
4. RISK FACTORS

Applicants for the Offer Shares should carefully consider the following (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus, before applying for the Offer Shares.

4.1 No Prior Market for STC's Shares

Prior to the Offer for Sale, there has been no public market for STC Shares. There can be no assurance that an active market for STC Shares will develop upon its listing on the Second Board of Bursa Securities or, if developed, that such market will be sustained. There can also be no assurance that the Offer Price will correspond to the price at which the STC Shares will be traded on the Second Board of Bursa Securities upon or subsequent to its listing or that an active market for STC Shares will develop and continue upon or subsequent to its listing.

The Offer Price of RM0.90 per Offer Share was entirely determined and agreed upon by STC and PMBB as Adviser and Underwriter, after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects for the industry in which the Group operates, the management of the Group and the prevailing market conditions. As such, the price at which the STC Shares will trade on the Second Board of Bursa Securities would be dependent upon market forces beyond the control of the Company.

4.2 Control by Substantial Shareholders

Following the Offer for Sale, the Company will be controlled by the Promoters, who will collectively control 52.93% of the Company's issued and paid-up share capital vide OASB at the point of Listing. As a result, it is likely that these shareholders will be able to effectively control the outcome of certain matters requiring the vote of STC's shareholders including the constitution of the Board of Directors and thus the direction and future operations of the Group, decisions regarding acquisitions and other business opportunities, the declaration of dividends and the issuance of additional shares and other securities, unless they are required to abstain from voting by law and/or relevant authorities.

4.3 Business Risks

The core business of the Group is in the manufacturing and trading of electrical apparatus and industrial lighting. Generally, the electrical industrial equipment industry moves in tandem with the level of economic activities which are in turn affected by changes in monetary and fiscal measures taken by the Malaysian Government.

The STC Group is subject to certain risks inherent in the manufacturing industry which include, but not limited to increase in labour and raw material costs, trading stock shortages, competition from other manufacturers, business and credit conditions, fluctuation in foreign exchange rates, changes in the general economic and business conditions and changes in the legal and regulatory framework in which the STC Group operates.

Although the STC Group seeks to limit these risks by, inter-alia, maintaining good business relationships with its existing customers and suppliers, expanding its customer base, increasing automation to reduce dependency on labour and efficient cost control, no assurance can be given that any of these factors will not have an adverse effect on the Group's financial performance.

4. RISK FACTORS *(Cont'd)*

4.4 Competition

The Electrical Industrial Equipment Industry sector within Malaysia, in general, is a moderate to highly competitive sector, which comprises a broad base of existing and new participants. The existing and potential players in the electrical industrial equipment industry sector range from small back-yard operators to large-sized organizations. In 2003, there were approximately 70 manufacturers of transformers. Thus, the large number of operators in the market contributes to the intensity of competition (*Source: Summary of the Assessment of Electrical Industrial Equipment Industry prepared by Vital Factor Consulting Sdn Bhd for inclusion in this Prospectus*).

However, barriers to entry such as the start-up cost for setting up production facilities, the necessary technical know-how, government policies and the establishment of good marketing network, may deter potential new entrants. Small manufacturers of transformer products would find it difficult to compete with larger manufacturers that have the benefit of economies of scale. Manufacturers that have technical know-how and expertise are more likely to achieve lower cost of production, higher product quality and are able to meet and cater for the needs of the customers. In addition, new entrants would find it difficult to gain immediate access into the market.

Although the management of STC is constantly striving to broaden its product range, implement cost control, improve quality of its products through product development, there is no assurance that the Group will be able to maintain its existing pricing structure and market share in the local and export markets in the future.

4.5 Dependency on Key Personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Executive Directors, key management and key technical personnel. The loss of any of the Group's Executive Directors or key members of the Group's senior management may adversely affect the Group's continued ability to compete. To ensure smooth succession planning, efforts have been made by the Directors to promote long-term commitment among its key personnel through incentives and the opportunities for career development within the Group. Furthermore, effort is made by the Group to groom younger members of the management team to take over from the senior management to ensure a smooth transition.

4.6 Political, Economic and Regulatory Considerations

Like all other business entities, adverse developments in political, economic and regulatory conditions in Malaysia could unfavourably affect the financial position and business prospects of the Group. These risks include, among others, risks of war, global economic downturn, changes in interest rates and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs.

Whilst the Group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic and regulatory factors will not materially affect the Group.

4. RISK FACTORS (Cont'd)

4.7 Foreign Exchange Risks

The STC Group's current sales revenue are mainly denominated in RM. Purchases of the raw materials of the STC Group which are imported from overseas are substantial and are mainly denominated in US Dollar. The Group also intends to expand its business in the overseas markets where the Group's exposure to foreign exchange risk may increase.

However, the fixed pegging of the RM to the US Dollar will enable the Group to plan with a higher degree of certainty its purchases and minimises the Group's vulnerability to fluctuations in foreign exchange rates for the sales denominated in US Dollar. Should the cost of raw material increases due to the fluctuation in the foreign exchange, the Group can always pass on the cost to its customers.

Notwithstanding that the STC Group will seek to mitigate such adverse risks, there can be no assurance that any significant fluctuations in foreign exchange rates or any financial crisis will not adversely impact the revenue and earnings of the STC Group.

4.8 Insurance Risks

The Directors believe that the Group's production facilities, buildings, plant and machinery as well as stocks located within the factories are adequately insured against unforeseen events such as fire, lightning, storm, disruptions in water and electricity supply, flood, burglary, strikes and malicious damage, and explosions.

The Group is aware of the consequences arising from inadequate insurance coverage that could have an adverse impact on its business operations. In ensuring such risks are maintained to the minimum, the Group regularly reviews and ensures adequate insurance coverage for its assets.

The Group has the following existing insurance coverage in place in order to alleviate any risk which might disrupt its business:

(i) Fire Consequential Loss Policy

As most of the business operations and activities of the Group are carried out via SETM and STMKT, the companies are indemnified against loss of profits due to reduction in turnover and increase in working costs resulting from an interruption and interference to the business as a consequence of fire or extraneous perils covered under the fire policy.

(ii) Fire Material Damage Policy

The Group insures on stock in trade, raw material, semi finished and finished products, plant and machinery, office equipment resulting from fire, lightning and domestic explosion, storm, flood, riot, strike and malicious damage, explosion, bursting of pipes and sprinkler leakage.

(iii) Machinery and Equipment Coverage

The Group is indemnified against loss or damage by fire, theft and external accidental means to all kinds of insured machineries and equipments.

4. RISK FACTORS (Cont'd)

(iv) Money

The Group is indemnified against any loss of money in locked safe during and after business hours as well as money in the personal custody of the Group's authorised employees whilst in direct transit between the Group's premises and the bank.

(v) Public Liability

The Group is indemnified against all sum which the Group shall become legally liable to pay for the compensation in respect of accidental bodily injury to third party and accident damage to property of third party.

(vi) Burglary

The Group is indemnified against burglary which covers stock in trade, raw material, semi finished and finished products, plant and machinery, office equipment resulting from lightning, riot, strike, malicious damage, theft and armed robbery.

(vii) Product Liability

The Group is indemnified against claims for accidental bodily injury or property damage arising out of the defective products manufactured and supplied.

Although the Group has taken the necessary measures to ensure that its assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of all assets of the Group, including but not limited to, any consequential costs arising thereof.

4.9 Threat of Substitutes

A rectifier-inverter system can be used as a substitute for transformers. The major advantage of using the rectifier-inverter system in place of a transformer is its lightweight. However, the cost of a rectifier-inverter system is significantly higher compared to a similar function transformer. As such, the rectifier-inverter systems are not strong substitute products for transformers.

Notwithstanding thereto, the Group is unable to determine if there would be any introduction of new products which would pose as a potential threat to substitute its products in the future.

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4. RISK FACTORS (Cont'd)

4.10 Implication of the ASEAN Free Trade Area

Under the ASEAN Free Trade Area ("AFTA") agreement initiated by the member countries of the Association of South East Asian Nations ("ASEAN"), a comprehensive programme of regional reduction has been laid out. The Common Effective Preferential Tariff ("CEPT") has been implemented for goods traded within the ASEAN region with effect from 1 January 2003.

AFTA may have a negative impact on the STC Group arising from factors such as competition from other ASEAN countries, especially from lower cost producing countries, for the products manufactured by the Group. However, the Directors of STC are of the view that the implementation of AFTA may create opportunities for the STC Group such as opportunity to export their products at competitive prices to other ASEAN countries without any trade restrictions. However, there is no assurance that the STC Group will be able to successfully compete with other ASEAN countries in the future.

4.11 Risks of Business Disruption

The Group's business operations include risks of fire, electrical power crisis and other risks which could affect the operations and financial performance of the STC Group. In attempting to address these possible risks, the STC Group has in place the following risk management practices/plans:-

- (i) The factory premises are guarded 24 hours;
- (ii) Fire fighting system, i.e. fire hose reels and fire extinguishers are installed in the Group's factory premises. Moreover, if there are any consequential loss arising from fire or extraneous perils, the Group would be compensated by the relevant insurance coverage for the replacement cost of the assets and any consequential loss arising therefrom; and
- (iii) It is important that energy is available for the manufacturing operations such as the operation of the plant and machinery of the Group. The Group has not experienced any disruption in business arising from energy disruption which has a significant effect on its operations for the past five (5) years prior to the date of this Prospectus. To mitigate and minimise the impact of energy disruptions, the Group has an in-house generator set and it may also rent power generator sets from suppliers during short-term power crisis.

4.12 Geographical Risks

Approximately 50% of total Group's revenue for the eight (8) months financial period ended 31 August 2004 (FYE 2003: 57.5%) was contributed by the customers located within Kuala Lumpur and Selangor. This is mainly due to the high concentration of factories and businesses located within Kuala Lumpur and Selangor. The Directors of STC believe that the risk of over-dependence on customers in the above mentioned geographical locations is minimal as the Group has a wide network of distributions throughout Malaysia which will allow the Group to tap into the economic growth of other locations. Further, the present network had been extended to cover overseas markets.

4. RISK FACTORS (Cont'd)

4.13 Stock Management

Due to the nature of the transformer industry in which the STC Group operates, the Group maintains a sufficient level of inventory holding for lower cost products in order to be able to give prompt delivery to its customers on the types of products required. For higher cost products, the Group will manufacture the products based on orders received from customers.

The Directors of STC opined that the Group runs a minimal risk of stock obsolescence or slow-moving stocks as most of its stocks comprising of transformers, automatic voltage stabiliser, floodlight and copper wire do not become obsolete immediately. Although, the Directors and management of STC will ensure that reasonable steps are taken to minimise the risk of obsolete/slow moving stocks, there can be no assurance that the operations and financial position of the Group will not be affected.

4.14 Reliance on Major Customers

The Group's revenue base is not captive to a single customer or group of customers or industry. The Group's large customer base, either local or overseas, is considered as one of the Group's strength. The Group has established a steady and long-term relationship with its customers, many of whom are repeat customers. However, the STC Group does not have any long-term contracts with its customers. There is no assurance that the Group will be able to maintain its large customer base in the future.

4.15 Dependency on Suppliers/Supply of Raw Materials

The Group has also established steady and long-term relationship with a number of local and overseas suppliers, thus ensuring the Group of a constant supply of raw materials, which in turn result in minimal disruption in its operations. Further, the large number of suppliers competing in the industry has discouraged the Group from entering into long-term contracts with its suppliers to preserve the price competitiveness and to take advantage of the competition among the suppliers. The Group does not foresee any difficulty in the procurement of raw materials as it sources its supplies from a varied base of suppliers and that there is no over-dependence on any single supplier or groups of suppliers. However, there can be no assurance that any change to these factors will not have any material adverse impact on the STC Group's operations and financial performance.

4.16 Recoverability of Debts

The STC Group is principally involved in the manufacture and trading of electrical industrial equipment. The Directors opined that it is fairly normal in the industry that the debtors are granted credit period such as 4 – 5 months.

However, the non-collectibility of trade debts form part of the business risks of the STC Group. Accordingly, should the trade debts turn bad, the financial position of the STC Group, may deteriorate and be adversely affected.

Notwithstanding thereto, the STC Group has not in the past five (5) years written off any significant sum for bad debts and trade debts are usually collected. In addition, the Directors and management of STC realise the importance of credit control and are continuously monitoring the outstanding trade debts of the Group and will undertake relevant measures to ensure that these debts are maintained at a manageable level at all times.

4. RISK FACTORS (Cont'd)

4.17 Government Control or Regulations

The growth of the manufacturing industry, such as the one that the Group is involved in, moves in tandem with the growth in the Electrical Industrial Equipment Industry. Therefore, any Government control or regulations imposed on either the manufacturing industry or the electrical and electronic industry could materially and adversely affect the future growth and level of the profitability of the Group.

The Malaysian Government does, from time to time, adopt policies and implement guidelines that may affect the business in Malaysia, such as methods of taxation, currency exchange controls and licensing regulation. However, there can be no assurance that any change or amendments to the law, policies and regulations by the Malaysian Government will not adversely affect the Group's performance and profitability.

4.18 Absence of Long-Term Sales Contracts

In the electrical and electronic industry, there is always an element of uncertainty in the sales due to the absence of long-term sales contracts with customers. It is common in the industry for manufacturers in the Electrical Industrial Equipment Industry to work from confirmed purchase orders. On average, confirmed purchase orders are placed on a monthly basis. However, some customers provide confirmed purchase orders once every three months. The STC Group's philosophy has always been in developing long-term business relationship with its customers. This is demonstrated by the fact that approximately 60% of its top 20 customers have been dealing with the Group for 6 or more years. Of this, 30% has been dealing with the Group for 10 or more years.

4.19 Financial Risks**(i) Borrowings and Interest Rate Risks**

As at 15 December 2004, the STC Group's total short-term and long-term borrowings amounted to RM1.38 million. All the borrowings of the STC Group are interest bearing and consist of domestic borrowings only. Given that the interest charges on borrowings are dependent on interest rates, any significant variance to lending rates could have a material effect on the STC Group's profitability.

There can be no assurance that the performance of the STC Group would remain favourable in the event of adverse changes in the interest rates. Notwithstanding this and based on the existing gearing level, the Group is expected to meet the repayment of the existing facilities.

(ii) Restrictive Covenants

Pursuant to various credit facility agreements entered into by the STC Group with banks or financiers, it is bound by certain positive and negative covenants which may limit the STC Group's operating and financial flexibility. The aforesaid covenants are typically contained in credit facility agreements of such nature. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant bank/financier. Breach of such covenants may give rise to a right by the bank/financier to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Directors are aware of such covenants and shall take all precautions necessary to prevent any such breach.

4. RISK FACTORS (Cont'd)

4.20 Dependency on Particular Product and Market

Presently, approximately 46.5%, 43.6% and 9.9% of the Group's revenue of its products for the eight (8) months financial period ended 31 August 2004 is generated from transformer and related products, lighting and related products and other electrical products respectively. Hence, no assurance can be given that the economic downturn which in turn affect the Electrical Industrial Equipment Industry, would not adversely affect the revenue of the Group. Furthermore, the Directors of STC, key management and key technical personnel of the STC Group believe that the construction and infrastructure areas as well as industrial and commercial development should contribute substantially to the revenue of the Group and any loss of one or more of these markets will dampen the profit of the Group. To reduce the dependency on the particular product and market, STC may consider venturing into other markets, such as the household segments and diversify its electrical products to include the production of ceiling fans and emergency lights.

4.21 Profit Estimate and Forecast

This Prospectus contains the consolidated profit estimate and forecast for the FYE 2004 and 2005 of STC which are based on assumptions that are subject to uncertainties and contingencies. The Directors of STC have considered the assumptions used in the preparation of the consolidated profit estimate and forecast to be reasonable. However, due to the inherent uncertainties of profit estimate and forecast and as a result of events and circumstances frequently do not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be realized and actual results may be materially different from those shown or expected. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the profit estimate and forecast contained herein.

4.22 Disclosure Regarding Forward Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, i.e. those other than statements of historical facts, which are subject to uncertainties and contingencies. Although the Group believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such expectations will prove correct in the future. In the light of these and other uncertainties, the inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the Group will be achieved.

4.23 Failure or Delay in the Listing

The occurrence of any one or more of the following events (which may not be exhaustive) may cause a delay in or non-implementation of the Listing:

- (i) the Underwriting Agreement is terminated; or
- (ii) the Company is unable to meet the public spread requirement, that is, at least 25% of the total number of shares for which listing is sought to be in the hands of the public at the point of its admission to the Second Board of Bursa Securities.

Although the Directors of STC will endeavour to ensure compliance by STC of the various Listing Requirements, including, inter-alia, the public spread requirement imposed by Bursa Securities for the successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or non-implementation of the Listing.

4. RISK FACTORS (Cont'd)

4.24 Environmental Risk

The disposal of wastes and sludge resulting from the varnish dipping process of High Intensity Discharge (“HID”) ballast and transformer falls under the Environmental Quality (Scheduled Wastes) Regulations 1989. The main bulk of waste materials from manufacturing operations are generated during the process of manufacturing which comes in the form of metal scrap, copper wire scrap, and steel and aluminium scrap. All of the scrap material which cannot be reused in the manufacturing process are sold to an approved external scrap collecting company, namely J.W. Permai Trading (*Source: Summary of the Assessment of Electrical Industrial Equipment Industry prepared by Vital Factor Consulting Sdn Bhd for inclusion in this Prospectus*).

The other type of wastes generated by SETM is mainly from varnish used in the dipping process to produce HID ballast and transformer. In addition, the waste solvents (deruster) created by OMI used in removing oil and rust in the metal sheets falls under the Environmental Quality (Scheduled Wastes) Regulations 1989. The waste generated through these processes as undertaken by SETM and OMI are collected and disposed by Kualiti Alam Sdn Bhd (*Source: Summary of the Assessment of Electrical Industrial Equipment Industry prepared by Vital Factor Consulting Sdn Bhd for inclusion in this Prospectus*). These laws, regulations and approval may be subject to changes of the government.

There can be no assurance that introduction of more stringent standards on environmental protection by the Malaysian Government or adoption of more environmentally friendly processes on its own accord, would not materially and adversely affect the operations and profitability of the Group.

4.25 Potential Acquisitions and Joint Ventures/Investment Activities

The Group may from time to time engage in acquisitions of companies with complementary products and services in related areas. If appropriate opportunities present themselves, the Group intends to acquire businesses, products or technologies that the Group believes will be in the interests of its shareholders, although the Group currently has no understanding, commitment or agreement with respect to any material acquisition.

Currently, there is no material acquisition being pursued. However, any future acquisitions could expose the Group to new risks, including those associated with the assimilation of new operations and personnel, the diversion of financial and management resources from existing operations, and the inability of management to integrate successfully acquired businesses, personnel and technologies. In addition, there can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions.

Furthermore, there can be no assurance that the Group will be able to generate sufficient revenues from any such acquisition to offset associated acquisition costs, or that the Group will be able to maintain uniform standards of quality and service, controls, procedures and policies, which may result in the impairment of relationships with customers, employees, and new management personnel. The Group may also evaluate, on a case-by-case basis, joint venture relationships with certain complementary businesses.

4. RISK FACTORS (Cont'd)

STC may undertake new investments or joint ventures which may be relatively new to the Malaysian market or have very long gestations periods, therefore resulting in the Group taking a longer time to recover its initial investments. In addition, any such joint venture investments would involve many of the same risks posed by acquisitions, particularly those risks associated with the diversion of resources, the inability to generate sufficient revenues, the management of relationships with third parties and potential additional expenses, any of which could have a material adverse effect on the Group's business, financial condition or operating results.

The acquisitions may also result in potential dilution via the issuance of equities, the incidence of debt and contingent liabilities and amortization of expenses related to goodwill and other intangible assets.

STC will undertake a detailed evaluation and consider all related risks prior to undertaking any acquisitions and joint ventures / investment activities.

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5. INFORMATION ON THE STC GROUP

5.1 Incorporation, History and Principal Activities

STC was incorporated as a private limited company in Malaysia under the Act on 13 December 2003. Subsequently, on 30 March 2004, it was converted to a public limited company and assumed its present name. STC was formed for the purpose of carrying out the corporate proposals pursuant to the Flotation Exercise. STC commenced its operations in 2004.

STC is principally an investment holding company whilst the principal activities of its subsidiary companies are that of manufacturing and trading of electrical apparatus and industrial lighting, metal stamping parts and metal casings, and property holding. Further details of the subsidiaries of STC are set out in Section 5.5 below.

Mr Tan Ah Bah @ Tan Ah Ping is the founder of the STM Group. He brings with him more than 30 years of experience in the electrical apparatus industry and has been instrumental to the growth, success and development of the STM Group.

Having gained working experience in the electrical apparatus industry for 6 years from 1972, Mr Tan Ah Bah @ Tan Ah Ping formed Syarikat Success Electronics Trading in 1978, a sole proprietorship, which was involved in the manufacturing of electrical apparatus including transformers, electric converters, choke and battery chargers for automobiles. As part of his expansionary plans, in 1980, Mr Tan Ah Bah @ Tan Ah Ping's wife, Madam Pan Kim Foon set up Success Electronics Trading, another sole-proprietorship, to take over the manufacturing and trading of electrical apparatus of Syarikat Success Electronics Trading.

In 1990, with a view to consolidate their business, Mr Tan Ah Bah @ Tan Ah Ping and Madam Pan Kim Foon together with a few other shareholders, incorporated SETM to take over the business activities of Success Electronics Trading. In 1995, STM, an investment holding company, acquired all the shares of SETM and became the holding company of SETM. In line with the management's intention to diversify its product range, STM expanded its manufacturing activities to produce other types of products such as industrial lighting. Subsequently, SETM expanded its manufacturing activities to produce transformers with power ratings from 300 to 1,000 Kilovolt Amperes (KVA).

In 1998, STMKT was incorporated to focus on the local marketing activities of the STM Group. To further integrate the business operations, DS was incorporated in 1999 to focus on the manufacturing of metal stamping parts. Subsequently, OMI was incorporated in 2000 to focus on the manufacturing of metal casings. These latter two companies primarily supply metal materials to support the manufacturing of electrical apparatus for the STM Group.

With a track record of approximately 14 years since the commencement of SETM, the STM Group has gained recognition as an established manufacturer of transformers in Malaysia. The STM Group manufactures transformers and industrial power products such as automatic voltage stabilisers, power line conditioners, energy saving lumen regulators, high intensity discharged ballast, and luminaires control gears in Malaysia.

The STM Group's initial business focus was to supply, service and support the local market. However, with the increase in inquiries and orders from overseas counterparts, the STM Group has expanded its business scope, spanning to South East Asia, Middle East and North Africa.

5. INFORMATION ON THE STC GROUP (Cont'd)

5.2 Share Capital

The authorised share capital of STC is RM100,000,000 comprising 200,000,000 STC Shares. The issued and paid-up share capital is RM40,000,000 comprising 80,000,000 STC Shares.

The changes in the issued and paid-up share capital of STC since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Par Value RM	Total no. of STC Shares	Total issued and paid-up share capital RM
13.12.2003	2	Subscribers' shares	1.00	2	2
01.04.2004*	4	Share Split	0.50	4	2
21.10.2004	73,492,508	Acquisition of STM	0.50	73,492,512	36,746,256
3.12.2004	6,507,488	Rights Issue	0.50	80,000,000	40,000,000

Note:-

* Change in par value from RM1.00 to RM0.50 per Share.

5.3 Flotation Exercise

In conjunction with, and as an integral part of listing of and quotation for the entire issued and paid-up share capital of STC on the Second Board of Bursa Securities, the Company undertook the following exercises which were approved by the SC on 13 September 2004, FIC vide the approval letter from SC on 13 September 2004 and MITI on 25 June 2004 as follows:-

5.3.1 Acquisition of STM

STC had on 21 October 2004, completed the acquisition of the entire issued and paid-up share capital of STM comprising 4,000,007 STM Shares, vide a voluntary offer, for a total purchase consideration of RM36,746,254 based on the adjusted audited consolidated NTA of STM as at 31 December 2003 as follows:-

Audited consolidated NTA as at 31 December 2003	RM	RM
		36,025,710
Add:		
Revaluation surplus on the landed properties of the STM Group	2,275,153	
Less:		
Deferred tax liability arising from revaluation	<u>(591,043)</u>	
		1,684,110
Less:		
Revaluation deficit on landed properties of the STM Group		(963,566)
Adjusted audited consolidated NTA of STM		<u>36,746,254</u>
Number of STM Shares		4,000,007
Offer price per STM Share		9.19

5. INFORMATION ON THE STC GROUP (Cont'd)

Details of the aforementioned revaluation surplus are set out in Section 9.1 of this Prospectus.

The purchase consideration of RM36,746,254 was fully satisfied by the allotment and issuance of 73,492,508 STC Shares at par to the Vendors as follows:-

Vendor	No. of STM Shares acquired	%	Purchase Consideration	No. of new STC Shares issued
Chong Che Chong	86,988	2.17	799,119	1,598,238
Chong Chec Siong	6,585	0.17	60,493	120,986
Liang Kok Boon	13,168	0.33	120,969	241,938
Pan Kim Foon	219,502	5.49	2,016,466	4,032,932
Tan Ah Bah @ Tan Ah Ping	987,702	24.69	9,073,571	18,147,142
Yeoh Cheng Twan @ Yeoh Kong Liang	94,100	2.35	864,454	1,728,908
Lee Kuan Meng	182,473	4.56	1,676,297	3,352,594
Khong Lee Mee	24,288	0.61	223,123	446,246
BHSB	94,101	2.35	864,463	1,728,926
CWSB	94,000	2.35	863,536	1,727,072
Lewden	200,000	5.00	1,837,309	3,674,618
NISB	1,020,000	25.50	9,370,278	18,740,556
PSSB	149,000	3.72	1,368,796	2,737,592
SNSB	248,000	6.20	2,278,264	4,556,528
WEISB	580,100	14.51	5,329,116	10,658,232
Total	4,000,007	100.00	36,746,254	73,492,508

The STC Shares issued pursuant to the Acquisition of STM ranked pari-passu in all respects with the then existing issued and paid-up share capital of STC. Upon completion of the Acquisition of STM, the issued and paid-up share capital of STC was increased from RM2 to RM36,746,256 comprising 73,492,512 STC Shares.

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5. INFORMATION ON THE STC GROUP (Cont'd)

5.3.2 Nomination

The Promoters have consolidated their individual shareholdings in STC in OASB, a private investment holding company, by nominating OASB to hold all their 42,056,142 STC Shares issued to them pursuant to the Acquisition of STM, in exchange for such percentage of shareholdings in OASB as follows:-

Promoters	Nomination of STC Shares	% of shareholding in OASB
Chong Che Chong	1,598,238	3.80
Chong Chee Siong	120,986	0.29
Liang Kok Boon	241,938	0.58
Pan Kim Foon	4,032,932	9.59
Tan Ah Bah @ Tan Ah Ping	18,147,142	43.15
Yeoh Cheng Twan @ Yeoh Kong Liang	1,728,908	4.11
Lee Kuan Meng	3,352,594	7.97
Khong Lee Mee	446,246	1.06
BHSB	1,728,926	4.11
WEISB	10,658,232	25.34
Total	42,056,142	100.00

The Nomination was completed on 21 October 2004.

5.3.3 Rights Issue

Upon completion of the Acquisition of STM and the Nomination, STC implemented the Rights Issue of 6,507,488 new STC Shares at RM0.74 per rights share to all the then existing shareholders of STC on the basis of approximately 88.5 new STC Shares for every then existing 1,000 STC Shares held. The Rights Issue was completed on 3 December 2004.

The Rights Issue resulted in the issued and paid-up share capital of STC being further increased from RM36,746,256 to RM40,000,000, comprising 80,000,000 STC Shares. The gross proceeds from the rights issue of RM4,815,541 are proposed to be utilised as follows:-

Details of proposed utilisation of proceeds from the Rights Issue	Proceeds RM'000
Purchase of plant and machinery	3,316
To defray estimated listing expenses	1,500
	4,816

The STC Shares issued pursuant to the Rights Issue ranked pari-passu in all respects with the then existing issued and paid-up share capital of STC.

5. INFORMATION ON THE STC GROUP *(Cont'd)*

5.3.4 Offer for Sale

In conjunction with the listing of STC, the Company will undertake the Offer for Sale of 8,187,000 STC Shares, on behalf of the Offerors, at the Offer Price of RM0.90 per Offer Share, which will be allocated in the following manner:-

(i) Malaysian Public

6,000,000 Offer Shares, representing approximately 7.50% of the issued and paid-up share capital of STC, will be made available for Application by the Malaysian Public.

(ii) Eligible Directors and Employees of the STC Group

2,187,000 Offer Shares, representing approximately 2.73% of the issued and paid-up share capital of STC, will be made available for Application by the eligible Directors and employees of the STC Group.

All the Offer Shares in respect of (i) and 500,000 Offer Shares in respect of (ii) above are underwritten. The identified eligible Directors and employees of the STC Group have given irrevocable undertaking to subscribe for their entitlements, totaling 1,687,000 Offer Shares in respect of (ii) above.

Should the Directors and employees of the STC Group who are eligible to subscribe for the Offer Shares pursuant to (ii) (b) above not subscribe for their entitlement, such Offer Shares shall be available for subscription by the other eligible Directors and employees of the STC Group.

Further, in the event of an under-subscription in respect of the 500,000 Offer Shares by the eligible Directors and employees of the STC Group, any such Offer Shares not subscribed shall first be made available to the Malaysian Public referred to in (i) above. Thereafter, any Offer Shares not subscribed for as set out in (i) and 500,000 Offer Shares in respect of (ii) above, shall be made available for subscription by the Underwriter.

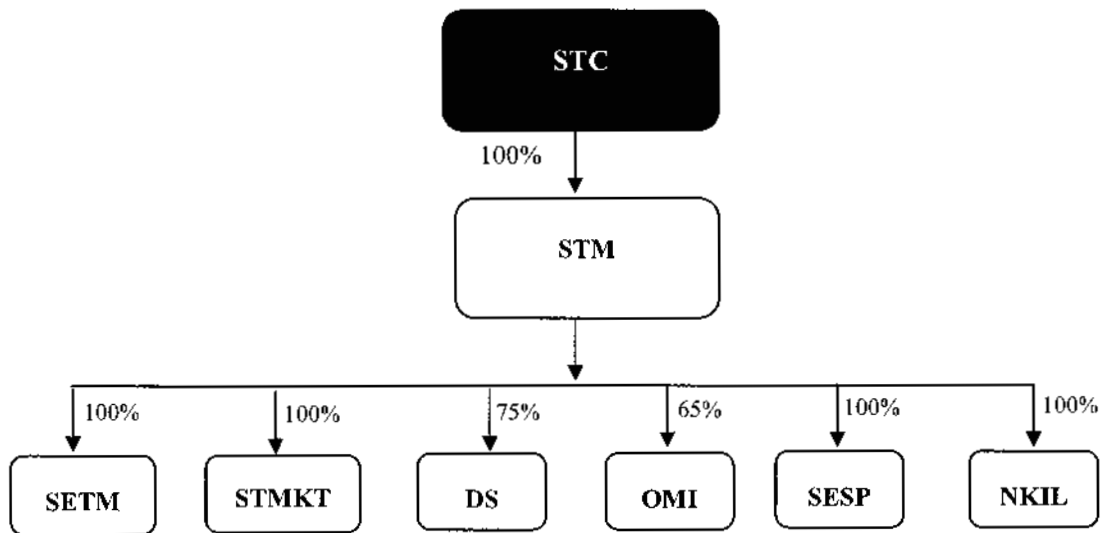
The minimum level of subscription in respect of the Offer for Sale shall be 8,187,000 STC Shares.

5.3.5 Listing

Upon completion of the Offer for Sale, STC will seek a listing of and quotation for its entire issued and paid-up share capital of RM40,000,000 comprising 80,000,000 STC Shares on the Second Board of Bursa Securities.

5. INFORMATION ON THE STC GROUP (Cont'd)**5.4 Business Overview of the STC Group****5.4.1 Principal Activities and Group Structure**

STC is principally an investment holding company whilst the principal activities of its subsidiary companies are that of manufacturing and trading of electrical apparatus and industrial lighting, metal stamping parts and metal casings, and property holding. The present structure of the STC Group is depicted below:-



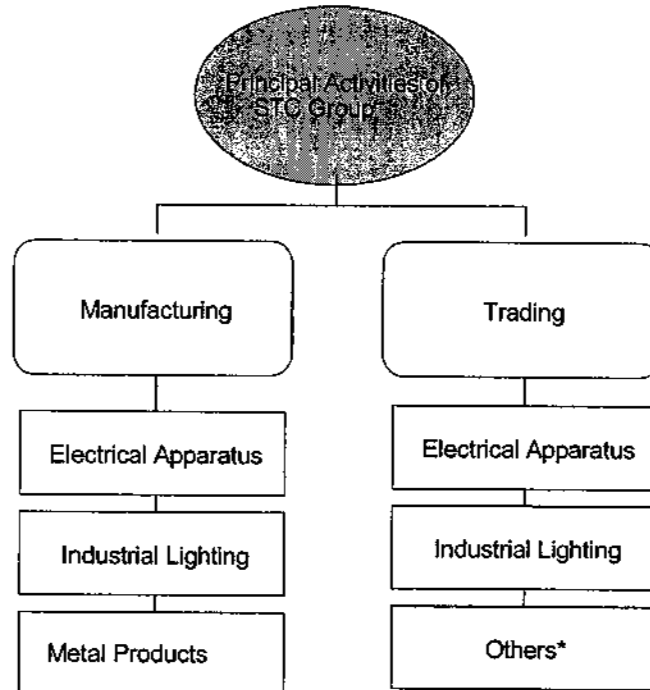
Further details on the subsidiaries of STC are set out in Section 5.5 below.

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5. INFORMATION ON THE STC GROUP (Cont'd)

5.4.2 Principal Products and Activities

The principal activities of the STC Group are as follows:-



* *Others include other electrical products and metal products.*

Manufacturing Activities

The core business of the STC Group is in the manufacturing of Electrical Apparatus, Industrial Lighting, other Electrical Products and Metal Products, which collectively, contributed approximately 87% of the total revenue of the STC Group for the eight (8) months financial period ended 31 August 2004 (FYE 2003 : 83%).

The products produced by the STC Group are as follows:-

- (i) **Electrical Apparatus**
 - (a) Transformers
 - Current transformers
 - Single-phase transformers
 - Three-phase transformers
 - Auto transformers
 - (b) Automatic voltage stabiliser ("AVS")
 - (c) High intensity discharge ("HID") ballast
 - (d) Battery charger and tester
 - (e) Running lights
 - (f) DC power supply
 - (g) Phasing relay

5. INFORMATION ON THE STC GROUP (Cont'd)

- (ii) **Industrial Lighting**
 - (a) Floodlight
 - (b) Highbay/Midbay/Lowbay/Recessed lighting
 - (c) Street lightings
 - (d) Other lightings and ignitors

- (iii) **Metal Products**
 - (a) Stamped silicon steel plates
 - (b) Metal casings
 - (c) Brackets

In addition to the above, the STC Group also has the in-house capabilities to manufacture other Electrical Apparatus products, depending on market and customer demand. This includes:

- (a) Inverters;
- (b) Power converters;
- (c) Timers;
- (d) Line reactor and harmonic circuit filter reactors;
- (e) Phase monitoring relay and phase reversal relay; and
- (f) Energy saving lumens regulator.

Trading Operations

The STC Group, through its subsidiary STMKT, is involved in trading, sales and marketing of Electrical Apparatus and Industrial Lighting.

The trading arm enables the Group to provide a comprehensive range of products to customers by sourcing supplementary and related products that are not cost effective for the Group to manufacture internally.

With a central procurement arm, the STC Group is able to leverage from economies of scale in purchasing products and materials at cost effective prices.

The STC Group trades in the following types of products:

- (a) Other electrical products including emergency lighting, thermostats, PVC cable, video fan finger guard and limit switch;
- (b) Electrical cables and light fitting materials;
- (c) Industrial lighting including channel fitting, lamp and reflector; and
- (d) Other metal products including cold rolled and electro-galvanised sheets, silicon sheets and coils.

For the eight (8) months financial period ended 31 August 2004, trading operations accounted for approximately 13% of the Group's total revenue, amounting to RM5.4 million (FYE 2003: 17% and RM9.1 million).

5. INFORMATION ON THE STC GROUP (Cont'd)

5.4.3 Brand names and trade marks

Brand names

The STC Group is an Original Brand Manufacturer (OBM) of its own range of Electrical Apparatus and Industrial Lighting marketed under the following brand names:

Type of Products	Brand Names
Electrical Apparatus	SE SES QPS SUPER-LITE
Industrial Lighting	LIKO NIKKON NIKKO

Trade marks

Following are some of the registered trade marks of SETM, a subsidiary of STC :-

Trade Mark	Products	*Class	Issuance Dates
SE [®] logo	Transformer and battery charger	9	9 May 2002 ⁽¹⁾
SES [®]	Current transformer	9	9 October 2002
QPS [®]	Variable voltage transformer and isolating power transformer, servo motor AVS, battery tester, motor starting auto transformer and neon transformer	9	10 August 2001
LIKO [®]	Floodlight, highbay, ignitor for lighting	11	22 September 2003
NIKKON [®]	Ballast for electrical lighting fittings, electric ignition devices for igniting at a distance	9	27 January 2004 ⁽²⁾
LIKO [®]	Floodlight	11**	14 January 2004
SES [®]	Current transformer and analogue panel meters	9**	15 January 2004
NIKKON [®]	Floodlights, downlights, lanterns for lighting and electrical lanterns.	11**	14 May 2003

5. INFORMATION ON THE STC GROUP *(Cont'd)*

Notes:-

- ® Registered trade marks.
- * *Class according to the Trade Marks Act 1976 and Trade Marks Regulations 1997.*
- ** *Class according to the Singapore Trade Marks Act.*
- (1) *Renewal certificate subsequently issued on 10 February 2004.*
- (2) *Renewal certificate subsequently issued on 10 May 2004.*

In addition, there are several applications of trade marks which have been submitted that are pending approval from the Trade Marks Registry, details of which are set out in Part (C) of Section 5.4.15 below.

5.4.4 Technology Used

The transformer mainly comprises three main parts called the core, primary winding, and secondary winding. The core is made out of electrical steel sheet, a material used for low frequency application that provides a path for the magnetic lines of flux. The primary and secondary windings are made out of coil wire, commonly copper wire, wrapped around the core. Depending on the number of turns, an incoming voltage or current can be stepped-up or stepped-down to a different value.

Transformer is used when stepping up or stepping down voltage is required to match the electrical supply for the electrical apparatus. For example, when an electrical apparatus is designed for 240 volt supply and is being used in a country having 110 volt supply source, a step up transformer would be required with primary voltage of 110 volt and secondary voltage of 240 volt. This will enable the apparatus to operate normally without any internal modification.

The technology used in the manufacture of transformers can be classified as follows:-

(i) Winding Technology

Generally, transformers are made from coiled wires wrapped around an iron core and consist three basis parts, primary winding, secondary winding and a core.

Primary winding is the coil winding that is directly connected to the input power, whereas secondary winding is the coil windings supplying the output voltage to the loads.

If the primary and secondary windings have the same number of turns, the voltage induced into the secondary will be the same as the voltage impressed on the primary.

In other case, if the primary winding has more turns than the secondary, then the voltage induced in the secondary windings will be stepped down in the same ratio as the number of turns in the two windings. For example, if the primary voltage is 240 volts, and there are 100 turns in the primary and 10 turns in the secondary, then the secondary voltages will be 24 volts. This would be termed a "step-down" transformer.

5. INFORMATION ON THE STC GROUP (Cont'd)

As for “step-up” transformer, there would have more turns on the secondary than on the primary winding. For example, if the voltage on the primary is 240 volts, and there are 10 turns in the primary and 100 turns in the secondary, then the secondary voltage would be 2,400 volts.

Thus winding technologies, including the tension of the winding, is the basic technology for the manufacture of transformers.

Currently, the STC Group has the in-house capabilities in winding technologies to manufacture a wide range of transformers to meet the customers' specifications.

(ii) Core Construction

Most transformer cores are made up of thin sheets of specially annealed and rolled silicon steel laminations that are insulated from each other. The core mainly carries the magnetic flux in a transformer.

The molecules of the steel have a crystal structure that tends to direct the flux. By rolling the steel into the sheets, it is possible to orient this structure to increase its ability to carry the flux.

As the magnetic flux cuts through the core materials, small currents called eddy currents are induced. The introduction of a resistance, for example, insulation between the laminations, will reduce this current and the accompanying losses.

The laminations must be carefully cut and assembled to provide a smooth surface around which the windings are wrapped. Any burrs or pointed edges would allow the flux lines to concentrate, discharge and escape from the core.

The laminations are usually clamped and blocked into place because bolting would interrupt the flow of flux. Bolts also have a tendency to be loosen when subjected to vibrations that are found in a 50 hertz transformer core.

In general, there are two types of core assembly, core form and shell form.

In the core form, the windings are wrapped around the core, and the only return path for the flux is through the centre of the core. Since the core is located entirely inside the windings, it adds a little to the structural integrity of the transformer's frame.

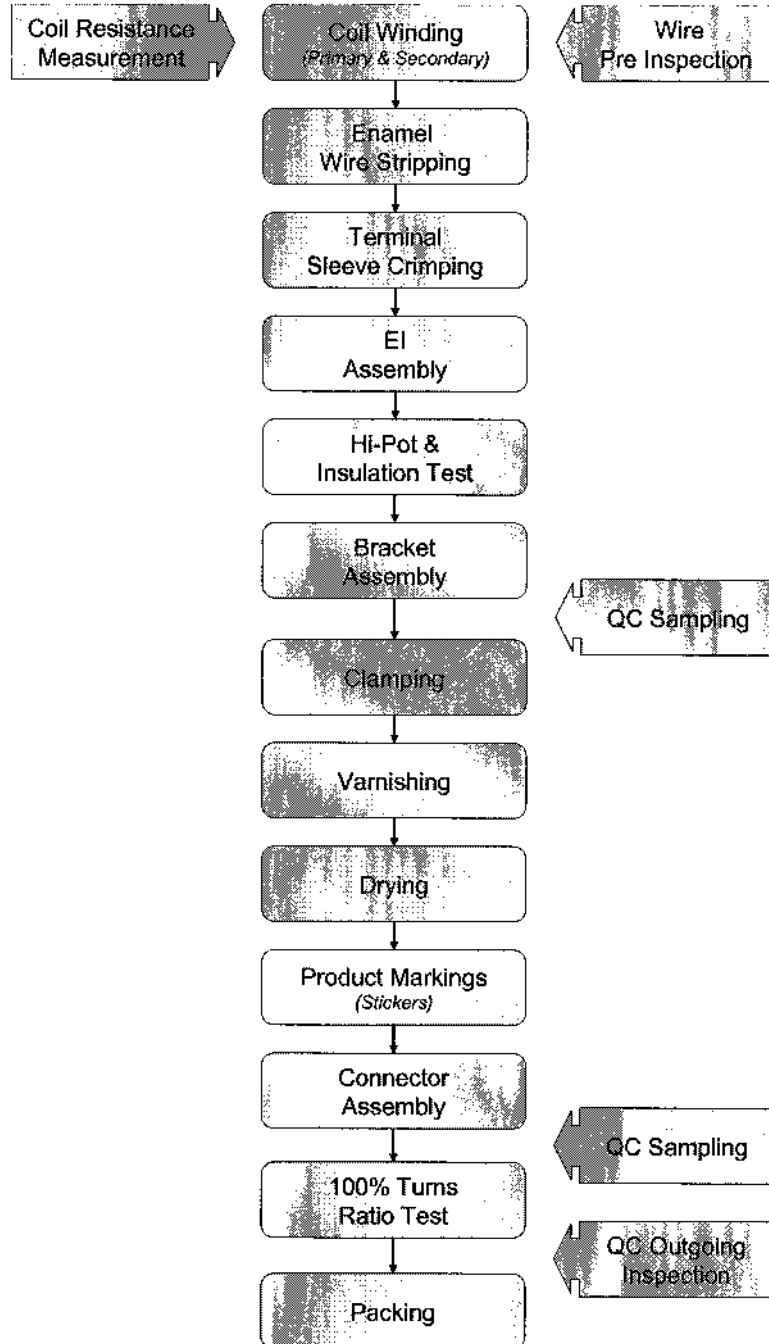
Shell form transformer completely encloses the windings inside the core assembly. Shell form construction is usually used for larger transformers. As the core of the shell type completely surrounds the windings, it provides a return path for the flux lines both through the centre and around the outside of the windings.

Shell construction is also more flexible, because it allows a wide choice of winding arrangements and coil groupings.

5. INFORMATION ON THE STC GROUP (Cont'd)

5.4.5 Operation Process

The process flow for the manufacture of transformers for the STC Group is depicted below:



5. INFORMATION ON THE STC GROUP (Cont'd)

Process flow:-**Step 1:**

The initial manufacturing process begins with the pre-inspection of the metal wire and wire specifications (gauge, resistance, etc.), which are to be used in the coil windings of the transformer.

Step 2:

The process then undergoes primary and secondary coil windings where electric currents and voltages are generated within the transformer coils known as mutual inductance. Transformers are made with the various correct numbers of windings to generate different voltage outputs.

Step 3:

A measurement of the resistance of the coils is also taken at this stage.

Step 4:

The enamel insulation is then removed from the wire to facilitate termination, which is the soldering or cable lug crimping of wire ends of the transformer coils. The wire ends then undergoes another process of crimping of the terminal sleeves.

Step 5:

The assembly of the 'EI' core or frame is done at this stage of the manufacturing process. The core of the transformer is formed by two individual metal parts (E-I, or E-E) usually made from stacked silicon steel sheets. 'EI'-frame transformers have a large laminated section that resembles an 'E' before it is assembled. Wire is wound around the centre of the 'E' through the gaps by the means of an insulated winding bobbins. An 'I' section is then installed over the ends of the E section to complete the assembly.

Step 6:

100% turn ratio test is carried out on the semi-finished transformer. The turn ratio of a transformer refers to the number of turns in phase winding of a transformer that gets associated with the higher voltage to the corresponding number of turns in the lower-voltage winding.

Step 7:

The semi-finished transformer will then undergo hi-pot and insulation testing. This process applies a high voltage at the rated frequency to the assembly or device to determine the status of its electrical insulation. The process is also known as voltage withstand testing, dielectric strength testing or insulation breakdown testing. The hi-pot and insulation test voltage is conducted for a specified time period.

Step 8:

Metal brackets are then mounted to the transformer before it is passed for clamping. The brackets are designed according to specifications and requirements to fit the assembly and are usually used or mounted in pairs.

5. INFORMATION ON THE STC GROUP (Cont'd)

Step 9:

The semi finished transformer product is then passed through a quality control ("QC") sampling before it is varnished or coated with resin and then left to cure during the drying process.

Step 10:

Connectors and terminal blocks are then assembled onto the transformers for termination using cable lugs or soldering at this stage. Product markings such as stickers and tapes denoting its specifications and branding are applied to the product before it again passes through another QC sampling process.

Step 11:

The final test before packing and storage is the 100% turns ratio test which is carried out on the transformer after the varnishing and curing process. The turns ratio of a transformer is defined as ratio of the number of turns on its primary winding to the number of turns in the secondary winding. For example, 500 turns in the primary and 50 turns in the secondary provide a turns ratio of 500/50, or 10:1.

Step 12:

This test will show the true electrical ratio as expected in operation when energising a primary winding. The ratio measured with the test therefore includes the losses normally found in the transformer, which will result in a ratio greater than that of the physical turns but reflects the real voltage ratio expected by the designer.

Step 13:

An outgoing QC inspection is finally carried out before packing, storage and shipment to customers.

5.4.6 Market Coverage and Share**(i) Principal Markets**

For the eight (8) months financial period ended 31 August 2004, the principal markets of the STC Group comprised both local and export markets. Approximately, 83% (FYE 2003: 86%) of the STC Group's total revenue were contributed by the local sales, whilst the remaining 17% (FYE 2003: 14%) were contributed by direct exports.

For the eight (8) months financial period ended 31 August 2004, the products of the STC Group were sold all over Malaysia except for Perlis. The sales in Selangor and Kuala Lumpur contributed approximately 50% (FYE 2003: 67%) of the total local sales. The products of the STC Group were also exported to Singapore, Cambodia, Japan, Sri Lanka, United Arab Emirates, Myanmar, Hong Kong, Syria, Australia, Indonesia, Philippines, Fiji, India, Pakistan, Mauritius, Ghana, New Zealand, Brunei, Bangladesh, Yemen, Vietnam, Thailand, Nigeria and Taiwan, of which, approximately 33% (FYE 2003: 36%) of the exports were contributed by Singapore.

5. INFORMATION ON THE STC GROUP *(Cont'd)*

(ii) Market Size and Share

In 2003, the estimated market size of the manufacture of transformers based on production output is approximately RM1.1 billion in Malaysia. Consequently, the estimated market share of the STC Group within the manufacture of transformer sector based on production output value is approximately 2% in Malaysia.

(Source: Summary of the Assessment of Electrical Industrial Equipment Industry prepared by Vital Factor Consulting Sdn Bhd for inclusion in this Prospectus)

5.4.7 Marketing, Distribution and Sales

Marketing Strategies

The sales and marketing arm of the STC Group utilises the following marketing strategies:

- (i) Position itself as an established manufacturer of electrical industrial equipment with extensive in-house manufacturing facilities and capabilities, including design, manufacturing, research and development and testing;
- (ii) Continually providing excellence in product quality and customer service with the aim of developing long-term business relationship with customers;
- (iii) Expand its market presence overseas and develop new business opportunities by working closely with existing customers;
- (iv) Keeping abreast of new technological development to stay ahead of competition as well as better meet the needs of customers; and
- (v) Promote and market the Group's products through local and international trade fairs and exhibitions.

The STC Group had participated the following exhibitions and conventions:

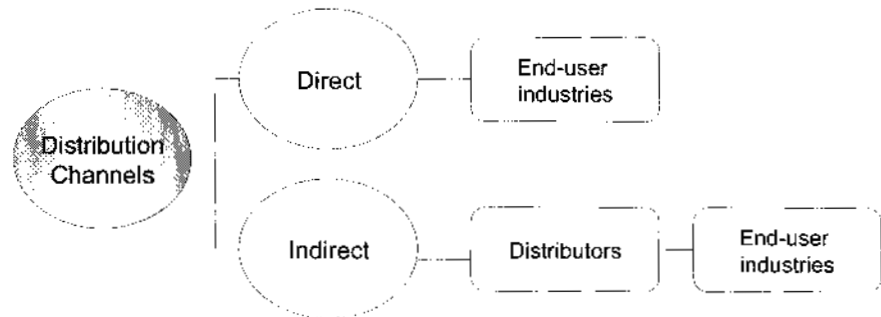
Exhibitions Participated	Destination	Date
Overseas		
Luminaire Asia '98	Singapore	February 1998
Hannover Fair '98	Hannover, Germany	April 1998
13 th International Autumn Trade Fair '98	Dubai, United Arab Emirates	November 1998
Local		
Machine tool Malaysia '98	The Mines, Kuala Lumpur	March 1998
T&D Asean '98	Putra World Trade Centre ("PWTC"), Kuala Lumpur	May 1998
SMI Showcase '98	PWTC, Kuala Lumpur	June 1998
IMX Machine tool Malaysia	The Mines, Kuala Lumpur	June 1999
MetalTech Malaysia 2000	PWTC, Kuala Lumpur	May 2000
MetalTech Malaysia 2001	PWTC, Kuala Lumpur	May 2001

5. INFORMATION ON THE STC GROUP *(Cont'd)*

As part of its strategy to promote its products and services to potential customers locally and overseas, the STC Group will continue to visit and participate other international trade fairs and exhibitions to promote and market its products.

Distribution Channel Strategy

The distribution channel strategy of the STC Group is mainly based on direct and indirect distribution to local and overseas customers.



The strategy of adopting indirect distribution channels enables the STC Group to utilise the existing network of distributors of electrical products, parts and accessories to expand its market coverage without the need for significant investment. Presently, the STC Group has 721 local distributors located all over Malaysia, save for the state of Perlis.

This distribution strategy is also applied in overseas markets. The STC Group has forty-two (42) overseas distributors.

The direct distribution strategy also has its advantages in enabling the Group to work closely with its customers to evaluate and attain a better understanding of their requirements, which serves as a feedback mechanism for continuous product and service improvements.

As at 15 December 2004, the Group has twenty-three (23) sales and marketing personnel focusing on cultivating new business development.

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5. INFORMATION ON THE STC GROUP (Cont'd)

5.4.8 Types, source and availability of the raw material and inputs

The following are the major types of raw materials and sources of supply utilised by the STC Group in its manufacturing process:

Raw Materials	FYE 2003		Eight (8) months financial period ended 31 August 2004	
	Value of Purchases (RM'000)	Percentage of Total Group Purchases (%)	Value of Purchases (RM'000)	Percentage of Total Group Purchases (%)
Raw Materials for Manufacturing				
Copper wires	4,010	13.1	4,720	20.5
Silicon steel plates and coils	5,179	16.9 [^]	4,096	17.8 [^]
HID lamps	4,269	14.0 [^]	3,679	16.0 [^]
Floodlight casings	3,454	11.3 [^]	2,436	10.6 [^]
Electrical parts ⁽¹⁾	1,921	6.3	972	4.2
Lighting capacitors	629	2.1	902	3.9
Industrial Highbay fittings	875	2.9	592	2.6
Street light fittings	686	2.2	335	1.5
Bobbins	461	1.5	337	1.5
Other electrical products ⁽²⁾	441	1.4	253	1.1
Electronic components	403	1.3	214	0.9
Others ⁽³⁾	2,252	7.4	2,011	8.7
Finished Products for Trading				
Electrical products ⁽⁴⁾	1,428	4.7	1,160	5.0
Channel/light fittings	1,218	4.0	1,013	4.4
Others ⁽⁵⁾	986	3.2	287	1.2
Cables	2,385	7.8	-	-
Total	30,597	100.0*	23,007	100.0*

Notes:

* Total does not add-up due to rounding

[^] Including some purchases from local stockists

5. INFORMATION ON THE STC GROUP *(Cont'd)*

Based on the eight (8) months financial period ended 31 August 2004, the Group's purchases amounted to RM23.0 million (FYE 2003: RM30.6 million). The total Group's purchases exclude fuel oil, electricity and other consumables.

Notes:

- (1) *Electrical parts include meters, video fans, switches and cables.*
- (2) *Other electrical products include brass bush, fuse holders, carbon holders and, aluminium coupling.*
- (3) *Others include metal brackets, cold rolled sheets, insulation paper, electro-galvanised sheets, screws and nuts, printed circuit boards, epoxy powder, metal casings, plastic parts, metal parts, insulation wires, angle bars, aluminium, stainless steel and copper plates, square tubes, flat bars, aluminium strip and others.*
- (4) *Electrical products include fluorescent light fitting, lighting fixtures, PVC pipe and PVC cable.*
- (5) *Others include choke, halogen transformers, uninterrupted power system, floodlight casing fittings, thermal overload relay, switches, contactors, adaptors and printed circuit boards.*

As the STC Group is primarily involved in the manufacturing of Electrical Apparatus and Industrial Lighting, some of the main materials used in its manufacturing operations including:

- Copper wires;
- Silicon steel plates and coils;
- HID lamps; and
- Floodlight casings.

For the eight (8) months financial period ended 31 August 2004, copper wires, which are used in the manufacturing of Electrical Apparatus accounted for 20.5% of total purchases of the Group for the eight (8) months financial period ended 31 August 2004 (FYE 2003: 13.1%).

Apart from copper wires, the next largest raw materials purchased are silicon steel plates and coils. Purchases of silicon steel plates and coils accounted for 17.8% (FYE 2003: 16.9%) of total purchases of the STC Group.

Purchases of HID lamps, which are usually used in the manufacturing of Industrial Lighting, accounted for 16.0% of total purchases of the STC Group for the eight (8) months financial period ended 31 August 2004 (FYE 2003: 14.0%).

For the eight (8) months financial period ended 31 August 2004, floodlight casings amounted to approximately RM2.4 million (FYE 2003: RM3.5 million). This is also used for the manufacture of Industrial Lighting.

5. INFORMATION ON THE STC GROUP (Cont'd)

Other raw materials used in the Group's manufacturing operations also include:

- electrical parts and products;
- double fibre glass wires;
- highbay fittings;
- street lantern fittings;
- lighting capacitors;
- bobbins;
- electronic components; and
- others (includes aluminium strip, metal brackets, cold rolled sheets, insulation paper, electro-galvanised sheets, screws and nuts, printed circuit boards, epoxy powder, metal casings, plastic parts, metal parts, insulation wires, angle bars, aluminium, stainless steel and copper plates, square tubes, flat bars and others).

For the eight (8) months financial period ended 31 August 2004, locally sourced raw materials accounted for 35.0% (FYE 2003: 41.4%) whilst imports accounted for 65.0% (FYE 2003: 58.6%) of the Group's total purchases of raw materials and finished products, which included local stockist.

Purchases of raw materials for the Group's manufacturing operation represented 89.3% (FYE 2003: 80.3%) whilst the remaining 10.7% (FYE 2003: 19.7%) were purchases for its trading operations for the eight (8) months financial period ended 31 August 2004.

In addition, the STC Group is also exempted from import duties for the following raw materials for its manufacturing operations:

- double fibre glass copper wires;
- enameled copper wire;
- connectors;
- non adhesive PVC tapes;
- fibre glass sleeving with silicon;
- discharge outdoor floodlight casings;
- aluminium strips;
- discharge lamps;
- street lantern fittings; and
- silicon electrical steel.

5.4.9 Quality control procedures and management programme

Quality has always been part of the STC Group's strategy to stay ahead of its competitors. The Directors of STC believe that quality control should be managed from the start, from the stage the raw materials are purchased and continuously extended to the various stages of manufacturing, up to the final inspection stage on the finished products before the products are packed and transferred to the warehouse and/or for delivery to customers. The quality control process is to ensure that the products manufactured meet the STC Group's quality standards in terms of functionality, reliability and finishing.

5. INFORMATION ON THE STC GROUP (Cont'd)

The STC Group places significant emphasis on quality. Stringent quality controls are implemented in each and every aspect of its operations. Essentially, the STC Group adopts the following approaches to ensure that certain quality standards are maintained internally:

- (a) In-coming raw materials, such as copper wire is fully inspected for quality, grade and size prior to production. This is to ensure that the performance of its products meet the required technical specifications;
- (b) At each stage of the production process, quality checks are also undertaken; and
- (c) Final quality checks in the form of inspections and testing are also carried out for the finished products before despatching to customers.

As part of the Group's emphasis on quality, SETM, one of the subsidiary companies of STC has also obtained the following accreditations in Quality Management System from SIRIM QAS International Sdn Bhd and subsequently from Bureau Veritas Quality International ("BVQI"). This provides customers with the assurance of quality of its products:

Accreditations	Issuance Date
MS ISO 9001:2000	20 August 2002
MS IEC 922:1995 MS IEC 923:1995	14 July 2003
ISO 9001:2000	5 October 2004

On 25 September 1998, SETM obtained MS ISO 9002:1994, which was later upgraded to MS ISO 9001:2000 on 20 August 2002. Subsequently on 5 October 2004, SETM obtained the ISO 9001:2000 (in place of the MS ISO 9001:2000), which was assessed and certified by BVQI, an independent certification body of Bureau Veritas.

As at 15 December 2004, the STC Group has an experienced quality control and assurance team of eleven (11) personnel that are focused on ensuring that product quality meets with the needs and specifications of customers.

5.4.10 Research and development ("R&D")

(a) Policy on R&D

R&D plays an important role for the STC Group, particularly in creating and sustaining competitive advantages through the following:

- (i) Continuous improvement in product quality to ensure customer satisfaction;
- (ii) Increase production effectiveness, efficiency and productivity to minimise costs;
- (iii) Continuously enhance existing products to better meet the needs of customers; and

5. INFORMATION ON THE STC GROUP (Cont'd)

- (iv) Creating new products and services to address areas of growth and opportunities.

(b) R&D facilities and personnel involved

The Group has in-house R&D facility that allows them to undertake R&D and test products. Some of the testing that is undertaken by the Group includes:

- (i) Dielectric voltage withstand test or high potential test (HIPOT test) is to verify the quality and electrical safety characteristics of a product. The test is carried out by subjecting the device under test (DUT) to high voltage, the magnitude of which is specified by the manufacturer, for a given period of time. The assumption is that if the insulation can withstand the much higher voltage for a given period of time, it will be able to function adequately and safely at its normal voltage level;
- (ii) Insulation resistance test (IR) gives a resistance value usually in Megaohms (M Ω). The test voltage uses 500 volts (V) direct current (DC) or 1000V DC and IR value measured is of no less than the value specified by the manufacturer. The IR test gives an indication of the relative quality of the insulation system;
- (iii) Turn ratio test, this test ensures that no materials or tools are short-circuiting the windings;
- (iv) Winding resistance test, used for comparison to the factory supplied readings. A reading that is more than 10% higher could indicate loose internal connections or wrong turn ratio; and
- (v) Performance test is to determine the performance or quality of the product. The two common tests conducted on transformer are short circuit test and open circuit test. The results will enable the manufacturer to determine the quality of the product, which includes percentage impedance, voltage regulations and product efficiencies.

All these tests are undertaken in the Group's in-house laboratory. The STC Group has eleven (11) quality control and assurance personnel and four (4) R&D personnel.

(c) Present status of the Group's R&D

As part of the STC Group's intention to stay ahead of its competitors, it has to continuously develop new products. Some of the products which the STC Group have fully undergone R&D and are currently in full production are Electrical Apparatus (namely, transformers, HID ballast, AVS, battery charger and tester and energy saving lumens regulator) and Industrial Lighting (namely, floodlight, highbay/ midbay/ lowbay/ recessed down light and street light).

5. INFORMATION ON THE STC GROUP (Cont'd)

The STC Group has continuously focus on the following:-

(i) Improvements in Manufacturing Processes

This is critical as it has a direct impact on manufacturing efficiency, effectiveness, productivity and product quality.

The Group's quality assurance team continuously identifies areas for improvement and ensures that quality standards are complied with throughout the manufacturing processes. This is critical to ensure quality products at all times.

(ii) Process Reengineering and Improvement

This is critical as it has a direct impact on the Group's productivity and product quality. Some of the benefits of process reengineering and improvement are as follows:

- minimised wastage;
- faster turnaround time;
- improved cost-effectiveness;
- improved customer satisfaction; and
- increased product capabilities and capacity.

As such, the Group undertakes R&D through:-

- Selection of process flow best practices locally and abroad;
- Research in new technologies and machineries in improving the effectiveness, efficiencies, productivity and quality in the manufacturing processes;
- Continuous evaluation and improvement of existing processes and procedures to optimise workflow, maximise quality and minimise cost;
- Modification and customisation on existing machinery and equipment to increase efficiencies in the production process; and
- Incorporation of quality control processes.

The Group utilises current technology in its production process. Part of its production uses automatic winding machine for the winding process. This increases the volume of production as well as improved product quality through reduced handling and better consistency in the process.

Thus, R&D in optimising its manufacturing process is important to the success of the Group's operations and sustaining its competitive advantages.

5. INFORMATION ON THE STC GROUP (Cont'd)

(d) New product development

The STC Group is currently undertaking R&D in the following new products:

(i) New Range of Battery Chargers

Currently, the STC Group manufactures battery chargers with the capacity range from 1 battery up to 50 batteries.

The Group intends to extend its products range for battery chargers with increased capacity for charging 200 batteries at one time.

The battery chargers manufactured by the STC Group is for lead acid and nickel cadmium batteries.

The Group also intends to undertake R&D in producing battery chargers for industrial alkaline batteries and sealed lead acid batteries.

Areas of R&D for producing new range of battery chargers include:

- To reduce the charging time of the Industrial battery chargers from 8 hours to 1 hour. The lower charge rates would result in the overall life of the batteries being extended; and
- To design a fast battery charger designed for nickel-cadium, alkaline batteries with a temperature sensor or voltage sensor that can detect when the batteries are nearing thermal-runaway (i.e. when the battery reaches approximately 85% of its fully charged time). In this respect, when the battery is 85% charged, the charging process will be terminated automatically, which will reduce the incidence of excess heat running through the battery which may cause the voltage to drop.

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5. INFORMATION ON THE STC GROUP (Cont'd)

(ii) New Range of Luminaire for Industrial Lighting

In an effort to expand its business to incorporate a wide range of products, the STC Group is currently undertaking R&D in the manufacturing of luminaire.

Luminaire is a complete lighting system that comprised one or more lamps that is designed for high intensity lighting for indoor and outdoor purposes. Luminaire is constructed to distribute, refract or diffuse light to provide anti-glare illumination.

Areas of R&D for producing luminaire include the following:

- luminaire efficiency, referred to the total output of a luminaire expressed as a percent of rated lamp lumens as determined by photometric test;
- Luminance refers to the luminance intensity of any surface in a given direction per unit area as viewed from that direction, and is measured in candela/m²;
- Luminous flux is the measure of the total light producing power of the light source; and
- Optical system, the light control portion of the luminaire including reflectors, diffusers, baffles and louvers.

(e) Proposed future R&D

The STC Group proposes to undertake R&D to expand its current range of products by developing the following new products:

(i) Usage of new raw materials

Currently, the Group uses copper wire as one of the basic raw materials in primary and secondary windings in the manufacturing of transformers. The Group intends to use copper foils as conducting media in its manufacturing of electrical apparatus.

The advantages of using copper foils as conducting media are as follows:

- The capacity can be increased to 1.5 megavolt amperes and above;
- Termination of terminal connections can be simplified with the usage of tungsten inert gas welding which can improve the electrical conductivity significantly;

5. INFORMATION ON THE STC GROUP (Cont'd)

- Size of the transformer can be more compact;
- Higher productivity with reduction in manufacturing processes; and
- Minimum manpower is required.

(ii) Solar Power Supply System

The function of this system is to convert solar energy to electricity for powering devices, appliances and equipment whilst recharging the system's batteries for later use. The STC Group intends to set-up a new production line to produce solar power systems by 2005.

As part of the business intention, the STC Group intends to undertake R&D in producing solar power supply system.

In general, the types of solar power supply systems that may be produced by SETM, include:

- (a) Grid-tied solar system, which is usually used in the home system that draws on the electricity grid at night and export excess power in the day.
- (b) Stand-alone grid-tied solar system (alternating current), which is usually applied to home and business system's uninterruptible power, for example for use with computers, to enable the electrical devices to be operational when the grid is down.
- (c) Stand-alone off-grid solar system without energy storage (direct current), which is usually used for water pumping or greenhouse ventilation. Specialised solar water pumps are designed for submersible use or to float on open water.
- (d) Stand-alone off-grid solar system with energy storage (direct current), which is usually used for remote homes, lighting, television, radio and telemetry.
- (e) Stand-alone off-grid solar system without energy storage (alternating current), which is usually used in appliances where an inverter is required in this system to convert direct current (DC) to alternating current (AC).
- (f) Stand-alone off-grid solar hybrid system, which is usually used for remote large scale communications and industrial applications.

5. INFORMATION ON THE STC GROUP (Cont'd)

(iii) Solar Industrial Lighting

The STC Group plans to undertake R&D activities in producing solar industrial lighting. To further extend its range of Industrial Lighting as well as to increase its diversification into other products, the STC Group plans to manufacture solar industrial lighting. Some of the areas of R&D include the following:

- (a) modular design;
- (b) vandal resistance;
- (c) plug-in component;
- (d) luminaire, enclosure for battery and controller;
- (e) motion sensors; and
- (f) roof mounting solar array.

The STC Group intends to produce the solar industrial lighting by 2005.

(f) R&D Expenditure

The amount spent on R&D for the last three (3) FYE 2001 to 2003 and the eight (8) months financial period ended 31 August 2004 are as follows:

	FYE 2001	FYE 2002	FYE 2003	Eight (8) months financial period ended 31 August 2004
R&D Capital Expenses (RM)	-	39,705	213,462	58,559
R&D Operating Expenses (RM)	65,443	117,545	247,860	297,525
TOTAL R&D Expenses (RM)	65,443	157,250	461,322	356,084
Total R&D expenses as a proportion of the STC Group's total Revenue (%)	0.2%	0.3%	0.8%	0.9%

5. INFORMATION ON THE STC GROUP (Cont'd)

5.4.11 Production capacity

The STC Group is presently operating at the following production capacity for the following manufacturing activities:-

Type of manufacturing activities	Production capacity
(i) Manufacture of Electrical Apparatus	Ranges from 29% to 43%
(ii) Manufacture of Electrical Lightings	44%
(iii) Manufacture of Metal Products	Ranges from 40% to 47%

The above production capacity is based on an 8-hour shift per day plus overtime.

The STC Group has invested approximately RM4.6 million in machinery and equipment since the commencement of its operations. Based on the availability of the machinery and equipment and the production capacity available, there is sufficient capacity available to cater for any increase in demand, should the need arises.

The Group also intends to utilise part of the proceeds from the Rights Issue to finance the purchase of new plant and machinery for the production of the new range of products of the STC Group. Details of the proposed purchases of new plant and machinery are set out in Section 5.9 (iii) below.

5.4.12 Key Achievements and Accreditation

The list of key achievements and accreditation that has been accorded to the STC Group are as follows:

Year	Certification / Award
1998	Quality System Registration Certificate by SIRIM QAS International Sdn Bhd for the implementation of a quality system complying with MS ISO 9002:1994 Quality Systems – Model for Quality Assurance in Production, Installation and Servicing for the manufacture of ballasts, ignitors, isolating power transformers (up to 20 KVA) and assembly of high bay luminaire, expiring on 15 December 2003 and subsequently upgraded to MS ISO 9001:2000 on 20 August 2002.
2000	MS ISO 9001 : 2000 Quality Management Systems - Requirements by SIRIM QAS International Sdn Bhd for the design, development and manufacture of HID ballast, ignitors, isolating power transformers, (up to 20 KVA) and industrial lighting (expired on 24 September 2004).
2001	Certificate of Type Test by ASTA Certificate Services in relation to five window-type, 0.72/3/-kv (Um/Insulation level), 50 Hz, current transformers designated as SES current transformers 300/5A Type MSQ-40, 600/5A Type MK-65, 1200/5A Type MSQ-100, 600/5A Type PR-75 and 1600/5A Type PR-85.

5. INFORMATION ON THE STC GROUP (Cont'd)

Year	Certification / Award
2002	Certificate of Type Test for by ASTA in relation to seven window-type (3 measuring and 4 protective), 0.72/3/-kv (Um/Insulation level), 50 Hz, current transformer designated as SES Current Transformers 400/5A Type MSQ-60, 400/5A Type PR-60, 800/5A Type MSQ-100, 500/5A Type PR-75, 1600/5A Type MSQ-100, 600/5A Type PR-60 and 2250/5A Type PR-120.
2003	<p>Product Certification Licence by SIRIM QAS International Sdn Bhd in relation to ballasts for discharge lamps for the following models (expiring on 25 May 2005):-</p> <ol style="list-style-type: none"> 1. NIKKON high-pressure mercury vapour: HPMV 250W, HPMV 400W with rating of 240V, 50 Hz; 2. NIKKON high-pressure sodium vapour HPS 70W, HPS 100W, HPS 150W, HPS 250W, HPS 400W with rating of 240v, 50 Hz; and 3. NIKKON metal halide MH 70W, MH150W, MH 250W, MH 400W with rating of 240V, 50 Hz. <p>And complying with MS IEC 60 922:1995 and MS IEC 60 923:1995.</p>
2004	<p>ISO 9001:2000 quality management system standards compliant by Bureau Veritas Quality International for design, development and manufacture of HID Ballast, ignitor, industrial lightings and low voltage transformer (expiring on 5 August 2007).</p> <p>This certification replaced MS ISO 9001:2000 by SIRIM QAS International Sdn Bhd which expired on 24 September 2004.</p>

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5. INFORMATION ON THE STC GROUP *(Cont'd)*

5.4.13 Location of the manufacturing activities

The STC Group conducts its business operations including its marketing activities from Nos. 5 and 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Selangor Darul Ehsan.

In addition, the manufacturing activities of the STC Group are carried out at the following locations:-

Subsidiaries	Approximate Built-up Area (Square Metres)	Location of Production Facilities
SETM	14,638.92	No. 5 and 7, Jalan TSB 8 Taman Industri Sungai Buloh 47000 Selangor Darul Ehsan
DS	297.28*	No. 15, Jalan TSB 5 Taman Industri Sungai Buloh 47000 Sungai Buloh, Selangor
OMI	585.28	No. 24 & 26, Jalan TSB 5 Taman Industri Sungai Buloh 47000 Sungai Buloh, Selangor
	292.64*	No. 21, Jalan TSB 6 Taman Industri Sungai Buloh 47000 Sungai Buloh, Selangor

Note:-

* *The manufacturing activities of these companies are carried out at these rented properties.*

5.4.14 Interruption in Business

The Group has not experienced any disruption in business which had significant effects on its operations for the past twelve (12) months prior to the date of this Prospectus.

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5. INFORMATION ON THE STC GROUP (Cont'd)

5.4.15 Approvals, Major Licences and Permits Obtained

(i) SETM - Major Licences and Permits

(A) Business and manufacturing licences

Licence No.	Issuing Authority	Subject Matter	Date of Issue	Validity Period	Equity conditions and other major conditions imposed	Status of compliance
(i) Licence Account No. L550000012975 Serial No. 00002093	Majlis Perbandaran Petaling Jaya	Business licence for the manufacturing of electrical goods at Nos. 5 & 7 Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor.	5 January 2004	1 January 2004 - 31 December 2004 (SETM will be submitting an application for renewal the license before the expiry date)	None	Not applicable
(ii) Licence No. A012510 Serial No. A019371	MITI	Manufacturing licence under the Industrial Co-ordination Act 1975 for SETM to act as a licensed manufacturer from 28 September 2000 at Nos. 5 & 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor for ballast, ignitor, timer, phasing relay, auto transformer, variable transformer, low voltage transformer, automatic voltage regulator and automatic voltage stabilizer	1 January 2001	With effect from 28 September 2000	<ul style="list-style-type: none"> Disposal of shares in the company must be notified to MITI The company must train Malaysian citizens to channel the transfer of technology and expertise to their Malaysian employees. This is merely an approval for the project. All applications for tariff protection and exemption of custom duties are to be made separately 	Met, there has not been any disposal of shares in SETM since the issuance of the licence. Met, SETM carries out in-house and on-the-job training for their Malaysian employees. Met

5. INFORMATION ON THE STC GROUP (Cont'd)

Licence No.	Issuing Authority	Subject Matter	Date of Issue	Validity Period	Equity conditions and other major conditions imposed	Status of compliance
(iii) Licence No. A012510 Serial No. A021532	MITI	Manufacturing licence under the Industrial Co-ordinance Act 1975 for SETM to act as a licensed manufacturer from 10 May 2003 at Nos. 5 & 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor for "lightings, all types"	9 August 2003	With effect from 10 May 2003	<ul style="list-style-type: none"> Disposal of shares in the company must be notified to MITI The company must train Malaysian citizens to channel the transfer of technology and expertise to all levels of employment This is merely an approval for the project. All applications for tariff protection and exemption of custom duties are to be made separately 	<p>Met, there has not been any disposal of shares in SETM since the issuance of the licence.</p> <p>Met, SETM carries out in-house and on-the-job training for their Malaysian employees.</p> <p>Met</p>

5. INFORMATION ON THE STC GROUP (Cont'd)

Licence No.	Issuing Authority	Subject Matter	Date of Issue	Validity Period	Equity conditions and other major conditions imposed	Status of compliance
(iv) Licence No. W10-A033120/91	Royal Customs and Excise Malaysia	Manufacturer's licence under the Sales Tax Act 1972 for SETM to act as a licensed manufacturer from 26 January 1991 at Nos. 5 & 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor for battery charger, voltage regulator, transformer, ballast, current transformer, ignitor, highbay, electronic timer, battery tester, floodlight, phasing relay, running light controller, low bay (lighting fixture for supermarket and factory) and street lantern.	5 May 2004	With effect from 26 January 1991	None	Not applicable

5. INFORMATION ON THE STC GROUP (Cont'd)

(B) Trade marks

Trade mark No.	Issuing Authority	Subject Matter	Date of Issue	Validity Period
(i) Trade mark No. 94007609	Intellectual Property Corporation of Malaysia	Certificate of registration for the logo "SE" pursuant to Trade Mark No. 94007609 under the Trade Marks Act 1976 and Trade Marks Regulations 1983 to SETM from 24 August 1994 in class 9 in respect of battery charger and transformer; all included in class 9.	9 May 2002 / 10 February 2004	24 August 1994 – 24 August 2011
(ii) Trade mark No. 01001171	Intellectual Property Corporation of Malaysia	Certification of registration for the trade mark "LIKO" under the Trade Marks Act 1976 and Trade Marks Regulations 1983 to SETM from 31 January 2001 in class 11 in respect of floodlight, highbay, ignitor for lighting all included in class 11.	22 September 2003	31 January 2001 – 30 January 2011
(iii) Trade mark No. 98003892	Intellectual Property Corporation of Malaysia	Certification of registration for the trade mark "QPS" under the Trade Marks Act 1976 and Trade Marks Regulations 1983 to SETM from 31 March 1998 for variable voltage transformer, isolating power transformer, servo motor automatic voltage stabilizer, battery tester, motor starting auto transformer, neon transformer; all included in class 9.	10 August 2001	31 March 1998 – 30 March 2008
(iv) Trade mark No. 98003888	Intellectual Property Corporation of Malaysia	Certification of registration for the trade mark "SES" under the Trade Marks Act 1976 and Trade Marks Regulations 1983 to SETM from 31 March 1998 in respect of current transformer in class 9.	9 October 2002	31 March 1998 – 30 March 2008

5. INFORMATION ON THE STC GROUP (Cont'd)

Trade mark No.	Issuing Authority	Subject Matter	Date of Issue	Validity Period
(v) Trade mark No. 94007607	Intellectual Property Corporation of Malaysia	Certification of registration for the trade mark "NIKKON" under the Trade Marks Act 1976 and Trade Marks Regulations 1983 to SETM from 24 August 1994 in respect of ballasts for electrical lighting fittings, electric ignition devices for igniting at a distance all included in class 9.	27 January 2004 / 10 May 2004	24 August 1994 - 24 August 2011
(vi) Trade mark No. T03/07305D	Registrar of Trade Marks Singapore	Certificate issued under Section 15(5) of the Singapore Trade Marks Act certifying that SETM has been entered in the Register as proprietor of "SES" from 14 May 2003 in Class 9 in respect of current transformers and analogue panel meters.	15 January 2004	14 May 2003 - 14 May 2013
(vii) Trade mark No. T03/07306B	Registrar of Trade Marks Singapore	Certificate issued under Section 15(5) of the Singapore Trade Marks Act certifying that SETM has been entered in the Register as proprietor of "LIKO" from 14 May 2003 in Class 11 in respect of floodlight.	14 January 2004	14 May 2003 - 14 May 2013
(viii) Trade mark No. T03/07309G	Registrar of Trade Marks Singapore	"NIKKON" in class 11 in respect of floodlights, downlights, lanterns for lighting and electrical lanterns.	14 May 2003	14 May 2003 - 14 May 2013

5. INFORMATION ON THE STC GROUP (Cont'd)

(C) Applications made for the registration of the following trade marks

Trade mark No.	Issuing Authority	Subject Matter	Status
(i) Trade mark not issued yet	Intellectual Property Corporation of Malaysia	Logo of "SE" in class 16 in respect of paper, cardboard, name card, cartons, catalogs, brochures, stickers, tapes, envelopes, invoices, delivery orders, purchase orders, receipts, statements, any other forms of printing materials made from these materials, not included in other classes, printed matter, bookbinding materials, signboards and any other advertising materials, photographs, stationery, adhesives for stationery, plastic materials for packaging (not included in other classes), printing blocks.	Application form TM5 (2002-14833) submitted and received by the authorities on 28 November 2002.
(ii) Trade mark not issued yet	Intellectual Property Corporation of Malaysia	"SUPER-LITE with logo" in class 9 in respect of battery charger, battery tester all included in class 9.	Application form TM5 (2003-03490) submitted and received by the authorities on 27 March 2003.
(iii) Trade mark not issued yet	Intellectual Property Corporation of Malaysia	"NIKKON with logo" in class 11 in respect of all types of commercial, industrial, consumer lightings, lighting fittings and lighting accessories including fluorescent lamp, floodlight, high bay luminaires, HID (high intensity discharge) luminaire ballast, electronic ignitor, recessed downlight, lowbay, street lantern.	Application form TM5 (2003-13347) submitted and received by the authorities on 2 October 2003.
(iv) Trade mark not issued yet	Intellectual Property Corporation of Malaysia	"NIKKO" in class 11 in respect of all types of commercial, industrial, consumer lightings, lighting fittings and lighting accessories including fluorescent lamp, floodlight, high bay luminaires, HID (high intensity discharge) luminaire ballast, electronic ignitor, recessed downlight, lowbay, street lantern.	Application form TM5 (2003-13346) submitted and received by the authorities on 2 October 2003.

5. INFORMATION ON THE STC GROUP (Cont'd)

Trade mark No.	Issuing Authority	Subject Matter	Status
(v) Trade mark not issued yet	Intellectual Property Corporation of Malaysia	"NIKKON" in class 11 in respect of all types of commercial, industrial, consumer lightings, lighting fittings and lighting accessories including fluorescent lamp, floodlight, high bay luminaires, HID (high intensity discharge) luminaire ballast, electronic ignitor, recessed downlight, lowbay, street lantern and other lighting apparatus and installation.	Application form TM5 (98003891) submitted and received by the authorities on 31 March 1998 and gazetted on 21 October 2004.
(vi) Trade mark not issued yet	Registrar of Trade Marks Singapore	"SUPER-LITE" in class 9 in respect of battery charges, battery tester and battery charging apparatus. The authorities had objected to the said application on the ground that the mark is devoid of any distinctive character. SETM's trade mark agent has on behalf of SETM, filed the argument in reply vide letter dated 29 October 2003.	Application filed on 14 May 2003 bearing application no. T03/07303H.
(vii) Trade mark not issued yet	Registrar of Trade Marks Singapore	"QPS" in class 9 in respect of electrical transformers, voltage regulators, electric reactors, filter reactors, electric regulators, energy regulators, voltage regulators, electric power converters, AC to DC voltage power converters, power conditioners, DC to AC inverters, single and multiple function light chaser, electrical relays, power relays and electronic timer.	Application filed on 14 May 2003 bearing application no. T03/07304F.
(viii) Trade mark not issued yet	Registrar of Trade Marks Singapore	"NIKKON" in class 9 in respect of ballasts for electrical lighting fittings, lighting ballast, ignition apparatus.	Application filed on 14 May 2003 bearing application no. T03/07308I.

5. INFORMATION ON THE STC GROUP (Cont'd)

(D) Certifications by authorities

Certificate No.	Issuing Authority	Subject Matter	Date of Issue	Validity Period	Equity conditions and other major conditions imposed	Status of compliance
(i) Certificate No. 15077	ASTA Certification Services (England)	Certificate of type test for seven window-type (3 measuring and 4 protective), 0.72/3/-kV (Um/Insulation level), 50Hz, current transformers designated as SES Current Transformers 400/5A Type MSQ-60, 400/5A Type PR-60, 800/5A Type MSQ-100, 500/5A Type PR-75, 1600/5A Type MSQ-100, 600/5A Type PR-60 and 2250/5A Type PR-120.	9 May 2002	No validity period	None	Not applicable
(ii) Certificate No. 14952	ASTA Certification Services (England)	Certificate of type test for five window-type (0.72/3/-kV (Um/Insulation level), 50Hz, current transformers designated as SES Current Transformers 300/5A Type MSQ-40, 600/5A Type MR-65, 1600/5A Type PR-85, 1200/5A Type MSQ-100.	21 December 2001	No validity period	None	Not applicable

5. INFORMATION ON THE STC GROUP (Cont'd)

Certificate No.	Issuing Authority	Subject Matter	Date of Issue	Validity Period	Equity conditions and other major conditions imposed	Status of compliance
(iii) 157497	Bureau Veritas Quality International	A certification that the management system of SETM complies with ISO 9001:2000 management system standards in respect of design, development and manufacture of HID ballast, ignitor, industrial lightings and low voltage transformer.	5 October 2004	5 October 2004 – 5 August 2007	None	Not applicable
(iv) Licence No. PS043702 Serial No. 0417	SIRIM QAS International Sdn Bhd	Product Certification Licence to use the Certification Mark on "ballasts for discharge lamps" [(i) NIKKON type high-pressure mercury vapour HPMV 250W, HPMV 400W with rating of 240V, 50Hz; (ii) NIKKON type high-pressure sodium vapour HPS 70W, HPS100W, HPS 150W, HPS 250W, HPS 400W with rating of 240V, 50Hz; (iii) NIKKON type metal halide MH 70W, MH 150W, MH 250W, MH 400W with rating of 240V, 50Hz] as complying with MS IEC 60 922:1995 and MS IEC 60 923:1995	23 June 2004	25 May 2001 – 25 May 2005	<ul style="list-style-type: none"> The licensee shall apply the certification mark only to products that are specifically listed on the license and only on those products that comply in all respects to the applicable standard(s) and SIRIM QAS Certification Requirements 	Met

5. INFORMATION ON THE STC GROUP (Cont'd)

(E) Other approvals from authorities

Certificate No.	Issuing Authority	Subject Matter	Date of Issue	Validity Period	Equity conditions and other major conditions imposed	Status of compliance
(i) Exemption of import duties	Ministry of Finance Malaysia ("MOF")	Letter dated 23 January 2003 approving SETM's application for exemption of import duties on the following for the manufacturing of the specified finished products for the local market and export at Nos. 5 & 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor:- (i) connector for 400,000 pieces via Port Klang for the finished product of highbay, ballast and transformer.	23 January 2003	8 November 2002 - 29 November 2004 (Renewal application was submitted on 26 November 2004)	<ul style="list-style-type: none"> The raw material/components cannot be removed from the store and the premises of the approved factory for purposes of sub-contract except with the written approval of the Customs Department. 	Met
(ii) Exemption of import duties	MOF	Letter dated 23 January 2003 approving SETM's application for exemption of import duties on the following for the manufacturing of the specified finished products for the local market and export at Nos. 5 & 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor:- (i) discharge lamp for 380,000 pieces via Port Klang and 20,000 pieces via KLIA for the finished product of highbay and floodlight (full set).	23 January 2003	30 November 2002 - 29 November 2004 (Renewal application was submitted on 29 October 2004)	<ul style="list-style-type: none"> The raw material/components cannot be removed from the store and the premises of the approved factory for purposes of sub-contract except with the written approval of the Customs Department. 	Met

5. INFORMATION ON THE STC GROUP (Cont'd)

Certificate No.	Issuing Authority	Subject Matter	Date of Issue	Validity Period	Equity conditions and other major conditions imposed	Status of compliance
(iii) Exemption of import duties	MOF	<p>Letter dated 19 July 2004 approving SETM's application for exemption of import duties on the following for the manufacturing of the specified finished products at Nos. 5 & 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor:-</p> <p>(i) silicone electrical steel (not exceeding 400mm in width) for 60,000 kg via Johor Bahru and 50,000 kg via Port Klang for the finished products of transformer</p>	19 July 2004	14 June 2004 – 25 May 2005	The raw material/components cannot be removed from the store and the premises of the approved factory for purposes of sub-contract except with the written approval of the Customs Department.	Met
(iv) Exemption of import duties	MOF	<p>Letter dated 26 July 2003 approving SETM's application for exemption of import duties on the following for the manufacturing of the specified finished products at Nos. 5 & 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor:-</p> <p>(i) fibre glass sleeving with silicone base for 4,000 roll via Port Klang for the finished product of transformer</p>	26 July 2003	26 May 2003 - 25 May 2005	<ul style="list-style-type: none"> The raw material/components cannot be removed from the store and the premises of the approved factory for purposes of sub-contract except with the written approval of the Customs Department. 	Met