



Notes on the quarterly report – 30 September 2014

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

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2014, have been prepared in accordance with MFRS 134 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 and should be read in conjunction with the Group’s Audited Financial Statements for the year ended 31 December 2013. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

A2. Changes in Accounting Policies

The Significant accounting policies and the methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statement for the financial year ended 31 December 2013.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2014 did not have significant impact on the unaudited condensed consolidated financial statements upon their initial application.

MFRSs, Amendments to MFRSs and IC Interpretation

MFRS 10	Consolidated Financial Statement : Investment Entities
MFRS 12	Disclosure of Interest in Other Entities : Investment Entities
MFRS 127	Consolidated and Separate Financial Statements : Investments Entities (as amended by IASB in May 2011)
Amendments to MFRS132	Offsetting Financial Assets and Financial
Amendments to MFRS139	Liabilities
IC Interpretation 21	Recoverable Amount Disclosure for Non- financial Asset Novation of Derivatives and Continuation of Hedge Accounting Levies

The Group did not early adopt the following standards that have been issued by the Malaysian Accounting Standards Board as these are not yet effective for the current financial period: -

<u>MFRSs, Amendments to MFRSs and IC Interpretation</u>	<u>Effective for financial year beginning on or after</u>
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
Amendments to MFRS 119 : Defined Benefit Plans: Employee Contributions	1 July 2014



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A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2013 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 2014.

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 2014.

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

During the nine months ended 30 September 2014, the Company repurchased 56,000 of its issued share capital from the open market at an average cost of RM 1.45 per share. The total consideration paid for the share buy-back of STC shares during the nine months ended 30 September 2014, including transaction costs was RM 81,340 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.

As at 30 September 2014, the number of treasury shares held was 3,386,777 STC shares at an average cost of RM 1.15 per share.

A8. Dividend Paid

In respect of financial year ending 2014, the Board of Directors had declared a single-tier dividend of RM0.04 per share (Previous corresponding period: RM 0.03 per share) on 116,664,223 ordinary shares amounting to RM 4,666,569 on 19 March 2014.

The entitlement to the interim dividend was determined based on the shareholders registered in the record of depositors as at 21 May 2014 and the dividend has been paid on 13 June 2014.



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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 Sept 2014				
REVENUE				
External Sales	185,787	95,711	-	281,498
Inter-segment sales	1,047	-	(1,047)	-
Total Revenue	<u>186,834</u>	<u>95,711</u>	<u>(1,047)</u>	<u>281,498</u>
RESULTS				
Segment results				41,265
Share of profit in associate companies				10
Unallocated corporate expenses				(490)
Finance cost				(2,793)
Interest income				174
Profit before taxation				<u>38,166</u>
Taxation				(10,276)
Net profit for the period				<u>27,890</u>
Other comprehensive income				(233)
Total comprehensive income for the period				<u>27,657</u>



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A9. Segment Information - (Cont’d)

	Transformer, Industrial lighting & related products	Process equipment	Eliminations	Consolidated
Nine Months Ended 30 Sept 2013	RM’000	RM’000	RM’000	RM’000
REVENUE				
External Sales	155,621	75,744	-	231,365
Inter-segment sales	-	-	-	-
Total Revenue	<u>155,621</u>	<u>75,744</u>	<u>-</u>	<u>231,365</u>
RESULTS				
Segment results				37,748
Share of profit from associate companies				(215)
Unallocated corporate expenses				(476)
Finance cost				(3,458)
Interest income				143
Profit before taxation				<u>33,742</u>
Taxation				(8,886)
Net profit for the period				<u>24,856</u>
Other comprehensive income				1,464
Total comprehensive income for the period				<u><u>26,320</u></u>



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A9. Segment Information - (Cont’d)

Geographical Segments Revenue & Results

Nine Months Ended 30 Sep 2014	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	222,930	58,569	-	281,498
Inter-segment sales	11,633	25,502	(37,136)	-
Total Revenue	<u>234,563</u>	<u>84,071</u>	<u>(37,136)</u>	<u>281,498</u>
RESULTS				
Segment results				41,265
Share of profit from associate companies				10
Unallocated corporate expenses				(490)
Finance cost				(2,793)
Interest income				174
Profit before taxation				<u>38,166</u>
Taxation				(10,276)
Net profit for the period				<u>27,890</u>
Other comprehensive income				(233)
Total comprehensive income for the period				<u>27,657</u>



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Nine Months Ended 30 Sep 2013	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	187,915	43,450	-	231,365
Inter-segment sales	7,102	17,544	(24,646)	-
Total Revenue	<u>195,017</u>	<u>60,994</u>	<u>(24,646)</u>	<u>231,365</u>
RESULTS				
Segment results	36,459	1,289	-	37,748
Share of loss from associate companies	(215)	-	-	(215)
Unallocated corporate expenses				(476)
Finance cost				(3,458)
Interest income				143
Profit before taxation				<u>33,742</u>
Taxation				(8,886)
Net profit for the period				<u>24,856</u>
Other comprehensive income				<u>1,464</u>
Total comprehensive income for the period				<u>26,320</u>



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A10. Valuation of Property, Plant & Equipment

There were no revaluations of property plant and equipment. All property, plant and equipment were stated at cost less accumulated depreciation.

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	4,900

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

There was no material event subsequent to the end of the current quarter under review.

A13. Changes in the composition of the Group

There was 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.



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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 91.86 million for the current quarter ended 30 September 2014 as compared to RM 82.91 million in the previous year corresponding quarter, showing an increase of 10.8% or RM 8.95 million. The favourable results recorded were due to better performance from both transformer and lighting segment and process equipment segment.

Net profit attributable to owners of the parent (PAT after NCI) of RM 7.53 million for the current quarter ended 30 September 2014 representing a decrease of 11.9% or RM 1.01 million as compared to previous year’s corresponding quarter ended of RM 8.54 million mainly due to lower profit margin from process equipment segment and under provision of taxation in prior year from transformer and lighting segment.

The Group recorded a revenue of RM 281.50 million for the nine months ended 30 September 2014 as compared to RM 231.37 million in the previous year corresponding period, showing an increase of 21.7% or RM 50.13 million due to better performance from both transformer and lighting segment and process equipment segment.

PAT after NCI was approximately RM 24.23 million for the nine months ended 30 September 2014, showing an increase of 9.5% or RM 2.11 million compared to previous year corresponding period of RM 22.12 million mainly due to better performance derived from transformer and lighting segment and partially offset by lower profit margin from process equipment segment.

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

B2. Variation of results against preceding quarter

The Group recorded a profit before tax (PBT) of RM 12.78 million for the current quarter ended 30 September 2014, representing a decrease of 10.9% or RM 1.57 million as compared to preceding quarter ended 30 June 2014 of RM 14.35 million, due to decrease in sales from both segments, especially from transformer and lighting segment.

B3. Prospects

The Group expects competition in the domestic and regional market in respect of the transformer and industrial lighting segment. Nevertheless, the Group is leveraging on its strong track record, extensive customer networking and wider range of products in expanding and penetrating both existing and new markets. The Group also steps up its effort to enhance its competitiveness and productivity in its operations.

In respect of the process equipment segment, the market outlook in the palm oil and oil and gas industries to remain competitive.

Barring any unforeseen circumstances, the Group expects to achieve satisfactory financial performance in 2014.



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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		9 Months Ended	
	30-Sep-2014	30-Sep-2013	30-Sep-2014	30-Sep-2013
	RM'000	RM'000	RM'000	RM'000
Income tax	4,244	3,368	10,543	5,815
Deferred tax	(163)	(281)	(267)	(300)
Total	<u>4,081</u>	<u>3,087</u>	<u>10,276</u>	<u>5,515</u>

The effective tax rate for the current quarter and financial year under review was higher than the statutory tax rate of 25% is mainly due to under provision of taxation in prior year.

B6. 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.

B7. Group Borrowings

The Group's borrowings as at 30 September 2014 were as follows:

<u>Secured</u>	Payable within	Payable after 12
	12 months	Months
	RM'000	RM'000
Bank Borrowings	62,235	24,494
Hire Purchase Payables	1,032	1,903
Bank Overdraft	2,558	-
Total Borrowings	<u>65,825</u>	<u>26,397</u>

Details of the borrowings denominated in each currency are as follows.

	Amount
	RM'000
Malaysian Ringgit	76,699
United States Dollar	11,180
Singaporean Dollar	4,265
Indonesian Rupiah	78
Total Borrowings	<u>92,222</u>



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B8. 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.

B9. Proposed Dividends

There were no dividends proposed during the quarter under review save as disclosed in Note A8.

B10. 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 nine months ended 30 September 2014 are computed as follow:-

	3rd Quarter Ended		9 Months Ended	
	30-Sep	30-Sep	30-Sep	30-Sep
	2014	2013	2014	2013
Profit attributable to owners of the parent (RM'000)	7,528	8,540	24,229	22,122
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	116,613	115,449	116,613	115,449
Basic earning per share (sen)	6.45	7.39	20.77	19.15

(b) Diluted

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



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B11. Notes to the Statement of Comprehensive Income

	3rd Quarter ended		9 Months Ended	
	30-Sep 2014	30-Sep 2013	30-Sep 2014	30-Sep 2013
	RM'000	RM'000	RM'000	RM'000
Other income	(228)	(318)	(749)	(1,234)
Depreciation	2,043	1,893	5,994	5,446
Impairment loss of trade receivables	-	90	-	-
Reversal of impairment loss of trade receivables	-	(10)	-	(60)
Bad debts written off / (recover)	-	-	-	(56)
(Gain)/loss on disposal of properties, plant & equipment	(4)	(39)	(41)	(208)
(Gain)/loss on foreign exchange	608	(93)	60	(791)



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B12. 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 2014, into realised and unrealised profits is as follows:

	As at End of Current Quarter 30-Sep-2014 RM'000	As at End of Preceding Quarter 30-Jun-2014 (Restated) RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	267,560	258,657
- Unrealised	<u>3,360</u>	<u>3,297</u>
	270,920	261,954
Total share of accumulated profit/(loss) from jointly controlled entities :		
- Realised	<u>(308)</u>	<u>(312)</u>
	270,612	261,642
Less : Consolidation adjustments	(93,433)	(91,989)
Total group retained profits	<u>177,179</u>	<u>169,653</u>

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
27 Nov 2014