Notes on the quarterly report – 30 September 2011

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 2011 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 2010. 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 2010.

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 2010, 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 2011.

FRSs, Amendments to FRSs and Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Improvements to FRSs (2010)	

The initial application of the abovementioned standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group except for the following:

(i) FRS 3 (revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

A2. Changes in Accounting Policies – (Cont'd)

FRSs, Amendments to FRSs and Interpretations - (Cont'd)

(ii) FRS 127 (revised) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group losses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (revised) prospectively and therefore, there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for its future transactions or arrangements.

The Group has not yet to adopt FRS 124 Related Party Disclosures which is effective for financial period beginning on 1 January 2012 as it is not yet effective for the current quarter ended 30 September 2011 and current financial year ending 31 December 2011.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2010 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 2011. 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 2011.

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 nine months ended 30 September 2011, the Company:

- Repurchased 488,600 of its issued share capital from the open market at an average cost of RM 1.02 per share. The total consideration paid for the share buy-back of STC shares during the financial period for nine months ended 30 September 2011, including transaction costs was RM 496,340 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.

- Distributed 2,812,723 treasury shares as share dividend to its shareholder.

As at 30 September 2011, the number of treasury shares held was 4,945,777 STC Shares.

A8. Dividend Paid

During the financial period for nine months ended 30 September 2011, the following dividends were declared and paid on 9 June 2011.

- tax exempt interim cash dividend of 2% or 1 sen per ordinary share amounting RM1,125,131.00
- total of 2,812,723 treasury share amounting to RM3,342,247.73 was distributed as share dividend to shareholder of the Company on the basis of 100 treasury shares listed and quoted on the Main Market of Bursa Securities for every 4,000 ordinary shares of RM0.50 each held in the Company, fractions of treasury share to be disregarded.

A9. Segment Information

<u>Business Segments Revenue & Results</u>

	Transformer, Industrial lighting & related products RM'000	Process equipment RM'000	Eliminations RM'000	Consolidated RM'000
Nine Months Ended 30 September 2011				
REVENUE				
External Sales	123,964	54,406	-	178,370
Inter-segment sales	-	-	-	-
Total Revenue	123,964	54,406	-	178,370
RESULTS				
Segment results	23,884	3,065	-	26,949
Unallocated corporate expenses				(493)
Finance Cost				(89)
Interest income				2
Profit before taxation				26,369
Taxation				(6,487)
Net profit for the period				19,882
Other comprehensive income				206
Total comprehensive income for the period				20,088

A9. Segment Information - (Cont'd)

<u>Business Segments Revenue & Results - (Cont'd)</u>

	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	112,410	27,911	-	140,321
RESULTS				
Segment results	24,206	792	-	24,998
Unallocated corporate expenses				(691)
Finance Cost				(93)
Interest income				33
Profit before taxation				24,247
Taxation				(5,965)
Net profit for the period				18,282
Other comprehensive income				(808)
Total comprehensive income for the period				17,474

<u>Geographical Segments Revenue & Results</u>

	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
Nine Months Ended 30 September 2011				
REVENUE				
External Sales	146,683	31,687	-	178,370
Inter-segment sales	2,033	12,282	(14,315)	-
Total Revenue	148,716	43,969	(14,315)	178,370
RESULTS				
Segment results	26,089	780	-	26,869
Unallocated corporate expenses				(493)
Finance Cost				(89)
Interest income				2
Profit before taxation				26,289
Taxation				(6,487)
Net profit for the period				19,802
Other comprehensive income				206
Total comprehensive income for the period				20,008

A9. Segment Information - (Cont'd)

Geographical Segments Revenue & Results - (Cont'd)

	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
Nine Months Ended 30 September 2010				
REVENUE				
External Sales	114,505	25,816	-	140,321
Inter-segment sales	504	11,000	(11,504)	-
Total Revenue	115,009	36,816	(11,504)	140,321
RESULTS				
Segment results	23,669	1,329	-	24,998
Unallocated corporate expenses				(691)
Finance Cost				(93)
Interest income				33
Profit before taxation				24,247
Taxation				(5,965)
Net profit for the period				18,282
Other comprehensive income				(808)
Total comprehensive income for the period				17,474

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 2010.

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	6,788

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

On 1 November 2011, the Company wholly owned subsidiary, Nikkon Holding Pte.Ltd. ("NHPL") had subscribed a total of 150,001 ordinary shares of SGD1.00 each in Nikkon Lighting & Electrical Pte.Ltd. ("NLEPL"), representing an equity interest of 50% plus 1 share in the issued and paid-up share capital of NLEPL for a total consideration of SGD 150,001 (equivalent to RM 369,002.46). NLEPL will be principally engaged in the wholesale for lighting and electrical products.

Save as disclosed above, there were no material events subsequent to the end of the current quarter under review.

A13. Changes in the composition of the Group

On 28 September 2011, Seremban Engineering Berhad ("SEB"), a 65% owned subsidiary, had acquired the remaining 50% equity interest in ACE Standard International Limited ("ACE") from Carsten Ranico & Partners (M) Sdn Bhd (722616-P) ("Vendor"), comprising 5,000 registered shares of USD1.00 each ("Sale Shares") for a total consideration of USD1.00 *(equivalent to RM3.20)* ("Acquisition of ACE"). Following the Acquisition of ACE, ACE is now a wholly-owned subsidiary of SEB.

On 28 September 2011, its 80% owned subsidiary, Nikkon LED Sdn Bhd ("NLED") has increased its issued and paid-up share capital to RM 100,000 and the Company has subscribed the additional 79,200 ordinary shares of RM1.00 each for cash consideration of RM 79,200. The equity interest of the Company in NLED remains unchanged after the enlargement of the issued and paid-up share capital.

Save as disclosed above, there were no changes in the composition of the Group during the current 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 63.87 million for the current quarter ended 30 September 2011 as compared to RM 52.43 million in the previous year corresponding quarter, showing an increase of 21.82%. The results were achieved on the back of higher revenue derived from all segments, mainly from process equipment segment.

Net profit attributable to owners of the parent (PAT after MI) of RM 6.73 million for the current quarter ended 30 September 2011 representing an increase of 27.22% as compared to previous year corresponding quarter ended 30 September 2010 of RM 5.29 million were mainly due to better performance recorded in all segments.

The Group recorded revenue of RM 178.37 million for the financial period nine months ended 30 September 2011 as compared to RM 140.32 million in the previous year corresponding nine months ended 30 September 2010, showing an increase of 27.12%. The results were achieved on the back of higher revenue derived from all segments, mainly from process equipment segment.

PAT after MI was approximately RM 18.72 million for the financial period nine months ended 30 September 2011, showing an increase of RM1.35 million, representing an increase of 7.90% as compared to preceding year corresponding periods of RM 17.35 million were mainly derived from better performance recorded in 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 recorded a profit before tax (PBT) of RM 9.62 million for the current quarter ended 30 September 2011, representing a slight decease of RM 0.09 million (0.93%) as compared to preceding quarter ended 30 June 2011 of RM 9.71 million.

B3. Prospects

While the transformer and industrial lighting segment is expected to remain challenging with the uncertainties surrounding the world economy, the Group is aggressively intensify its in house LED manufacturing division to penetrate into broader customers' base.

As to the process equipment segment, the Group expects its outlook remain challenging. Nevertheless, the Group is continuously intensifying its effort in strengthening and expanding its customers' base.

Barring any unforeseen circumstances, the Group aims to record comparable 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

	3rd Quarter ended		Nine months ended	
	30-Sep 2011 RM'000	30-Sep 2010 RM'000	30-Sep 2011 RM'000	30-Sep 2010 RM'000
Income tax	2,579	1,784	6,576	5,875
Deferred tax	(147)	74	(89)	90
Total	2,432	1,858	6,487	5,965

The effective tax rate for the current quarter and financial year under review was slightly 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

Acquisition of Aruanmota Sdn. Bhd.

Subsequent to the announcements dated on 21 June 2011, 22 June 2011, 24 June 2011, 27 June 2011, 11 August 2011, 7 September 2011, 20 September 2011 and 23 September 2011, there are no further updates on the said proposed acquisition.

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	23,075	25,845
Hire Purchase Payables	592	520
Total Borrowings	23,667	26,365

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:

	Amount in original currency	Average contract rate	Contract Value	Rate as at 30-Sep 2011	Changes in fair value
Less than 1 year	USD111,000	3.000	RM333,000	3.19083	RM 21,182

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. There are no transaction costs at the inception of these contracts. The Group is exposed to minimal cash flow risk in view of its healthy cash position.

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 save as disclosed in Note A8.

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 2011 are computed as follow:-

	3rd Quarter Ended		Nine Months Ended	
	30-Sep-2011	30-Sep-2010	30-Sep-2011	30-Sep-2010
Profit attributable to owners of the parent (RM'000)	6,725	5,286	18,722	17,354
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	113,656	116,842	113,656	116,842
Basic earning per share (sen)	5.92	4.52	16.47	14.85

(b) Diluted

No diluted earnings 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 30 September 2011, into realised and unrealised profits is as follows:

	As at End of Current Quarter 30-Sep-2011 RM'000	As at End of Preceding Quarter 30-Jun-2011 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	197,287	188,514
- Unrealised	(6,670)	(6,691)
	190,617	181,823
Total share of accumulated profit from jointly controlled entities :		
- Realised	-	-
- Unrealised	1	-
	190,618	181,823
Less : Consolidation adjustments	(84,364)	(82,294)
Total group retained profits	106,254	99,529

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 November 2011