquisition i.e. 71,198,500 MSSB Shares but before Public Issue

\*\* Annualised

\*\*\* On 30 September 2002, MSSB declared the following final dividend payment:

- (i) RM0.67 per ordinary share less 28% tax amounting to RM777,600; and
- (ii) RM0.02 per ordinary share of tax-exempt dividend amounting to RM32,400.

During the annual general meeting held on 30 June 2004, the above declaration of final dividend was cancelled and the shareholders approved a final tax exempt dividend of approximately RM0.15 per MSSB Share amounting to RM250,000 in respect of the financial year ended 31 December 2002.

Commentaries:

- (i) The Proforma consolidated results for the five financial years ended 31 December 2003 and the four (4) months period ended 30 April 2004 are prepared on the basis that the Proforma Group had been effective throughout the years/period under review. The proforma consolidated results for these years/period have been prepared based on the adjusted audited financial statements for its subsidiary. The proforma consolidated results have been prepared

## 12. FINANCIAL INFORMATION

based on accounting policies consistent with those previously adopted in the preparation of the adjusted audited financial statements of the subsidiary.

- (ii) There is an overall upward trend in the Proforma Group's turnover for the relevant financial years under review. For the financial year ended 31 December 1999, the Proforma Group managed to achieve a turnover growth rate of approximately 12% mainly due to the introduction of new product range i.e. plastic coatings and the increase in sales for its wood coatings as the Proforma Group gained acceptance from the market.

Turnover grew by approximately 29% in the financial year ended 31 December 2000 mainly due to the significant increase in sales of plastic coatings which achieved a growth rate of approximately 396% for the year as the Proforma Group successfully penetrated into the existing plastic paints and coatings market in Malaysia and secured an additional thirty seven (37) new customers.

For the financial year ended 31 December 2001, turnover increased further at a growth rate of approximately 10% as the Proforma Group continued to increase its market share.

For financial year ended 31 December 2002, turnover increased by 22% mainly because of the growth in plastic paints and coatings sales pursuant to the rebound of the local E & E market which stimulates the demand for plastic paints and coatings as well as further capturing of larger market share.

For the financial year ended 31 December 2003, turnover increased by 5% mainly due to the growth of the Proforma Group's plastic coatings sales which have increased by 29%.

For the four (4) months period ended 30 April 2004, the Proforma Group managed to record a turnover of approximately RM7.4 million. The Proforma Group has changed its marketing strategy at the beginning of this year to focus on higher margin products in order to increase its sales thus profitability.

- (iii) The Proforma consolidated PBT for the financial year ended 31 December 1999 decreased by approximately 72% mainly due to the decrease in gross profit margin by 3.8% as compared to that in financial year ended 31 December 1998, increase in salary cost and the write-off of RM32,000 against the electrical installation and renovation works relating to the old factory.

For the financial year ended 31 December 2000, Proforma consolidated PBT increased by approximately 87% mainly due to the increase in turnover while the operating expenses remained relatively fixed.

For the financial year ended 31 December 2001, Proforma consolidated PBT increased by approximately 369% as compared to turnover growth rate of only approximately 10% mainly due to improved gross profit margin and cost control policy adopted by the Proforma Group to reduce its operating expenses. The Proforma Group was able to command a better profit margin as the Proforma Group is able to manufacture and sell higher end plastic coatings which have better margin and its shift in manufacturing from the lower profit margin wood coatings to the higher margin plastic coatings.

For the financial year ended 31 December 2002, the Proforma Group's consolidated PBT increased by approximately 72% mainly due to the increase in gross profit for the year as the Proforma Group continued to change its sales mix towards the plastic coatings which yields a higher profit margin.

For the financial year ended 31 December 2003, the Proforma Group's consolidated PBT increased by approximately 47%. This is mainly due to the non-recurring expenses such as bad debts, allowance for doubtful debts and loss on disposal of property, plant and equipment in the financial year ended 31 December 2002 and the relatively fixed nature of the Proforma Group's administration expenses.

For the four (4) months period ended 30 April 2004, the Proforma Group achieved a Proforma consolidated PBT of approximately RM818,000. This is mainly due to the increase in higher gross profit from sales of plastic coatings as the Proforma Group focused on selling higher profit margin products and continuing effort to improve the formula to reduce the cost of production.

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## 12. FINANCIAL INFORMATION

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- (iv) For the financial year ended 31 December 1999, the effective tax rate is lower than the statutory tax rate due to taxable income for the year being waived in accordance with the provisions of the Income Tax (Amendment) Act 1999.

The effective tax rate for the financial year ended 31 December 2000 is similar to the statutory tax rate.

The effective tax rate for the financial year ended 31 December 2001 to 31 December 2003 and the four (4) months period ended 30 April 2004 is lower than the statutory tax rate mainly due to the availability and utilisation of reinvestment allowances to reduce the chargeable income of the Proforma Group.

- (v) The gross earnings per share of the Proforma Group is calculated based on the profit before taxation and the number of ordinary shares of STB assumed to be in issue of 71,198,500 ordinary shares of RM0.10 each but before Public Issue.
- (vi) The net earnings per share of the Proforma Group is calculated based on the profit after taxation and the number of ordinary shares of STB assumed to be in issue of 71,198,500 ordinary shares of RM0.10 each but before Public Issue.
- (vii) There were no exceptional or extraordinary items during the financial years/period under review.

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## 12. FINANCIAL INFORMATION

### 12.2 Segmental Analysis of Proforma Turnover

#### 12.2.1 Analysis of Turnover by Product Range

	← Audited Financial year ended 31 December →										4 months period ended 30 April 2004	
	1999 RM'000	%	2000 RM'000	%	2001 RM'000	%	2002 RM'000	%	2003 RM'000	%	2004 RM'000	%
Wood Coatings	4,991	34	3,881	20	3,033	14	3,141	12	1,853	8	685	9
Plastic Coatings	913	6	4,527	24	7,232	35	11,090	43	14,256	53	3,462	48
Metal Coatings	155	1	129	1	377	2	145	1	84	*	33	*
Thinners	8,690	59	10,406	55	10,157	49	10,546	42	10,384	39	3,015	41
Automotive Coatings	-	-	-	-	-	-	-	-	44	*	27	*
Others	28	*	54	*	38	*	450	2	64	*	163	2
<b>Total</b>	<b>14,777</b>	<b>100</b>	<b>18,997</b>	<b>100</b>	<b>20,837</b>	<b>100</b>	<b>25,372</b>	<b>100</b>	<b>26,885</b>	<b>100</b>	<b>7,385</b>	<b>100</b>

Note: \* less than 1%

For the past five (5) financial years ended 31 December 2003, STB Group has managed to increase its sales in plastic coatings from approximately RM913,000 to approximately RM14.3 million, achieving an average growth rate of approximately 292% per annum. This indicates that the Group has managed to increase its market share in the plastic coatings industry and was able to achieve a growth rate higher than the industry norm. Consequently, its sales of thinner also increased concurrently as it is a complementary product for paints and coatings. The shift from its focus on wood coatings to plastic/ polymer coatings is because of the slow down in the furniture industry in Malaysia and better profit margin for plastic/ polymer coatings. However, the Group envisages that it will be able to increase its sales in wood coatings in the future as its starts to develop more variants of wood coatings and also to penetrate into other ASEAN countries like Thailand, Vietnam and Philippines.

### 12.3 Directors' Declaration on Financial Performance

Save as disclosed in this Prospectus, the Directors of STB are of the view that the financial performance, position and operations of the Group are not affected by any of the following:

- (i) Known trends, demands, commitments, events or uncertainties that have had or that the Company and/or its subsidiary reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (ii) Material capital expenditure commitments;
- (iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and

## 12. FINANCIAL INFORMATION

- (iv) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

### 12.4 Working Capital, Borrowings, Material Litigations, Capital Commitments and Contingent Liabilities

#### 12.4.1 Working Capital

The Directors of STB are of the opinion that after taking into account of the Group's cashflows position, banking facilities available and the allocation of approximately RM1,000,000 for working capital from the proceeds raised pursuant to the Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of the issue of the Prospectus.

#### 12.4.2 Borrowings

As at 13 September 2004, (being the latest practicable date of which such an amount could be calculated prior to the printing of this Prospectus), the total bank borrowings of the Group amounted to approximately RM6.584 million. These borrowings are interest-bearing and comprise the following:

	Amount outstanding as at 13 September 2004		Total RM'000
	Repayable within twelve (12) months RM '000	Repayable after twelve (12) months RM'000	
Term Loans	441	2,206	2,647
Bankers' Acceptances	3,240	-	3,240
Hire Purchase	199	236	435
Bank Overdrafts	262	-	262
<b>Total</b>	<b>4,142</b>	<b>2,442</b>	<b>6,584</b>

STB Group has not defaulted on its payment of either interest and/ or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

#### 12.4.3 Material Litigations

Save as disclosed in Section 16.5 of this Prospectus, neither the Company nor its subsidiary are engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the business or financial position of the Group and the Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially affect the business or financial position of the Group.

#### 12.4.4 Capital Commitments

As at 13 September 2004 (being the latest practicable date prior to the printing of this Prospectus), save for the purchase of new equipment and vehicle of approximately RM265,000, the Directors of STB are not aware of any capital commitment contracted or known to be contracted by the Company or its subsidiary, which upon becoming enforceable, may have a material impact on the financial performance, position and operations of the Group.

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## **12. FINANCIAL INFORMATION**

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### **12.4.5 Contingent Liabilities**

As at 13 September 2004 (being the latest practicable date prior to the printing of this Prospectus), the STB Group does not have any material contingent liabilities, which upon materialisation, would have a material impact on the financial performance, position and operations of the Group.

### **12.5 Future Financial Information**

Due to the uncertain nature and inherent risks in the business of the Group, no future financials are included in this Prospectus. Please refer to Section 4 – Risk Factors for further details.

### **12.6 Dividend Forecast and Policy**

The Board is of the view that all STB's shareholders should be given the chance to participate in the profits of the Company while maintaining adequate reserves for its future growth.

Barring any unforeseen circumstances and the Group having sufficient cashflows, the Board intends and expects to declare a proposed future tax-exempt dividend of 0.20 sen per STB Share or 2.0% per annum commencing financial year ending 31 December 2004 onwards based on the enlarged issued and paid-up share capital of 94,931,000 STB Shares. The declaration of tax-exempt dividends is however subject to the availability of tax credit under Section 108 of the Income Tax Act, 1967 and tax-exempt credit to frank the payments of such dividends.

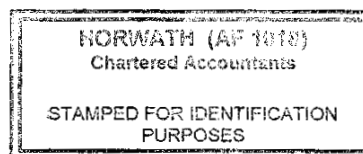
Based on the Public Issue Price, the gross and net dividend yield for STB Share is 0.67%.

However, it should be noted that the proposed future dividends will be waived if the Group is in a loss position for the relevant financial years or the Group has insufficient cashflows to meet any dividend payment. Also, the Board has the full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interest of the Group.

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## 12. FINANCIAL INFORMATION

### 12.7 Proforma Consolidated Balance Sheets as at 30 April 2004 (Prepared for inclusion in this Prospectus)



#### SERSOL TECHNOLOGIES BERHAD PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 APRIL 2004

The Proforma Consolidated Balance Sheets of the Proforma Group as set out below are provided for illustrative purposes only to show the effects on the financial statements of Sersol Technologies Berhad ("STB") as at 30 April 2004 had the MSSB Acquisition and the Public Issue been completed on that date.

	Audited As at 30 April 2004 RM'000	(I) After MSSB Acquisition RM'000	(II) After I and Public Issue RM'000
<b>ASSETS</b>			
Property, plant and equipment	-	7,964	7,964
Development expenditure	-	470	470
Negative goodwill	-	(470)	(470)
	-	7,964	7,964
<b>CURRENT ASSETS</b>			
Inventories	-	2,239	2,239
Trade receivables	-	7,062	7,062
Other receivables, deposit and prepayments	362	851	851
Fixed deposits with licensed financial institutions	-	535	535
Cash and bank balances	*	1,174	3,174
	362	11,861	13,861
<b>CURRENT LIABILITIES</b>			
Trade payables	-	4,312	4,312
Other payables and accruals	381	237	237
Hire purchase payable	-	216	216
Borrowings – secured	-	4,968	**2,659
Dividend payable	-	230	230
	381	9,963	7,654
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	(19)	1,898	6,207
	(19)	9,862	14,171
<b>FINANCED BY :-</b>			
Share capital	*	7,119	9,493
Share premium	-	#	***3,346
Accumulated loss	(19)	(19)	(19)
<b>SHAREHOLDERS' EQUITY</b>	(19)	7,100	12,820
<b>LONG TERM AND DEFERRED LIABILITIES</b>			
Hire purchase payable	-	247	247
Borrowings – secured	-	1,997	**586
Deferred taxation	-	518	518
	-	2,762	1,351
	(19)	9,862	14,171
<b>NTA per share (RM)</b>	(9,500)	0.10	0.14

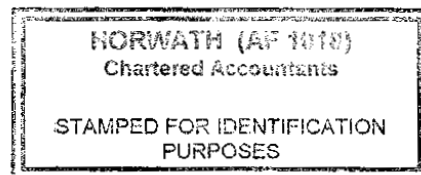
\* Represents RM0.20

\*\* Net of repayment of trade facilities and term loan of RM2.22 million and RM1.5 million respectively

\*\*\* Net of estimated listing expenses of RM1.4 million

# Amount less than RM1,000

## 12. FINANCIAL INFORMATION



### NOTES TO PROFORMA CONSOLIDATED BALANCE SHEETS

#### 1. BASIS OF PREPARATION

The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes based on accounting principles and bases consistent with those adopted in the preparation of the audited financial statements of STB and its subsidiary.

#### 2. PROFORMA CONSOLIDATED BALANCE SHEETS

The Proforma Consolidated Balance Sheets are prepared based on the audited financial statements of STB as at 30 April 2004 and on the assumption that the following transactions have been effected on that date.

##### Proforma I

Acquisition of 100% equity interest in MSSB at a consideration of RM7,119,859 satisfied by the issuing of 71,198,498 new ordinary shares of RM0.10 each at approximately RM0.10.

##### Proforma II

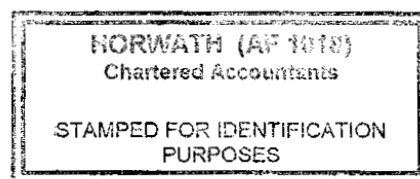
Proforma II is after incorporating Proforma I and the increase in the Company's issued and fully paid-up share capital of RM2,373,250 as a result of the Public issue of 23,732,500 new ordinary shares of RM0.10 each at an issue price of RM0.30 per share.

The proceeds from the Public Issue are to be utilised as follows:

	<b>RM'000</b>
Estimated listing expenses	1,400
Repayment of term loan	1,500
Repayment of bankers' acceptances	2,220
Research and developments	1,000
Working capital	1,000
<b>Total</b>	<b><u>7,120</u></b>

Included in Proforma II are estimated listing expenses of approximately RM1,400,000 which are deducted from the share premium account.



**12. FINANCIAL INFORMATION****3. SHARE CAPITAL**

	Par value	No. of shares	RM
As at 30 April 2004 in STB	RM0.10	2	*
Issued pursuant to the Acquisition of MSSB	RM0.10	71,198,498	7,119,850
<b>As shown in Proforma I</b>	RM0.10	71,198,500	7,119,850
Issued pursuant to the Public Issue	RM0.10	23,732,500	2,373,250
<b>As Shown in Proforma II</b>	RM0.10	<u>94,931,000</u>	<u>9,493,100</u>

\* This represents RM0.20 comprising 2 ordinary shares of RM0.10 each

**4. SHARE PREMIUM**

	RM'000
Share premium arising from the Acquisition	#
Share premium arising from the Public Issue	4,746
Estimated listing expenses	<u>(1,400)</u>
<b>As Shown in Proforma II</b>	<u>3,346</u>

# Amount less than RM1,000

## 12. FINANCIAL INFORMATION

### 12.8 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets (Prepared for inclusion in this Prospectus)



16 SEP 2004

The Board of Directors  
Sersol Technologies Berhad  
30-05, Level 30, Menara Landmark  
No.12, Jalan Ngee Heng  
80000 Johor Bahru  
Johor

Dear Sirs,

#### SERSOL TECHNOLOGIES BERHAD PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 APRIL 2004

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Sersol Technologies Berhad (STB) and its subsidiary namely Multi Square Sdn Bhd (STB Group) as at 30 April 2004, together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in STB's Prospectus dated 23 Sept 2004 in connection with the following exercises:

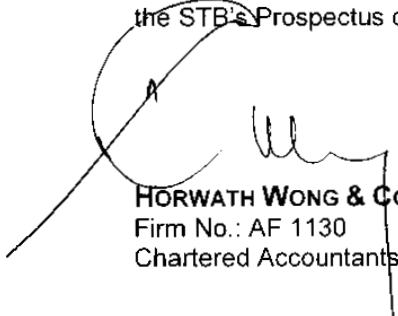
- a) Public issue of 23,732,500 new ordinary shares of RM0.10 each in STB at an issue price of RM0.30 per ordinary share; and
- b) Listing of and quotation for the entire enlarged, issued and fully paid-up share capital of STB, comprising 94,931,000 ordinary shares of RM0.10 each on the Malaysian Exchange of Securities Dealing and Automated Quotation ("MESDAQ") Market of the Bursa Malaysia Securities Berhad.

The Proforma Consolidated Balance Sheets of STB Group as at 30 April 2004 have been properly compiled on a basis stated in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by the Malaysian Accounting Standards Board.

In our opinion:-

- i) The Proforma Consolidated Balance Sheets of STB Group as at 30 April 2004 have been properly compiled on a basis stated above;
- ii) Such basis is consistent with the accounting policies normally adopted by STB Group; and
- iii) The adjustments are appropriate for the purposes of preparing the proforma consolidated balance sheets.

The Proforma Consolidated Balance Sheets are presented in a form suitable for inclusion in the STB's Prospectus dated 23 Sept 2004.

  
**HORWATH WONG & Co.**  
Firm No.: AF 1130  
Chartered Accountants

  
**WONG TAK KEONG**  
Approval No: 1966/7/05 (J)  
Partner of Firm

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