



Notes on the quarterly report – 30 September 2010

**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING
STANDARD 134
 (“FRS 134”)**

A1. Basis of Preparation

The condensed interim financial statements for the 3rd quarter ended 30 September 2010 are unaudited and have been prepared in accordance with FRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed interim financial statements should be read in conjunction with the audited consolidated financial statements of STC for the financial year ended 31 December 2009. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of STC and its subsidiary companies (“Group”) since the financial year ended 31 December 2009.

A2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted by STC in these condensed interim financial statements are consistent with those adopted in the audited consolidated financial statements of STC for the financial year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs and Interpretations by the Group with effect from 1 January 2010.

FRSs, Amendments to FRSs and Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentations of Financial Statements (Revised 2009)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Statement of Cash Flows
Amendments to FRS 108	Accounting policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events after Reporting Period
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements: Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate



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A2. Changes in Accounting Policies (cont’d)

Amendments to FRS 128	Investments in Associates
Amendments to FRS 131	Interest in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2-Group and Treasury Share Transactions

Other than the application FRS 8, FRS 101, Amendment to FRS 117, and Amendment to FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretations do not have any material impact on the financial position and results of the Group.

(a) FRS 8 : Operating Segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group’s segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any material impact on the financial position and results of the Group.

(b) FRS 101(revised) : Presentation of Financial Statements

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard. This standard does not have any material impact on the financial position and results of the Group.

(c) Amendments to FRS 117(revised) : Leases

Amendments to FRS 117 remove the classification of leases of land and of buildings, and instead, require assessment of classification based on the risks and rewards of the lease itself. The reassessment of land elements of unexpired leases shall be made retrospectively in accordance with FRS 108. Therefore, the Group has reclassified the prepaid lease payments for land as land held in accordance with FRS116. This amendment shall be presented on the statement of financial position as at the beginning of the earliest comparative period in accordance with FRS 101.



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	As Previously Reported	Effects on adoption of FRS117	As Restated
	RM'000	RM'000	RM'000
Property, plant & equipment	57,390	5,479	62,869
Prepaid lease payments	5,479	(5,479)	-

(d) FRS 139 : Financial Instruments : Recognition and Measurement

Forward foreign currency exchange contracts of the Group have been measured at fair value and the changes in the fair value are recognized in the income statement.

In accordance with the transitional provision of FRS 139, the above changes are applied prospectively and the comparative as at 31 December 2009 are not restated.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2009 were not qualified.

A4. Seasonal and Cyclical Factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors during the financial period ended 30 September 2010. However, the Process Equipment's business operation result is very much depends on the timing of completion of each project.

A5. Unusual Nature and Amounts of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 September 2010.

A6. Changes in Accounting Estimates

There were no changes in accounting estimates that have a material effect in the current quarter results.



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A7. Debt and Equity Securities

Saved as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review:

(a) Share Buy-Back and Treasury Shares Sold

During the financial period for nine months ended 30 September 2010, the company had bought back a total of 7,067,500 STC Shares of its issued share capital from the open market at an average cost of RM 1.19 per share. The total consideration paid for the share buy-back of STC shares during the financial period for nine months ended 30 September 2010, including transaction costs was RM 8,414,763.10 and was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A Subsection 3(A) (b) of the Companies Act, 1965.

As at 30 September 2010, the number of treasury shares held was 7,177,900 STC Shares.

A8. Dividend Paid

During the financial period for nine months ended 30 September 2010, an interim tax-exempt dividend of 7% per ordinary share in respect of the current financial year amounting to RM4,153,354.03 was paid on 16 June 2010.

A9. Segment Information

Business Segments Revenue & Results

	Transformer, Industrial lighting & related products RM'000	Process equipment RM'000	Eliminations RM'000	Consolidated RM'000
Nine Months Ended 30 September 2010				
REVENUE				
External Sales	112,410	27,911	-	140,321
Inter-segment sales	-	-	-	-
Total Revenue	<u>112,410</u>	<u>27,911</u>	-	<u>140,321</u>
RESULTS				
Segment results	24,206	792	-	24,998
Unallocated corporate expenses				(691)
Finance Cost				(93)
Interest income				<u>33</u>
Profit before taxation				24,247
Taxation				<u>(5,965)</u>
Net profit for the period				18,282
Other comprehensive income				(808)
Total comprehensive income for the period				<u>17,474</u>



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A9. Segment Information (Continued)

Business Segments Revenue & Results (Continued)

	Transformer, Industrial lighting & related products RM'000	Process equipment RM'000	Eliminations RM'000	Consolidated RM'000
Nine Months Ended 30 September 2009				
REVENUE				
External Sales	93,307	51,983	-	145,290
Inter-segment sales	-	-	-	-
Total Revenue	<u>93,307</u>	<u>51,983</u>	<u>-</u>	<u>145,290</u>
RESULTS				
Segment results	18,637	8,221	(36)	26,822
Unallocated corporate expenses				(406)
Finance Cost				(178)
Interest income				<u>2</u>
Profit before taxation				26,240
Taxation				<u>(6,558)</u>
Net profit for the period				19,682
Other comprehensive income				(12)
Total comprehensive income for the period				<u>19,670</u>

Geographical Segments Revenue & Results

	Malaysia RM'000	Australia RM'000	Kenya RM'000	China RM'000	Eliminations RM'000	Consolidated RM'000
Nine Months Ended 30 September 2010						
REVENUE						
External Sales	114,505	65	273	25,478	-	140,321
Inter-segment sales	504	-	-	11,000	(11,504)	-
Total Revenue	<u>115,009</u>	<u>65</u>	<u>273</u>	<u>36,478</u>	<u>(11,504)</u>	<u>140,321</u>
RESULTS						
Segment results	23,669	(217)	(50)	1,596	-	24,998
Unallocated corporate expenses						(691)
Finance Cost						(93)
Interest income						<u>33</u>
Profit before taxation						24,247
Taxation						<u>(5,965)</u>
Net profit for the period						18,282
Other comprehensive income						(808)
Total comprehensive income for the period						<u>17,474</u>



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A10. Segment Information (Continued)

Geographical Segments Revenue & Results (Continued)

	Malaysia RM’000	China RM’000	Eliminations RM’000	Consolidated RM’000
Nine Months Ended 30 September 2009				
REVENUE				
External Sales	128,295	16,995	-	145,290
Inter-segment sales	-	11,825	(11,825)	-
Total Revenue	<u>128,295</u>	<u>28,820</u>	<u>(11,825)</u>	<u>145,290</u>
RESULTS				
Segment results	24,903	1,919	-	26,822
Unallocated corporate expenses				(406)
Finance Cost				(178)
Interest income				<u>2</u>
Profit before taxation				<u>26,240</u>
Taxation				<u>(6,558)</u>
Net profit for the period				<u>19,682</u>
Other comprehensive income				(12)
Total comprehensive income for the period				<u>19,670</u>

A11. Carrying Amount of Revalued Assets

The Group did not revalue any of its property, plant and equipment for the current quarter under review and the valuation of property, plant and equipment have been brought forward without amendment from the audited consolidated financial statements of STC for the financial year ended 31 December 2009.

A12. Capital Commitments

The amounts of capital commitments for the Group are as follows:

Approved and contracted for:	RM’000
Purchase of property, plant and equipment	24,843

A13. Material Events Subsequent to The End of The Interim Period

There are no material events subsequent to 30 September 2010 that has not been reflected in the financial statements

A14. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.



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PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

The Group recorded a revenue of RM 52.4 million for the current quarter ended 30 September 2010 as compared to RM 47.9 million in the previous year corresponding quarter, showing an increase of 9.4%. The results were achieved on the back of higher revenue derived from transformer & industrial lightings segment.

Net profit attributable to owners of the parent (PAT) of RM 5.3 million for the current quarter ended 30 September 2010 slipped to 15.9% as compared to previous year corresponding quarter ended 30 September 2009 of RM 6.3 million mainly due to decrease in sales and lower profit margin in process equipment segment.

The Group recorded a revenue of RM 140.3 million for the nine months financial period ended 30 September 2010 as compared to RM 145.3 million in the previous year corresponding financial period ended 30 September 2009, showing a decrease of 3.4% mainly due to decrease in sales from process equipment segment which was partly offset by favorable results from transformer & industrial lightings segment.

PAT of RM 17.4 million for the nine months financial period ended 30 September 2010 representing an decrease of 9.4% as compared to previous year corresponding financial period ended 30 September 2009 of RM 19.2 million mainly due to decrease in sales and profit margin for process equipment segment which was partly offset by favorable results from transformer & industrial lightings segment.

Save as disclosed as above, there were no material factors affecting the earnings and/or revenue of the Company and the Group for the current quarter under review.

B2. Variation of results against preceding quarter

The Group achieved a profit before tax (PBT) of RM 7.5 million for the current quarter ended 30 September 2010, representing a decrease of 21.9% as compared to preceding quarter ended 30 June 2010 of RM 9.6 million. The decrease is mainly due to lower profit margin in both transformer & industrial lightings and process equipment segments.

B3. Prospects 2010

The outlook for the manufacturing of transformer and industrial lightings remain challenging. While the process equipment industry is beginning to recover, the competition remains stiff due to excess capacity in the industry. To this effect, the Group will intensify its marketing effort in aggressively expanding and penetrating into both existing and new markets and is expected to deliver satisfactory performance for the remaining period of 2010.



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B4. Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued by the Group.

B5. Tax Expense

	3rd Quarter ended		Nine months ended	
	30-Sep 2010 RM'000	30-Sep 2009 RM'000	30-Sep 2010 RM'000	30-Sep 2009 RM'000
Income tax	1,784	2,153	5,875	6,530
Deferred tax	74	74	90	28
Total	<u>1,858</u>	<u>2,227</u>	<u>5,965</u>	<u>6,558</u>

The effective tax rate for the current quarter and financial period to date does not differ materially from the statutory tax rate.

B6. Unquoted Investments and/or Properties

The Group has not disposed of any unquoted investments and/or properties during the current quarter under review.

B7. Quoted Securities

There was no purchase or disposal of quoted securities in the current quarter and financial year to date.

B8. Status of Corporate Proposals

There was no corporate proposal announced but not completed in the interval from the date of the last report and the date of this announcement.



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B9. Group Borrowings

The Group’s borrowings as at the end of the reporting quarter are as follows:

	Payable within 12 months RM'000	Payable after 12 Months RM'000
<u>Secured</u>		
Bank Borrowings	11,013	8,438
Hire Purchase Payables	371	681
Total Borrowings	<u>11,384</u>	<u>9,119</u>

All the borrowings are denominated in Ringgit Malaysia.

B10. Off balance sheet financial instrument

Structured foreign exchange contracts entered into by subsidiary companies and outstanding as at date of this report as follows:

Type of Derivatives Forward Foreign Currency Contract	Contract Value	Fair Value
Bank Buy (Less than 1 year)		
SGD	396,480	394,296
EUR	219,447	232,985

The derivatives have been recorded on the Consolidated Statement of Financial Position for this reporting period in compliance with FRS 139.

The above instrument is executed with credit worthy financial institutions in Malaysia and as such credit and counterparties risks are minimal.

B11. Changes in material litigation

The Group is not engaged in any material litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Group.

B12. Proposed Dividends

There were no dividends proposed during the quarter under review.



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B13. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity owners of the parent by the weighted average number of ordinary shares in issue during the financial quarter ended 30 September 2010 are computed as follow:-

	3rd Quarter Ended		Nine Months Ended	
	30-Sep	30-Sep	30-Sep	30-Sep
	2010	2009	2010	2009
Profit attributable to owners of the parent (RM'000)	5,286	6,266	17,354	19,168
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	116,842	119,343	116,842	119,343
Basic earning per share (sen)	4.52	5.25	14.85	16.06

(b) Diluted

No diluted earning per share is calculated as there are no potential dilutive ordinary shares.

By order of the Board

Tan Ah Bah @ Tan Ah Ping
Managing Director
22 November 2010