Notes on the quarterly report – 31 December 2010

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 ("FRS 134")

A1. Basis of Preparation

The condensed interim financial statements for the 4th quarter ended 31 December 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
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

A2. Changes in Accounting Policies (cont'd)

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.

	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 31 December 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 31 December 2010.

A6. Changes in Accounting Estimates

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

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 twelve months ended 31 December 2010, the company had bought back a total of 7,159,500 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 twelve months ended 31 December 2010, including transaction costs was RM 8,520,565.56 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 31 December 2010, the number of treasury shares held was 7,269,900 STC Shares.

A8. Dividend Paid

During the financial period for twelve months ended 31 December 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
Twelve Months Ended 31 December 2010				
REVENUE				
External Sales	156,894	53,481	-	210,375
Inter-segment sales	(151)	(2,861)	-	(3,012)
Total Revenue	156,743	50,620	-	207,363
RESULTS				
Segment results	31,747	4,113	-	35,860
Unallocated corporate expenses				(870)
Finance Cost				(123)
Interest income				34
Profit before taxation				34,901
Taxation				(8,511)
Net profit for the period				26,390
Other comprehensive income				(371)
Total comprehensive income for the period				26,019

	Transformer, Industrial lighting & related products RM'000	Process equipment RM'000	Eliminations RM'000	Consolidated RM'000
Twelve Months Ended 31 December 2009				
REVENUE				
External Sales	129,059	69,036	-	198,095
Inter-segment sales	-	-	-	-
Total Revenue	129,059	69,036	-	198,095
RESULTS				
Segment results	23,703	12,164	(33)	35,834
Unallocated corporate expenses				(570)
Finance Cost				(213)
Interest income				5
Profit before taxation				35,056
Taxation				(8,546)
Net profit for the period				26,510
Other comprehensive income				(114)
Total comprehensive income for the period				26,396

A9. Segment Information (Continued)

Geographical Segments Revenue & Results

	Malaysia RM'000	Australia RM'000	Kenya RM'000	China RM'000	Eliminations RM'000	Consolidated RM'000
Twelve Months Ended 31 December 2010						
REVENUE						
External Sales	171,682	343	894	50,550	-	223,469
Inter-segment sales	(969)	-	-	(15,137)	16,106	(16,106)
Total Revenue	170,713	343	894	35,413	16,106	207,363
RESULTS						
Segment results	34,358	(323)	(7)	1,832	-	35,860
Unallocated corporate expenses						(870)
Finance Cost						(123)
Interest income						34
Profit before taxation						34,901
Taxation						(8,511)
Net profit for the period						26,390
Other comprehensive income						(371)
Total comprehensive income for the period						26,019

	Malaysia RM'000	China RM'000	Eliminations RM'000	Consolidated RM'000
Twelve Months Ended 31 December 2009				
REVENUE				
External Sales	173,832	24,263	-	198,095
Inter-segment sales	-	15,664	(15,664)	-
Total Revenue	173,832	39,927	(15,664)	198,095
RESULTS				
Segment results	33,407	2,427	-	35,834
Unallocated corporate expenses				(570)
Finance Cost				(213)
Interest income				5
Profit before taxation				35,056
Taxation				(8,546)
Net profit for the period				26,510
Other comprehensive income				(114)
Total comprehensive income for the period				26,396

A10. 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.

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A11. 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	24,450

A12. Material Events Subsequent to The End of The Interim Period

There are no material events subsequent to 31 December 2010 that has not been reflected in the financial statements

A13. Changes in the composition of the Group

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

A14. Changes in contingent liabilities and contingent assets

As at the date of this announcement, there were no material contingent liabilities and contingent assets incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group

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

B1. Review of performance

The Group recorded revenue of RM 67.0 million for the current quarter ended 31 December 2010 as compared to RM 52.8 million in the previous year corresponding quarter, showing an increase of 26.9%. The results were achieved on the back of higher revenue derived from both transformer & industrial lightings segment and process equipment segment.

Net profit attributable to owners of the parent (PAT after MI) of RM 7.0 million for the current quarter ended 31 December 2010 representing an increased by 7.7% as compared to previous year corresponding quarter ended 31 December 2009 of RM 6.5 million mainly due to increase in sales in transformer & industrial lightings segment.

The Group recorded a revenue of RM 207.3 million for the financial year ended 31 December 2010 as compared to RM 198.1 million in the previous year corresponding financial year ended 31 December 2009, showing an increase of 4.6% mainly due to favorable results from transformer & industrial lightings segment, tampered by the decrease in sales from process equipment segment.

Although transformer & industrial lightings segment registered favorable results, PAT after MI of RM 24.4 million for the financial year ended 31 December 2010 recorded a decrease of 5.1% as compared to previous year corresponding financial year ended 31 December 2009 of RM 25.7 million due to the decrease in sales from process equipment 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 10.7 million for the current quarter ended 31 December 2010, representing substantial increase of 42.7% as compared to preceding quarter ended 30 September 2010 of RM 7.5 million with improvement and better performance in all segments.

B3. Prospects 2010

Generally, the Malaysian economy boosted by the favorable regional economies outlook with strong domestic demand is projected to grow by 6% in 2011.

While the economic outlook for manufacturing of the low voltage industrial lighting and process equipment to remain challenging, the Group is leveraging on its strong track record, extensive customer networking and wider scope of products in expanding and penetrating both existing and new markets. The Group also steps up its effort in expanding its in house LED manufacturing division as well as aggressively exploring into oil & gas and waste management for its process equipment segment to enhance and strengthen its customers' base.

Barring any unforeseen circumstances, the Group aims to record satisfactory financial performance in 2011.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense

	4th Quarter ended		Twelve months ended	
	31-Dec 2010 RM'000	31-Dec 2009 RM'000	31-Dec 2010 RM'000	31-Dec 2009 RM'000
Income tax	2,157	1,747	8,031	8,277
Deferred tax	390	242	480	269
Total	2,547	1,989	8,511	8,546

The effective tax rate for the current quarter and financial year under review was lower than the statutory tax rate of 25% mainly due to the utilization of reinvestment allowances by subsidiary companies of the Group.

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

The Company had on 18 January 2011 announced to accept an offer from the vendors of Nexus Electronics Sdn Bhd ("NESB") (the "Vendors"), to acquire 60% equity interests in NESB comprising 600,000 ordinary shares of RM1.00 each (the "Sale Shares") in NESB for a cash consideration of RM6,000,000.00 as per the terms and conditions as stipulated in the Vendors' letter of offer for Sale Shares dated 11 October 2010. Both parties are still negotiating on the terms and conditions of the Agreement.

B9. Group Borrowings

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

	Payable within 12 months	Payable after 12 Months
<u>Secured</u>	RM'000	RM'000
Bank Borrowings	15,400	9,967
Hire Purchase Payables	547	497
Total Borrowings	15,947	10,464

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 64,000	152,960	152,992

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.

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 31 December 2010 are computed as follow:-

	31-Dec 2010	31-Dec 2009	31-Dec 2010	31-Dec 2009
Profit attributable to owners of the parent (RM'000)	7,013	6,508	24,368	25,678
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	115,811	119,330	115,811	119,330
Basic earning per share (sen)	6.06	5.45	21.04	21.52

(b) Diluted

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

B14. Realised and unrealised profit / losses disclosure

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") had issued directives to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose a breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of presentation.

Pursuant to the directive, the breakdown of the retained profits of the Group as at 31 December 2010, into realised and unrealised profits is as follows :

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	As at End of Current Quarter 31/12/2010	As at End of Preceding Quarter 30/9/2010
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	167,095	161,057
- Unrealised	(6,505)	(6,156)
	160,590	154,901
Total share of accumulated profit from jointly controlled entities :		
- Realised	12,585	9,333
- Unrealised	-	-
	173,175	164,234
Less : Consolidation adjustments	(80,643)	(78,884)
Total group retained profits	92,532	85,350

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements", issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

By order of the Board

Tan Ah Bah @ Tan Ah Ping
Managing Director
21 February 2011