

## 1. CORPORATE DIRECTORY

### BOARD OF DIRECTORS

| Name   | Address  | Occupation       | Nationality |
|--|--|------------------|-------------|
| Tan Fie Ping<br>(Chairman and Managing Director)             | 27 Jalan Molek 1<br>Taman Molek<br>81100 Johor Bahru<br>Johor Darul Takzim             | Company Director | Malaysian   |
| Tan Fie Jen<br>(Executive Director)                          | 174 Jalan Pesona 1<br>Taman Pelangi Indah<br>81800 Ulu Tiram<br>Johor Darul Takzim     | Company Director | Malaysian   |
| Tan Bee Ngoh<br>(Executive Director)                         | 27 Jalan Molek 1<br>Taman Molek<br>81100 Johor Bahru<br>Johor Darul Takzim             | Company Director | Malaysian   |
| Tan Lay Beng<br>(Independent Non-Executive Director)         | 3B Jalan Titiwangsa 3<br>Taman Tampoi Indah<br>81200 Johor Bahru<br>Johor Darul Takzim | Company Director | Malaysian   |
| Azahar Bin Baharudin<br>(Independent Non-Executive Director) | Lot 11253<br>Jalan Melor 2<br>Sungai Kantan<br>43000 Kajang<br>Selangor Darul Ehsan    | Company Director | Malaysian   |

### AUDIT COMMITTEE

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

### COMPANY SECRETARIES

- : Rokiah Binti Abdul Latiff (LS 0000194)  
07-02 Sri Panglima B  
Pangsapuri Bukit Saujana  
Jalan Bendahara  
80100 Johor Bahru  
Johor Darul Takzim
- : Ow Pee Juan (F) (MAICSA 7013304)  
9868 Taman Cergas  
Batu Berendam  
75350 Melaka

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**1. CORPORATE DIRECTORY**

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|---|---|--|
| <b>REGISTERED OFFICE</b>                      | : | 30-05 Level 30<br>Menara Landmark<br>Mail Box 172<br>12 Jalan Ngee Heng<br>80000 Johor Bahru<br>Johor Darul Takzim<br>Tel: (07) 278 1268   |
| <b>HEAD / MANAGEMENT OFFICE</b>               | : | 28 Jalan Canggih 1<br>Taman Perindustrian Cemerlang<br>81800 Ulu Tiram<br>Johor Darul Takzim<br>Tel: (07) 861 1112<br>Email: ssms@sersoltech.com<br>Website: www.sersoltech.com  |
| <b>REGISTRAR</b>                              | : | Symphony Share Registrars Sdn Bhd<br>(Formerly known as Malaysian Share<br>Registration Services Sdn Bhd)<br>Level 26 Menara Multi-Purpose, Capital Square<br>8 Jalan Munshi Abdullah<br>50100 Kuala Lumpur<br>Tel: (03) 2721 2222 |
| <b>PRINCIPAL BANKERS</b>                      | : | EON Bank Berhad<br>37 & 39 Jalan Johar 1<br>Taman Desa Cemerlang<br>81800 Ulu Tiram<br>Johor Darul Takzim<br>Tel: (07) 861 7488  |
| <b>AUDITORS AND REPORTING<br/>ACCOUNTANTS</b> | : | Horwath Wong & Co.<br>30-04 Level 30<br>Menara Landmark<br>12 Jalan Ngee Heng<br>80000 Johor Bahru<br>Johor Darul Takzim<br>Tel: (07) 278 1268   |
| <b>SOLICITORS FOR THE PUBLIC<br/>ISSUE</b>    | : | Abdul Raman Saad & Associates<br>Advocates and Solicitors<br>Level 12 Menara Pelangi<br>Jalan Kuning<br>Taman Pelangi<br>80400 Johor Bahru<br>Johor Darul Takzim<br>Tel: (07) 334 2266   |
| <b>INDEPENDENT MARKET<br/>RESEARCHER</b>      | : | Frost & Sullivan (M) Sdn Bhd<br>Suite E-08-15 Block E<br>Plaza Mont' Kiara<br>2 Jalan Kiara<br>Mont' Kiara<br>50480 Kuala Lumpur<br>Tel: (03) 6204 5800  |

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## 1. CORPORATE DIRECTORY

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| <b>ADVISER, SPONSOR, MANAGING UNDERWRITER AND PLACEMENT AGENT</b> | : | Southern Investment Bank Berhad<br>16 <sup>th</sup> Floor Wisma Genting<br>28 Jalan Sultan Ismail<br>50250 Kuala Lumpur<br>Tel: (03) 2059 4188                           |
| <b>ISSUING HOUSE</b>  | : | Malaysian Issuing House Sdn Bhd<br>27 <sup>th</sup> Floor Menara Multi-Purpose<br>Capital Square<br>8 Jalan Munshi Abdullah<br>50100 Kuala Lumpur<br>Tel: (03) 2693 2075 |
| <b>LISTING SOUGHT</b>   | : | MESDAQ Market of Bursa Securities  |

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## **2. INFORMATION SUMMARY**

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**THE INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE STB GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS PRIOR TO MAKING AN INVESTMENT DECISION.**

### **2.1 History and Business**

#### **2.1.1 Introduction**

STB was incorporated in Malaysia under the Act on 28 December 2002 as a public limited company. It was incorporated as an investment holding company to facilitate the listing of the STB Group on the MESDAQ Market. STB obtained its certificate of commencement of business on 25 February 2003.

The Company presently has an authorised share capital of RM10,000,000 comprising 100,000,000 STB Shares. Its current issued and paid-up share capital is RM7,119,850 comprising 71,198,500 STB Shares.

STB Group comprises STB and a wholly-owned subsidiary, namely MSSB, which is principally involved in the manufacturing and sales of paints, chemical solvents and industrial chemicals.

The Group, as at 13 September 2004 (being the latest practicable date prior to the printing of this Prospectus), does not have any associated company.

Refer to Section 6.1, 6.2 and 6.4 of this Prospectus for further information.

#### **2.1.2 Business Overview of STB Group**

STB Group comprises STB and a wholly-owned subsidiary, namely MSSB, which is principally involved in the manufacturing of customised industrial coatings and diluents for the plastic/ polymer and wood based industries. Industrial coatings are mostly referring to paints and coatings, varnishes, lacquers and other finishes that are applied onto manufactured goods, either industrial or consumer goods. Plastic/ polymer coatings are usually applied to E & E appliances such as audio Hi-Fi, VCR, VCD/ DVD players, cameras, telephones, projectors, computers, office equipment, remote controls, etc.. Wood coatings, in turn, are used mostly for wooden furniture.

STB Group's major customers consist of multinational E & E manufacturers such as Funai Electric (M) Sdn Bhd, Panasonic AVC Networks Johor Malaysia Sdn Bhd, Panasonic AVC Networks Singapore Pte. Ltd., Sharp-Roxy Corporation (M) Sdn Bhd and Pioneer Electronics Asiacyber Pte. Ltd. .

STB Group has started to penetrate into the automotive refinishing industry in view of the positive growth rate in automotive industry. Currently, most of the established suppliers of industrial coatings for the automotive refinishing industry are foreign manufacturers and there are very few local manufacturers which can compete with the quality of these imported automotive coatings. However, the Group believes that with the help of its R & D activities, it has the technology and ability to produce automotive coatings that match the quality of these imported coatings whilst maintaining its competitive price. The Group has recently appointed a distributor to market and distribute its products.

The Group is also developing radiation-cured coatings system such as the UVC. Radiation-cured coatings system is favourable over other coatings systems mainly because it is fast curing and is more environmentally friendly due to its low VOC. At present, there is no local manufacturer producing such system for the plastic/ polymer coatings industry and this presents an opportunity for the STB Group to establish its initial presence in this sector.

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## 2. INFORMATION SUMMARY

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The Group currently adopts the ISO 9001:2000 System. It has an R & D team of twelve (12) members (excluding its Managing Director) which includes one (1) Assistant General Manager, one (1) technical adviser, one (1) chemical engineer, three (3) chemists and assisted by six (6) lab technicians. The Group also has a strong sales and marketing team of eleven (11) staff which include four (4) marketing managers, one (1) assistant sales manager and six (6) sales service and technical personnel. As at 13 September 2004 (being the latest practicable date prior to the printing of this Prospectus), STB Group has a total workforce of eighty seven (87) employees. It has a maximum monthly production capacity of 180MT and 490MT running under one (1) production line at one (1) shift per day for each of its industrial coatings and industrial diluents respectively.

The Group's head office and its two (2) factories are located in Johor Bahru. Its new and larger factory is used for manufacturing activities whereas the smaller factory is currently used as a warehouse. STB Group has marketing offices located in Johor, Selangor and Kedah.

Refer to Section 6 of this Prospectus for further information.

### 2.1.3 Technology Used and to be Used

For the development of its polymer/ plastic coatings, STB Group is focusing on diversifying from the current solvent-borne coatings system to the water-borne coatings system whereby the water-borne coatings system is more environmentally friendly as it uses less solvent that is harmful to the environment. In addition, the Group is also focusing on the development of radiation curable coatings system such as the UVC coatings for plastic/ polymer as mentioned in Section 6.5.2(i).

The Group also uses the latest technology and analytical equipment to analyse and control the quality of its raw materials and the formula of the raw materials input in its production process. This is to ensure that the chemical contents of the raw materials used matches the original specimen sample which is of acceptable and proven quality by the Group and the products' end users.

Refer to Section 6.5.3 of this Prospectus for further information.

### 2.1.4 R & D Capabilities

As at 13 September 2004 (being the latest practicable date prior to the printing of this Prospectus), there are twelve (12) members in the Group's R & D team (excluding its Managing Director), led by its Group's Managing Director, Mr Tan Fie Ping. STB Group's R & D primary objectives are:

- (i) to constantly review products' performance to improve the quality of its existing products;
- (ii) to develop new innovative products to meet new trends and better performances;
- (iii) to be more cost efficient;
- (iv) to have the ability to customise its products to certain niche market and specific customer demands; and
- (v) to develop and focus on water-borne and UVC coatings system.

Refer to Section 6.5.8 of this Prospectus for further information.

## 2. INFORMATION SUMMARY

### 2.2 Promoters, Directors, Substantial Shareholders, Key Management and Key Technical Personnel

#### 2.2.1 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 will be as follows:

| Designation                                   | Before Public Issue                |            |                      |                     | After Public Issue and Transfer |                        |                      |                         | Nationality/<br>Place of<br>Incorporation |           |
|---|------------------------------------|------------|----------------------|---------------------|---------------------------------|------------------------|----------------------|-------------------------|---|-----------|
|   | Direct                             |            | Indirect             |                     | Direct                          |                        | Indirect             |                         |   |           |
|   | No. of STB<br>Shares               | %          | No. of STB<br>Shares | %                   | No. of STB<br>Shares            | %                      | No. of STB<br>Shares | %                       |   |           |
| <b>Promoters and Substantial Shareholders</b> |                                    |            |                      |                     |                                 |                        |                      |                         |   |           |
| SHSB  | -                                  | 43,950     | 0.062                | -                   | -                               | 49,838,949             | 52.500               | -                       | -   | Malaysia  |
| Tan Fie Ping                                  | Chairman &<br>Managing<br>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<br>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<br>Thye                             | Production<br>Manager              | 6,766,582  | 9.504                | -                   | -                               | 2,124,086 <sup>2</sup> | 2.238                | -                       | -   | Malaysian |
| Tan Bee Ngoh                                  | Executive<br>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

#### 2.2.2 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 2.2.1 above.

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

## 2. INFORMATION SUMMARY

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

None of 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 2.2.1 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<br>No. of<br>STB<br>Shares | %         | Indirect<br>No. of<br>STB<br>Shares | % | Direct<br>No. of<br>STB<br>Shares | %         | Indirect<br>No. of<br>STB<br>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 |

Further information on the Promoters, Directors, substantial shareholders, key management and key technical personnel is set out in Section 8 of this Prospectus.

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## 2. INFORMATION SUMMARY

### 2.3 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)<br>months<br>period ended<br>30 April 2004<br>RM'000 |
|---|----------------------------------|----------------|----------------|----------------|----------------|---|
|   | 1999<br>RM'000                   | 2000<br>RM'000 | 2001<br>RM'000 | 2002<br>RM'000 | 2003<br>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.

Further information on the historical financial information is disclosed in Section 12 of this Prospectus.



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### 2.4 Proforma Consolidated Balance Sheets as at 30 April 2004

A summary of the proforma consolidated balance sheets of STB is extracted from the Proforma Consolidated Balance Sheets as at 30 April 2004, as disclosed in Section 12.7 of this Prospectus. This proforma consolidated balance sheets is for illustrative purposes only to show the effects on the audited accounts of STB Group as at 30 April 2004 after taking into consideration of MSSB Acquisition, Public Issue and estimated listing expenses, as if these transactions had been effected on that date.

|   | (I)   | (II)   | (III)                                  |
|---|---|--|--|
|   | Audited<br>As at<br>30 April 2004<br>RM'000 | After I and<br>MSSB<br>Acquisition<br>RM'000 | After II and<br>Public Issue<br>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>                         | 362   | 11,861                                       | 13,861                                 |
| <b>CURRENT LIABILITIES</b>                    | 381   | 9,963  | 7,654**                                |
| <b>NET CURRENT<br/>(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<br/>LIABILITIES</b> | -   | 2,762  | 1,351                                  |
|   | (19)  | 9,862  | 14,171                                 |
| Consolidated NTA per share<br>(RM)            | (9,500)                                     | 0.10   | 0.14                                   |

Notes:

\* This represents RM0.20 comprising 2 STB Shares

\*\* 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

The notes to the Proforma Consolidated Balance Sheets as at 30 April 2004 are set out in Section 12.7 of this Prospectus.

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### 2.5 Audit Qualification in the Audited Accounts

| Auditors           | Company | Financial Years/Period Audited  |
|--------------------|---------|---|
| Horwath Wong & Co. | STB     | For the period from date of incorporation (28 December 2002) to 31 December 2003 and the four (4) months period ended 30 April 2004 |
| Horwath Wong & Co. | MSSB    | Financial year ended 31 December 2002, 2003 and four (4) months period ended 30 April 2004  |

There was no audit qualification throughout the above stated period/years. For the financial years ended 31 December 1998 to 2001, there was also no audit qualification issued by the previous auditors of MSSB for those periods.

### 2.6 Summary of Risk Factors

An investment in the Public Issue Shares of STB inevitably involves risks specifically related to the Group's core business in the paints and coatings, chemical solvents and industrial chemicals industry. Investors should rely on their own evaluation and to carefully consider the risk factors together with other information contained in this Prospectus that may affect the STB Group and the industry in which it operates, before deciding to invest in the Public Issue Shares which are the subject of this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. Some of the risk factors that should be considered include, but not limited to the following:

#### 2.6.1 Risks Relating to STB Group

- (i) Competition and New Market Entrants;
- (ii) Product Performance and Development;
- (iii) Trademarks and Technology Know-How;
- (iv) Customer Exposure;
- (v) Dependence on Raw Material Suppliers
- (vi) Dependence on Key Personnel;
- (vii) Uncertainty of Proposed 5-Year Business Development Plan;
- (viii) Future Capital Injections; and
- (ix) Borrowing Covenants Restrictions.

#### 2.6.2 Industry Specific Risks

- (i) China Economic Threat;
- (ii) Small Domestic Market;
- (iii) Political, Economic and Regulatory Considerations;
- (iv) Price Sensitivity of Products;
- (v) Downturn of E & E Industry;
- (vi) Fluctuation in Oil Prices; and
- (vii) Fluctuation in Foreign Exchange Rates.

#### 2.6.3 Other Risks

- (i) Marketability of STB's Shares;
- (ii) Potential Investment in New Markets and Joint Ventures;

## 2. INFORMATION SUMMARY

- (iii) Control by Substantial Shareholders/ Promoters/ Directors;
- (iv) Underwriting Risks;
- (v) Operational and Environmental Risks;
- (vi) Security and System Disruption; and
- (vii) Disclosure Regarding Forward-Looking Statements.

Further information on the above risk factors is set out in Section 4 of this Prospectus.

### 2.7 Principal Statistics Relating to the Public Issue

#### 2.7.1 Share Capital

|   |                                |
|---|--------------------------------|
| <b>Authorised</b><br>100,000,000 STB Shares                               | <b>RM</b><br><b>10,000,000</b> |
| <b>Issued and fully paid-up</b><br>71,198,500 STB Shares                  | <b>7,119,850</b>               |
| <b>To be issued pursuant to the Public Issue</b><br>23,732,500 STB Shares | <b>2,373,250</b>               |
| <b>Enlarged issued and paid-up share capital</b><br>94,931,000 STB Shares | <b>9,493,100</b>               |

The Public Issue Price of RM0.30 per ordinary share is payable in full upon application.

There is only one class of shares in the Company, being ordinary shares of RM0.10 each, all of which rank *pari passu* with one another. The Public Issue Shares, upon allotment and issue, will rank *pari passu* in all respect with the existing issued and paid-up ordinary shares of the Company, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the said Public Issue Shares.

Further information on the share capital is set out in Section 3.4 of this Prospectus.

|   |                        |
|---|------------------------|
| <b>2.7.2 Private Placement /Public Issue Price Per STB Share</b>  | <b>RM0.30</b>          |
| <b>2.7.3 Proforma Consolidated NTA as at 30 April 2004</b><br>(after taking into account the MSSB Acquisition, Public Issue and net of estimated listing expenses of RM1.4 million)               | <b>RM12.82 million</b> |
| <b>2.7.4 Proforma Consolidated NTA Per STB Share as at 30 April 2004</b><br>(after taking into account the MSSB Acquisition, Public Issue and net of estimated listing expenses of RM1.4 million) | <b>RM0.14</b>          |

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## 2. INFORMATION SUMMARY

### 2.8 Utilisation of Proceeds

The gross proceeds from the Public Issue of RM7.120 million shall accrue entirely to the Company and are intended to be utilised for the followings:

| Purpose                       | Proceeds raised<br>RM'000 | Time frame for utilisation of proceeds |                |
|-------------------------------|---------------------------|--|----------------|
|                               |                           | Financial year ending 31 December      |                |
|                               |                           | 2004<br>RM'000                         | 2005<br>RM'000 |
| Repayment of Term Loans       | 1,500                     | -                                      | 1,500          |
| R & D                         | 1,000                     | 1,000                                  | -              |
| Working Capital               | 1,000                     | 1,000                                  | -              |
| Repayment of Trade Facilities | 2,220                     | 2,220                                  | -              |
| Estimated Listing Expenses    | 1,400                     | 1,400                                  | -              |
| <b>TOTAL</b>                  | <b>7,120</b>              | <b>5,620</b>                           | <b>1,500</b>   |

Further information of the utilisation of the Public Issue proceeds is disclosed in Section 3.7 of this Prospectus.

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

#### 2.9.1 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.

#### 2.9.2 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<br>RM'000 |
|----------------------|---|---|-----------------|
|                      | Repayable within<br>twelve (12) months<br>RM '000 | Repayable after<br>twelve (12) months<br>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>    |

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## **2. INFORMATION SUMMARY**

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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.

### **2.9.3 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.

### **2.9.4 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.

### **2.9.5 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.

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### 3. DETAILS OF PUBLIC ISSUE

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#### 3.1 Introduction

This Prospectus is dated 23 September 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application has also been lodged with the ROC who takes no responsibility of its contents.

The SC and Bursa Securities had approved the Restructuring and Listing Scheme of STB on 28 April 2004 and 24 August 2004; and 29 April 2004 and 25 August 2004 respectively. The entire issued and paid-up share capital of STB will be admitted to the Official List on the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. The Bursa Securities and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary or of its STB Shares.

No share will be issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

Under Bursa Securities' trading rules, effective from the date of listing, trading in all Bursa Securities listed securities can only be executed through an ADA who is also a Bursa Securities Member.

Pursuant to the MMLR, the Company needs to have at least 25% but not more than 49% of the issued and paid-up share capital in the hands of public shareholders and a minimum number of 200 public shareholders (including employees), upon admission to the MESDAQ Market. The Company is expected to achieve this at the point of Listing. However, in the event that the above requirement is not met pursuant to this Public Issue, the Company may not be allowed to proceed with the Listing. In this event therefore, monies paid in respect of all applications will be returned without interest.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed the STB Shares as a prescribed security. In consequence thereof, the Public Issue Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the Central Depositories Act and the Rules of the Bursa Depository.

Only an Applicant who has a CDS account can make an Application through an Application Form. The Applicant shall furnish his/her CDS account number in the space provided in the Application Form and he/she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to MIH or the Company. Where an Applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an application for the STB Shares. Failure to comply with these specific instructions as the Application Form requires or inaccuracy in the CDS account number may result in the Application being rejected. If a successful Applicant fails to state his/her CDS account number, MIH under the instruction of the Company will reject the Application. In the case of an Application by way of Electronic Share Application, only an Applicant who is an individual and has a CDS account can make an Electronic Share Application, and the Applicant shall furnish his/her CDS account to the participating financial institution by way of keying his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the STB Shares by way of Electronic Share Application.

### 3. DETAILS OF PUBLIC ISSUE

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by STB. Neither the delivery of this Prospectus or any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the STB Group since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares in certain other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation.

**If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.**

#### 3.2 Tentative Timetable

| Events  | Date              |
|---|-------------------|
| Opening of Application for the Public Issue                                     | 23 September 2004 |
| Closing of Application of the Public Issue                                      | 30 September 2004 |
| Tentative date for balloting for the Public Issue                               | 4 October 2004    |
| Tentative date of allotment of the Public Issue Shares to successful applicants | 7 October 2004    |
| Tentative Listing Date on the MESDAQ Market of Bursa Securities                 | 12 October 2004   |

**Note:**

The Application will remain open from 10:00 a.m. on 23 September 2004 to 5:00 p.m. on 30 September 2004 or for such further period or periods as the Directors of STB in their absolute discretion may decide in consultation with the Managing Underwriter. Should the closing date of the Application for the Public Issue Shares be extended, the tentative dates for the balloting, despatch of Notice of Allotment and listing of STB's entire enlarged issued and paid-up share capital on the MESDAQ Market would be extended accordingly. Late Applications for the Public Issue Shares will not be accepted.

In the event that the Directors of the Company and the Managing Underwriter decide to extend the closing date of the Application, appropriate press releases will be made to the local news agencies and an advertisement will be placed in one (1) Bahasa Malaysia and one (1) English newspapers.

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures.

### 3. DETAILS OF PUBLIC ISSUE

#### 3.3 Purposes of the Public Issue

The purposes of the Public Issue are as follows:

- (i) To raise funds for the STB Group's continued operation and expansion, which are elaborated in Section 3.7 below;
- (ii) To obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of STB Group on the MESDAQ Market. This will enhance STB's Group reputation and greater recognition both domestically and internationally;
- (iii) To provide STB Group with access to the capital market to raise funds for future expansion and growth of STB Group; and
- (iv) To provide an opportunity to eligible Directors, employees and business associates of STB Group including the public investors to participate in the equity and continuing growth of STB Group.

#### 3.4 Share Capital

|  |                   |
|--|-------------------|
| <b>Authorised</b>                                | <b>RM</b>         |
| 100,000,000 STB Shares                           | <b>10,000,000</b> |
| <b>Issued and fully paid-up</b>                  |                   |
| 71,198,500 STB Shares                            | <b>7,119,850</b>  |
| <b>To be issued pursuant to the Public Issue</b> |                   |
| 23,732,500 STB Shares                            | <b>2,373,250</b>  |
| <b>Enlarged issued and paid-up share capital</b> |                   |
| 94,931,000 STB Shares                            | <b>9,493,100</b>  |

The Public Issue Price is payable in full upon application.

There is only one class of shares in the Company, being ordinary shares of RM0.10 each, all of which rank *pari passu* with one another. The Public Issue Shares, upon allotment and issue, will rank *pari passu* in all respect with the existing issued and paid-up ordinary shares of the Company, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the said Public Issue Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up in the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company, in accordance with the Company's Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company, in person or by proxy, and on a show of hands, every person present who is a shareholder or proxy shall have one (1) vote, and on a poll every shareholder who is present in person or by proxy shall have one (1) vote for every share held by such shareholder. A proxy may but need not be a member of the Company.



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### 3. DETAILS OF PUBLIC ISSUE

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#### 3.5 Details of the Public Issue

The Public Issue of 23,732,500 STB Shares at the Public Issue Price shall be subject to the terms and conditions of this Prospectus and, upon acceptance, the Public Issue Shares will be allocated and allotted in the following manner:

**(i) Public Offer**

**(a) Eligible Directors, Employees and Business Associates**

4,900,000 new STB Shares representing approximately 5.16% of the enlarged issued and paid-up share capital of STB will be reserved for eligible Directors, employees and business associates of STB Group. The Executive Directors will not participate in this Pink Form Allocation Scheme.

A total of 200,000 STB Shares will be reserved for two (2) independent Directors, namely Ms Tan Lay Beng and Encik Azahar Bin Baharudin with 100,000 STB Shares each.

The remaining STB Shares will be made available for subscription by the eligible employees and business associates of STB Group which are based on the following criteria:

- (aa) seniority, position, length of service, performance and contribution of the eligible employees to the Group; and
- (bb) transaction value of the eligible business associates with STB Group.

Based on the above criteria as at 31 August 2004, there are 78 employees and 20 business associates of the Group who are eligible for the Pink Form Share Allocation Scheme.

**(b) Public Investors**

500,000 new STB Shares representing approximately 0.53% of the enlarged issued and paid-up share capital of STB will be made available for application by public investors; and

**(ii) Private Placement**

18,332,500 new STB Shares representing 19.31% of the enlarged issued and paid-up share capital of STB will be made available for application under the Private Placement. The Placement Agent will allocate not more than 5% of the enlarged issued and paid-up share capital of STB Shares to each of the identified placees and that the identified placees shall fall under the "Public" definition under Part 1 of the amended MMLR in order to form part of the minimum 25% public shareholding spread required under the MMLR.

Any Public Issue Shares not subscribed for under Section 3.5 (i)(a) above will be made available for subscription by the public investors under Section 3.5 (i)(b).

The STB Shares offered under the Public Offer referred to in Section 3.5(i) above have been fully underwritten by the Managing Underwriter based on the terms and conditions as specified in the Underwriting Agreement which is in compliance with the MMLR. The Placement Agent has received irrevocable undertakings from the identified placees to subscribe for the Public Issue Shares under Section 3.5(ii) above.

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### **3. DETAILS OF PUBLIC ISSUE**

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The STB Shares offered under Private Placement as mentioned in Section 3.5(ii) above have been placed out to selected investors. Consequently, these STB Shares will not be underwritten.

The basis of allocation shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of STB to meet the public spread requirements and to establish a liquid and adequate market for STB Shares.

There is no minimum level of subscription for the Public Issue.

#### **3.6 Pricing of the Public Issue Shares**

Prior to the Public Issue, there has been no public market for the STB Shares. The Public Issue Price of RM0.30 per STB Share was determined and agreed upon by the Company and SIBB as the Adviser and Managing Underwriter based on various factors after taking into account of the following factors:

- (i) The prevailing market conditions;
- (ii) The financial and operating history and conditions of MSSB as outlined in Section 6 and Section 12 of this Prospectus;
- (iii) The earnings potential of the Group; and
- (iv) The future prospects of the Group as outlined in Section 6.12 of this Prospectus.

However, investors should note that the market price of STB Shares upon listing is subject to vagaries of market forces and other uncertainties, which may affect the STB's share price being traded. Investors should form their own views on the valuation of the Public Issue Shares before deciding to invest in the Public Issue Shares.

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### 3. DETAILS OF PUBLIC ISSUE

#### 3.7 Utilisation of Proceeds

The gross proceeds from the Public Issue of approximately RM7.12 million shall accrue entirely to the Company and are intended to be utilised for the followings:

| Purpose                       | Proceeds raised<br>RM'000 | Note  | Time frame for utilisation of proceeds |                |
|-------------------------------|---------------------------|-------|--|----------------|
|                               |                           |       | Financial year ending 31 December      |                |
|                               |                           |       | 2004<br>RM'000                         | 2005<br>RM'000 |
| Repayment of Term Loans       | 1,500                     | (i)   | -                                      | 1,500          |
| R & D                         | 1,000                     | (ii)  | 1,000                                  | -              |
| Working Capital               | 1,000                     | (iii) | 1,000                                  | -              |
| Repayment of Trade Facilities | 2,220                     | (iv)  | 2,220                                  | -              |
| Estimated Listing Expenses    | 1,400                     | (v)   | 1,400                                  | -              |
| <b>TOTAL</b>                  | <b>7,120</b>              |       | <b>5,620</b>                           | <b>1,500</b>   |

Notes:

(i) Repayment of Term Loans

The Group will allocate part of the proceeds from the Public Issue to repay its term loans for funding the purchase and renovation of factory. In the event the amount of term loans outstanding at the settlement date is less than the amount as stated above (due to the continual repayment of the borrowings according to their repayment schedule), the excess proceeds will be utilised for working capital purposes.

(ii) R & D

STB Group will utilise RM1.0 million of the proceeds from the Public Issue for the purchase of new R & D equipment and upgrading of existing R & D facilities.

(iii) Working Capital

This will be utilised to improve the operational efficiency of the Group, such as increasing its manpower capacity and for its future development plans. The additional cash resources will strengthen the Group's liquidity position and act as a contingency for any future expansion without having to resort to costly means of obtaining funds.

(iv) Repayment of Trade Facilities

The Group will utilise part of the proceeds to repay the trade facilities in order to reduce the Group's gearing ratio and interest expense. In the event the amount of trade facilities outstanding at the settlement date is less than the amount as stated above (due to the continual repayment of the borrowings according to their repayment schedule), the excess proceeds will be utilised for working capital purposes.

(v) Estimated Listing Expenses

The estimated listing expenses of RM1.4 million consist of the following:

|   | RM'000       |
|---|--------------|
| Professional fees                                     | 600          |
| Fees of the authorities                               | 51           |
| Issuing house fee                                     | 55           |
| Printing and advertising fees                         | 100          |
| Brokerage, underwriting commission and placement fees | 300          |
| Miscellaneous / Contingencies                         | 294          |
| <b>Total</b>  | <b>1,400</b> |

### 3. DETAILS OF PUBLIC ISSUE

#### 3.8 Financial Impact from the Utilisation of Proceeds

The proceeds from the Public Issue will enable STB Group to reduce the utilisation of its trade and term loan facilities. For the financial year ending 31 December 2005 onwards, the net interest savings is estimated at approximately RM209,000 based on an assumed average interest rate of 4.98% for trade facilities and 6.54% for term loans per annum. The Directors of STB are of the opinion that barring unforeseen circumstances and after taking into account of the cashflows forecast and projections, banking facilities available and the allocation of RM1.0 million for working capital from the proceeds raised pursuant to the Public Issue, the Company will have adequate working capital for its foreseeable requirements.

#### 3.9 Brokerage and Underwriting Commission

Brokerage is payable by the Company in respect of the Public Issue Shares allocated via Public Offer at the rate of 1.0% of the Public Issue Price in respect of successful applications bearing the stamp of SIBB, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

SIBB, as the Managing Underwriter, has agreed to underwrite the STB Shares offered under the Public Offer. Underwriting commission of 1.0% of the Public Issue Price is payable by the Company to the Managing Underwriter. A Managing Underwriter's fee of 3.0% of the Public Issue Price is payable by the Company to the Managing Underwriter.

The Underwriting Agreement contained a force majeure clause to allow the Managing Underwriter and the Underwriter to withdraw from their respective underwriting commitments in the event of adverse circumstances. The extract of the salient terms and conditions of the Underwriting Agreement between the Company, the Managing Underwriter and the Underwriter stating the events that may affect the underwriting of the Public Issue Shares are set out in Section 3.10 of this Prospectus.

#### 3.10 Salient Terms of the Underwriting Agreement

The following are the salient terms extracted from the Underwriting Agreement, including force majeure clauses which may allow the Managing Underwriter to withdraw from its obligations under the agreement after the opening of the offer:

##### **Clause 2 – Underwriting**

##### **2.3 Conditions precedent**

- (a) *The obligations of the Underwriter under the Underwriting Agreement are in all respects conditional upon:*
- (1) *on or prior to the date the Application is closed (Closing Date), the SC and Bursa Securities having approved this Prospectus to the listing of and quotation for the New Shares and the Underwriter being reasonably satisfied that such listing and quotation will be granted two (2) Market Days (or such other days as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and the receipt of confirmation from the Bursa Depository that all CDS Accounts of the successful Applicants have been duly credited and undertakings that notices of allotment will be*

### 3. DETAILS OF PUBLIC ISSUE

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*despatched to all successful Applicants;*

- (2) *the registration of this Prospectus with the SC in accordance with the requirements of the SC Act and lodgement of the Prospectus with the ROC before the date of issue of this Prospectus;*
  - (3) *the issuance of this Prospectus within three(3) months from the date of the Underwriting Agreement or such other period as the Underwriter may agree from time to time;*
  - (4) *the Public Issue and the execution of the Underwriting Agreement being approved by the shareholders of STB;*
  - (5) *all necessary approvals and consent required in relation to the Public Issue including but not limited to approval from all relevant authorities having being obtained are in full force and effect until the Closing Date.*
- (b) *If on the Closing Date any of the conditions described in clause 2.3(a) of the Underwriting Agreement are not satisfied, then the Underwriter may terminate the Underwriting Agreement by notice in writing to STB in which event the provisions of clause 10 of the Underwriting Agreement will apply.*

#### **Clause 10 – Termination**

##### **10.1 Termination**

*If at any time prior to the Closing Date the Underwriter has notice of:*

- (a) *any breach of the undertakings or obligations in the Underwriting Agreement by STB which is not capable of remedy or if capable of remedy was not remedied within such number of days as stipulated in the notice given by the Managing Underwriter to STB; or*
- (b) *any change rendering any of the warranties or representations in clause 3.1 of the Underwriting Agreement inaccurate in a material respect,*

*the Underwriter will be entitled to terminate the Underwriting Agreement by notice to STB.*

##### **10.2 Consequences of termination**

*On delivery of the notice under clause 10.1 of the Underwriting Agreement, the Underwriting Agreement will terminate and thereafter each party's rights and obligations will cease and none of the parties will have any claim against each other, except for the liability of STB under clauses 7.3, 10.3 and 12.2 of the Underwriting Agreement.*

##### **10.3 Indemnity**

*Without prejudice to the other rights and remedies of the Underwriter, STB undertakes with the Underwriter that it will hold the Underwriter fully and effectually indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands which the Underwriter may incur or which may be made against them as a result of or in relation to any breach*

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### 3. DETAILS OF PUBLIC ISSUE

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*by STB of the representations, warranties or agreements under the Underwriting Agreement and such indemnity will extend to include all costs, charges and expenses which the Underwriter may reasonably pay or incur in disputing or defending any such claim or action or other proceeding.*

#### **Clause 11 – Force majeure**

##### **11.1 Force majeure**

*It will be an event of force majeure if in the reasonable opinion of the Underwriter:*

- (a) the success of the Public Issue is seriously jeopardised by the coming into force of any laws or Governmental regulations or directives which seriously affect or will seriously affect the business of STB;*
- (b) there is a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would prejudice materially the success of the offering of the STB Shares to be underwritten and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market); or*
- (c) the success of the Public Issue is seriously jeopardised by the Kuala Lumpur Composite Index falling below 750 points and remaining below 750 points for three (3) consecutive Market Days at any time between the effective date of the Underwriting Agreement and the Closing Date.*

##### **11.2 Consequence of force majeure**

- (a) In the event of a force majeure under clause 11.1 of the Underwriting Agreement, the Underwriter may, subject to prior consultation with STB, at any time prior to the Closing Date:
  - (1) terminate the Underwriting Agreement by notice to STB; or*
  - (2) request that the Closing Date be extended to such reasonable date as the Underwriter may decide.**
- (b) Upon delivery of the notice under clause 11.2(a)(1) of the Underwriting Agreement, the Underwriting Agreement will be terminated and thereafter each party's rights and obligations will cease and none of the parties will have any claim against each other except for the liability of STB under clauses 7.3 and 12.2 of the Underwriting Agreement.*
- (c) Upon delivery of a request under clause 11.2 (a)(2) of the Underwriting Agreement, STB will procure that the Closing Date be extended as requested.*
- (d) The delivery of a request under clause 11.2(a)(2) of the Underwriting Agreement will not preclude the giving of further request under clause 11.2(a)(2) of the Underwriting Agreement or the giving of a notice under 11.2(a)(1) of the Underwriting Agreement.*

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### 3. DETAILS OF PUBLIC ISSUE

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#### 11.3 *Change of Closing Date*

*Whenever the Closing Date is extended or changed, STB must make the appropriate announcement or notice –*

- (a) in the form of press release made to local news agencies; and*
- (b) by way of advertisement of such announcement or notice in a daily newspaper circulating generally throughout Malaysia in the following languages:*
  - (1) Bahasa Malaysia*
  - (2) English*

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## 4. RISK FACTORS

**Prior to making an investment decision, Applicants for the Public Issue Shares should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus, before applying for the Public Issue Shares.**

### 4.1 Risk Relating to STB Group

#### 4.1.1 Competition and New Market Entrants

Currently, STB Group is facing intense competition from both local and foreign manufacturers in all three (3) segments, namely plastics/ polymers, furniture and automotive, for the paints and coatings industry. There are six (6), ten (10) and six (6) known active market players in the paints and coatings industry for plastics/ polymers, furniture and automotive end-user market respectively. In terms of revenue, for the year 2003, MSSB holds 22.5% of the market share in the paints and coatings for the plastic coatings for E & E industry and about 1% in the furniture end-users market (*Source: Independent Market Research Report*). As for the automotive end-user market, STB Group is still considered as a new market player. At present, the major players are multinational companies which are perceived, by the end-users, to be better than local companies. The local companies can capture the market share if they are able to meet the quality specification and price points of the latter.

STB Group not only faces competition from its existing competitors but also new market entrants especially imported Chinese brands for automotive refinishing. However, these brands have yet to pose any significant threat to the current market players as local customers still prefer to purchase the existing brands and after-sales support that these established manufacturers have to offer.

STB Group's business strategies in facing its competitors include:

- (i) expanding and enhancing its product range to meet the changing trend of customers' needs and requirements as well as to conform to any future environmental regulations;
- (ii) increasing its exports to other ASEAN countries to avoid over-reliance on local market;
- (iii) increasing automation in its production process so as to be more cost efficient and to enhance its products' quality;
- (iv) continuous innovation in its R & D activities by continuing to employ advanced technology in developing new coating systems for its products that are more environmentally friendly, cost efficient and better quality;
- (v) establishing its brand name internationally;
- (vi) enhance rapport with both its suppliers and distributors; and
- (vii) implementing various marketing strategies to boost its sales by appointing marketing agents or setting up its own branches overseas, appointing distributors to market and sell its products and to participate in various international trade shows to promote its products and strengthen its image.

Whilst STB Group will continue to take effective measures to remain competitive and maintain its market position, no assurance can be given that the Group will be able to maintain its existing market share in the future.



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## **4. RISK FACTORS**

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### **4.1.2 Product Performance and Development**

The performance of STB's products is partly dependent on the accuracy and precision of the chemical formulation during its developmental stage. A slight variation in its chemical formulation may have an impact on the performance of product. In order to ensure that STB's products meet the required standard, STB Group will continuously improve its R & D efforts by employing more skilled engineers and chemists and acquiring better R & D facilities with the latest knowledge and technology available in the industry. In addition, STB Group also send its products to its potential customers for testing to ensure that its products meet its clients' needs and requirements. STB has been able to maintain low level of rejections and claims which indicates the superior quality of its products.

However, there is no assurance that its products, despite rigorous testing, will be defect-free or will absolutely meet the specified customers' needs and requirements after the delivery of its products. In addition, any unanticipated technical or other problems could result in increased costs or material delays in the development thereof.

### **4.1.3 Trademarks and Technology Know-How**

Since STB Group (through MSSB), started its manufacturing business in industrial coatings and paints, the Group has been trading under the brand names, "Quality" expressed in both English and Chinese character, and "Kryptos". Its brand names have received market acceptance and recognition for its products' quality. As such, STB Group bears the risk of imitations which could tarnish the image of the Group's products. To mitigate this risk of imitation, one of STB Group's brand names, "Quality", has been approved for its usage as a registered trademark and; the Certificate of Registration of Trademark by the IPD of the Ministry of Domestic Trade and Consumers Affairs was issued on 12 September 2003. Meanwhile, STB Group has submitted its application for registration of trademark for its eleven (11) other brand names to the IPD on 28 March 2003 which are still pending approvals. This is to ensure that no other manufacturers can freely use its brand names or else be subject to damages, fines and/ or imprisonment.

The success of the Group also depends on its trade secrets and proprietary know-how which are not freely available to other manufacturers in the market. As such, it needs to protect the concepts, ideas, chemical formulation and production and documentation relating to its proprietary technology. In order to protect the technology know-how of the Group, the technology used by STB Group is only known to and retained by the key personnel of the Group, which are also the shareholders of the Group. This is to avoid leakage of confidential information which will affect the competitiveness and viability of the Group. Its employees also signed the confidentiality and non-disclosure agreement whereby they are forbidden from disclosing any confidential information to third parties. In addition, STB Group ensures the segregation of duties among its employees.

However, there can be no assurance that others will not independently obtain access to the Group's trade secrets and know-how or independently develop products or technologies similar to those of the Group.

### **4.1.4 Customer Exposure**

The Group's sales are currently based on order basis. The main reason is that STB Group's products are not standardised products and each sales order is based on each customer's requirements and specifications which changes frequently in line with consumer trends and preferences. For example, mobile phone, Hi-Fi and TV sets appearances looks very different from how they were a year ago. As such, contracted order is not a norm for the Group. Consequently, STB Group faces the risk of losing its customers if its customers chose to purchase from other suppliers.

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## 4. RISK FACTORS

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However, based on its business track record, STB Group has established good relationships and after-sales support services with its customers and has managed to obtain repeated orders from approximately 40% of its customers over the past five (5) to six (6) years. The ability to retain this long standing relationships and with the ISO 9002:1994 certification supports the fact that STB Group's products are of good quality at competitive prices, ensuring repeat customers. The Group has recently upgraded its ISO 9002:1994 to ISO 9001:2000. In addition, the Group is also envisaging to broaden its customer base in order to avoid over-reliance on certain major customers and to expand its market base to wood, metal, automotive, plastic, etc.

Although STB Group takes all steps necessary to mitigate this risk, there is no assurance that it will not lose its customers and therefore affect its profits in the future.

### 4.1.5 Dependence on Raw Material Suppliers

As mentioned in Section 6.5.7 of this Prospectus, the top three (3) suppliers of STB Group, namely, Samchem Sdn Bhd, C.L.P. Industries Sdn Bhd and Maha Chemicals Sdn Bhd collectively supply approximately 44.5% of the raw materials required by the Group in its production for the sixteen (16) months period ended 30 April 2004. As such, the Group faces the threat of shortage of raw materials supply in the event the top three (3) suppliers fail to supply.

To mitigate this risk, the Group has established a wide network of suppliers both locally and overseas through its long-term relationships with most of its suppliers, having an average trading relationship of five (5) years. As such, in the event that STB Group is unable to source its raw materials from the top three (3) suppliers, it will have other readily available alternate suppliers to meet its raw materials requirements.

The main reason for STB Group to continue purchasing most of its raw materials from the top three (3) suppliers is due to its long-term business relationship with them. Therefore, STB Group is able to enjoy consistent supply from them at competitive prices.

Although the management of STB Group believes that they will not face difficulty in sourcing its raw materials requirements from other suppliers, there can be no assurance that the STB Group's operations will not be affected if there is an interruption with the supply from its top three (3) suppliers.

### 4.1.6 Dependence on Key Personnel

The Group believes that its continued success will depend, to some extent, upon the abilities and continued efforts of its Executive Directors and key personnel. The loss of any of the Group's key personnel may affect the performance of the Group. However, Mr Tan Fie Ping, Mr Tan Fie Jen and Ms Tan Bee Ngoh, the said Executive Directors and Mr Tan Chuan Thye, one of the key personnel, are also the Promoters and/ or substantial shareholders of the Group via SHSB. Hence, a minimum of 45% of the Promoters' shareholdings in STB is subject to moratorium and it will be in their interest to increase the Group shareholders' value. These key personnel have a long term interests in their investments in the Group.

The Group's future success will also depend on its ability to attract and retain skilled personnel. In order to retain existing employees, all eligible employees and Directors of the Group will be given the option to participate in the Public Issue Shares through the Pink Form Allocation Scheme.

However, there is no assurance that these individuals will retain their employment with the Group and that STB Group will be able to retain additional or replacement personnel with the requisite experience and capabilities.

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### 4.1.7 Uncertainty of Proposed 5-Year Business Development Plan

The success of the Group's 5-year business development plan is very much dependent upon:

- (i) the acceptability of STB Group's products by the market;
- (ii) its marketing strategies;
- (iii) R & D activities;
- (iv) the ability to further develop and commercialise new products;
- (v) the ability to hire and retain skilled management as well as financial, technical, marketing and other personnel; and
- (vi) to be able to obtain financing as and when needed.

There is no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans.

### 4.1.8 Future Capital Injections

The Directors of STB Group are of the opinion that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of liquidity will be sufficient to meet the Group's projected working capital and other cash requirements. However, there is no assurance that future events may not cause the Group to seek additional capital sooner than as projected. If additional capital is required, there is no assurance that it will be available or, if available, that it will be on terms satisfactory to the Group. The sale of additional equity or other convertible securities to non-existing shareholders will result in further dilution of the existing shareholders' shareholdings in STB.

### 4.1.9 Borrowing Covenants Restrictions

In order to finance their operations and business activities, the subsidiary of STB, namely MSSB, has entered into several credit facilities and other borrowings agreements with the financial institutions. As these agreements usually contain, inter-alia, certain covenants restricting the operating and financing activities of the companies, STB Group is required to obtain prior consent from the financial institutions in the event that any of its acts falls within the ambit or scope of such covenants. Any breach of such covenants may prompt the financial institutions to terminate the relevant credit facilities and/ or enforce any securities granted in relation to that credit facility.

The Board acknowledged such covenants and shall undertake all measures to ensure that such covenants are adhered to.

## 4.2 Industry Specific Risks

### 4.2.1 China Economic Threat

With the entry of China into the WTO, it has emerged as an engine of growth in Asia. Its inexhaustible reservoir of both skilled and unskilled labour supply and its recognition as the manufacturing workshop of the world have prompted many manufacturers to re-locate their plants and factories from South East Asia to China. Malaysia is inevitably affected by such paradigm shift. China is beginning to emerge as a tough competitor in more sophisticated products like computers, DVD players, network equipment and fibre optics. China is now the world's fourth largest industrial producer, producing more than 50% of the world's cameras, 30% of its air-conditioners, 25% of its washing machines and nearly 20% of all refrigerators for the year 2003. (Source: *Independent Market Research Report*)

STB Group, as the suppliers for the coatings for such products may be affected if manufacturing of such products are shifted to China from Malaysia. The manufacturers will

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## 4. RISK FACTORS

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prefer to purchase its paints and coatings from local suppliers and as such STB Group will lose its previous customers that have shifted to China.

In recognition of this trend, STB Group strives to increase its exports to or penetrate into other ASEAN countries such as Indonesia, Myanmar, Vietnam, Thailand and Philippines. Although STB Group will try its best effort to mitigate this risk, there is no assurance that the emergence of China as an economic giant will not affect the performance of STB Group as a whole.

### 4.2.2 Small Domestic Market

In view of the small domestic market in Malaysia, the manufacturers of paints and coatings in Malaysia may not be able to achieve economies of scale in their operations. The consumption of paints and coatings, used as an intermediate raw material, is also affected due to the limited demand from the end-user industries. As a major cost driver, the lack of economies of scale affects competitiveness because the manufacturer with the largest capacity will have a cost advantage, placing it ahead of other competing companies in the industry. In view of this, STB Group has taken various steps such as automating its production process, shifting to more efficient production system, etc. in order to be more cost effective and thus able to compete with other manufacturers. There is no assurance that the Group is able to mitigate this risk entirely although the Group will try its best effort to do so.

### 4.2.3 Political, Economic and Regulatory Considerations

Overall, any adverse developments in political, economic and regulatory conditions in Malaysia and its neighbouring countries where the STB Group markets its products, could materially and adversely affect the financial prospects of the Group. Other political, economic and regulatory uncertainties include risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and methods of taxation.

While STB Group continues to take effective measures such as prudent financial management and efficient operating procedures, there is no guarantee that unfavourable political and economic factors will not have an adverse affect on the Group.

### 4.2.4 Price Sensitivity of Products

For the paints and coatings industry, price remains one of the main drivers in the purchasing decisions in the current market conditions, especially for plastic/ polymer and wood coatings. With the stiff competition from other multinationals manufacturers, there is no assurance that STB Group's products will always be priced competitively against other manufacturers. However, the Group envisages to continuously refine its production process to be more cost effective and to source for cheaper but quality raw material for its products. The Group has also planned to venture into coatings for automotive industry so as to diversify its revenue source.

Despite the Group's effort to mitigate this risk, there can be no assurance that STB Group's products will always be priced competitively and be able to maintain its current and projected market shares.

### 4.2.5 Downturn of E & E Industry

The main revenue generator for the Group comes from the paints and coatings for the E & E industry. Currently, approximately 48% of its revenue is from the paints and coatings for E & E industry. Consequently, in the event of a downturn in the E & E industry, the profitability of the Group may be affected. In order to minimise this risk, STB Group has diversified its products range to include paints and coatings for the furniture end-user markets, metal coatings, road marking paints as well as industrial diluents; and to increase its market shares

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in the paints and coatings for E & E industry. In 2003, the Group has ventured into the manufacturing and sales of paints and coatings for the automotive industry.

However, there is no assurance that any significant downturn in the E & E industry will not significantly affect the viability and profitability of the Group.

### 4.2.6 Fluctuation in Oil Prices

Fluctuation in oil prices will result in the fluctuation of the cost of raw materials of STB Group, particularly the resins and solvents which are required in the manufacturing of coatings. As such, any changes in cost of resins and solvents due to the outbreak of war, hike in the price of crude oil or shortage of supply, etc. will have a material impact on the Group's profitability. With the current economic and political instability in the Middle East, oil price is currently in the upward trend and thus indicating an indirect threat to the profitability of STB Group.

To mitigate this risk, STB Group will continue to strive to improve its technology in reducing the content of resins and solvents required. For example, the Group is currently focusing on developing the water-borne coatings system instead of solvent-borne coatings system. In addition, STB Group is also sourcing its resins and solvents from overseas whereby the Group is able to negotiate for a better price by buying on cash terms. The Group also keeps extra storage of these resins and solvents to ensure that its raw material cost is hedged from the oil price fluctuation in the short term.

Although the Directors of STB are confident that the continuous R & D activities implemented by the Group will reduce the usage of solvents, there is no assurance that any changes to the oil price will not have a material adverse impact on the Group's business.

### 4.2.7 Fluctuation in Foreign Exchange Rates

For the financial year ended 31 December 2003 and four (4) months period ended 30 April 2004, STB Group's export sales amounted to approximately RM1,048,068 and RM271,801 or 4% of its respective total turnover. The Group's export sales are mainly transacted in USD. On the other hand, the Group imports approximately RM3,159,492 and RM697,136 or 18% and 16% of its total raw materials purchases for the financial year ended 31 December 2003 and the four (4) months period ended 30 April 2004 respectively, which are mainly denominated in USD. As the amount of imports of raw materials is approximately 2.6 to 3.0 times the export sales of STB Group, the Group is exposed to foreign currency risk.

However, to a certain extent, these transactions provide a natural hedging on the foreign exchange fluctuation as both sales and purchases are mainly denominated in USD. With the current pegging of Malaysian Ringgit against USD, this also mitigates to a certain extent the fluctuation in foreign exchange rates. There can be no assurance that the exchange rate currently pegged at RM3.80 : USD1.00 will be maintained in the future and that any future foreign exchange fluctuations will not adversely affect STB Group.

## 4.3 Other Risks

### 4.3.1 Marketability of STB's Shares

There has been no public market for STB's Shares prior to this Public Issue. The Public Issue Price of RM0.30 was agreed upon between the Directors of STB and the Managing Underwriter after taking into consideration of several factors as stipulated in Section 3.6 of this Prospectus. Nevertheless, the Public Issue Price should not be taken as an indication of the market price of STB Shares after the Public Issue. There can be no assurance that there will be an active market for STB Shares in the MESDAQ Market or that the market price of STB Shares will not decline below the Public Issue Price.

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### 4.3.2 Potential Investment in New Markets and Joint Ventures

As part of its long term plans, the Group may consider opening its branches in the ASEAN market in countries that provides investment incentives or not restricted by quotas and/ or tariffs and to capture the upside potential of the AFTA agreement. This will expose the Group to certain risks including the diversion of its financial and management resources from its existing operations, the inability of the Group to assimilate with the new operations and personnel and the inability of the Group to generate sufficient revenues from such investment or joint venture to cover the cost of investment.

Although the Group does not have any intention to enter into any agreement or understanding to acquire businesses, products or technologies at this juncture, it believes that if the opportunities arise which is to the benefit of the shareholders, the Group will take into consideration of making such acquisitions. In order to reduce or mitigate the risks of such investments, the Group will ensure that each investment opportunity is carefully evaluated.

Nevertheless, there can be no assurance that the Group will be able to successfully mitigate all risks inherent to these investments and that all investment will be of benefit to the Group and its shareholders.

### 4.3.3 Control by Substantial Shareholders/ Promoters/ Directors

Upon admission of STB to the MESDAQ Market of Bursa Securities, the Directors, substantial shareholders and Promoters of the Group, in aggregate, will beneficially own approximately 64.74% of the issued and paid-up capital of STB. They will collectively have a significant influence over matters that require the passing of ordinary resolutions from STB's shareholders resulting in resolutions being passed to the benefit of the substantial shareholders, unless they are required to abstain from voting by law and/ or relevant authorities.

To mitigate this risk, two (2) independent directors were appointed to the Board and an audit committee will be set up to oversee the overall operations and corporate governance of the Group. This is to ensure that all decision made by the Board are to the benefit of the shareholders of STB.

### 4.3.4 Underwriting Risks

The Underwriting Agreement provides the Underwriters the rights to terminate the Underwriting Agreement should the Underwriters are of the view that the success of the Public Issue may be adversely affected due to certain events, terms of which are set out in Section 3.10 of this Prospectus.

There can be no assurance that the Underwriters will not terminate the Underwriting Agreement based on the condition as set out in Section 3.10 of this Prospectus. If, as a result of the termination, the Public Issue cannot be completed, all monies in respect of all applications will be returned to the applicants without interest.

### 4.3.5 Operational and Environmental Risks

STB Group is faced with the inherent industry risk of operating in a highly flammable and toxic environment where its factories are exposed to fire outbreaks and its employees are exposed to the risk of fire, explosion and inhalation of toxic fumes. This will not only disrupt the Group's business operations but also open the Group to possible legal suits by its employees. To mitigate this risk, the Group has put in place various rules and regulations for its production workers such as the prohibition of smoking in premises, safety procedures for handling highly flammable and toxic materials, air circulation machinery and equipment to

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ensure proper ventilation of the air in the factory. The Group is also required to comply with the Fire Rescue Department safety requirements to ensure that the possibility of fire outbreak is minimised and has also been certified by the Organisation Safety Health Corporation for meeting the safety requirements. The Group also ensures adequate insurances are taken up to cover the Group's assets and its employees in the event of any accident. Since its incorporation, STB Group has not experienced any major health, safety or environmental accident nor has the Group incurred any major losses resulting in a substantial claim against its insurance policies.

STB Group also ensures that emission and disposal of chemical waste from its manufacturing process is properly treated in order to minimise the environmental pollution caused. The Group disposes off its chemical waste by appointing waste disposal companies approved by the Department of Environment as required by the Environmental Quality Act and Regulations. STB Group also obtained the certificate of Green Partner from Procurement Global Head Office, Sony Corporation and ISO 14001:1996 by the Independent European Certification (M) Sdn Bhd for its environment management system which has met the respective requirements. In addition, the Group also provides relevant information on the usage precaution and disposal of its products to its customers and the general public.

### 4.3.6 Security and System Disruption

There has been no security or system disruption on the STB Group's plant and machineries which has significantly affected its operation for the past twelve (12) months prior to the date of this Prospectus. Although the management of STB do not foresee any major disruption to the security and system of STB Group's operation which will materially affect the manufacturing capabilities of the Group, there is no assurance that the security and system disruption will not materially affect STB Group's business. The management of STB Group has also mitigated this risk by storing its products' formulation at off site location and converting its other one (1) factory warehouse and two (2) marketing offices into manufacturing plants if required.

### 4.3.7 Disclosure Regarding Forward-Looking Statements

This Prospectus contains several forward-looking statements, that is, those other than statements of historical facts such as statements regarding STB Group's expected future financial position, business strategy, plans and prospects, industry outlook. Although the Group believes that the expectations reflected in such statements are reasonable at the time this Prospectus is issued, there can be no assurance that such expectations will prove to have been correct and that these expectations are subject to uncertainties and contingencies. As such, there can be no assurance that such expectations can be achieved and actual results may be materially different from those expected. It should be noted that any differences in the expectations of the Group from its actual performance may adversely affect the result in the Group's financial and business performance and plans. Therefore, it is the investors' responsibilities to ascertain that they have read and understood the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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