Notes on the quarterly report – 31 December 2012

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 31 December 2012, 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. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ended 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS1") has been applied.

The explanatory notes attached to these condensed consolidated 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 the Group since the year ended 31 December 2011.

The date of transition to the MFRS framework is on 1 January 2011. At that transaction date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS1. The transition from FRS to MFRS has not had a material financial impact on the financial statements of the Group and of the Company other than arising from the changes in accounting policies described in Note A2 below.

A2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

Property, Plant and Equipment

Under FRSs, the Group measured its Property, Plant and Equipment other than freehold land and buildings at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at valuation less impairment losses recognized after date of revaluation. Freehold land is not depreciated. Freehold buildings are stated at revalued amount less accumulated depreciation and impairment losses recognized after the date of the revaluation. Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regards the revalued amounts of land and buildings as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM 291,135 (31 December 2011: RM 291,135) was transferred to retained earnings on date of transition to MFRS.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided as below:-

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

(i) Reconciliation of equity as at 1 January 2011

	FRS as at 01.01.2011 RM'000	Adjustment RM'000	MFRS as at 01.01.2011 RM'000
Other Reserves	291	(291)	-
Retained earnings	91,999	291	92,290

(ii) Reconciliation of equity as at 31 December 2011

	FRS as at 31.12.2011 RM'000	Adjustment RM'000	MFRS as at 31.12.2011 RM'000
Other Reserves	291	(291)	-
Retained earnings	112,024	291	112,315

Investment Property

In accordance with FRS 140 Investment Property, the Group's investment properties are initial measured at cost. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Upon transition to MFRS, the Group has elected to apply the optional exemption to use the fair value at the date of transition as the deemed cost for its investment properties using cost model under MFRS 140 Investment Property.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2011 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 year ended 31 December 2012.

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 year ended 31 December 2012.

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 financial year ended 31 December 2012, the Company:

- Repurchased 710,400 of its issued share capital from the open market at an average cost of RM 0.94 per share. The total consideration paid for the share buy-back of STC shares during the financial year ended 31 December 2012, including transaction costs was RM 670,922 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 2012, the number of treasury shares held was 5,656,177 STC Shares.

A8. Dividend Paid

During the financial year ended 31 December 2012, a tax exempt interim dividend of 3 sen per ordinary share amounting RM3,442,848.69 were declared and paid on 8 June 2012.

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
Year Ended 31 December 2012				
REVENUE				
External Sales	198,023	101,992	-	300,015
Inter-segment sales	189	-	-	189
Total Revenue	198,212	101,992	-	300,204
RESULTS				
Segment results	41,702	9,455	(5,078)	46,079
Unallocated corporate expenses				(699)
Finance Cost				(3,682)
Interest income				279
Profit before taxation				41,977
Taxation				(9,734)
Net profit for the period				32,243
Other comprehensive income				(85)
Total comprehensive income for the period				32,158

Notes on the quarterly report – 31 December 2012

A9. Segment Information - (Cont'd)

Business Segments Revenue & Results - (Cont'd)

	Transformer, Industrial lighting & related products	Process equipment	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Year Ended 31 December 2011				
REVENUE				
External Sales	169,937	85,258	-	255,195
Inter-segment sales	22,672	-	(22,672)	-
Total Revenue	192,609	85,258	(22,672)	255,195
RESULTS				
Segment results	37,342	5,412	(5,955)	36,799
Unallocated corporate expenses				(674)
Finance Cost				(2,117)
Interest income				350
Profit before taxation				34,358
Taxation				(7,883)
Net profit for the period				26,475
Other comprehensive income				278
Total comprehensive income for the period				26,753

Geographical Segments Revenue & Results

	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
Year Ended 31 December 2012				
REVENUE				
External Sales	255,317	67,056	-	322,373
Inter-segment sales	(4,492)	(17,677)	-	(22,169)
Total Revenue	250,825	49,379	-	300,204
RESULTS				
Segment results	43,326	2,753		46,079
Unallocated corporate expenses				(699)
Finance Cost				(3,682)
Interest income				279
Profit before taxation				41,977
Taxation				(9,734)
Net profit for the period				32,243
Other comprehensive income				(85)
Total comprehensive income for the period				32,158

A9. Segment Information - (Cont'd)

Geographical Segments Revenue & Results - (Cont'd)

	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
Year Ended 31 December 2011				
REVENUE				
External Sales	213,003	62,997	-	276,000
Inter-segment sales	(3,197)	(17,608)	-	(20,805)
Total Revenue	209,806	45,389	-	255,195
RESULTS				
Segment results	35,493	1,306		36,799
Unallocated corporate expenses				(674)
Finance Cost				(2,117)
Interest income				350
Profit before taxation				34,358
Taxation				(7,883)
Net profit for the period				26,475
Other comprehensive income				278
Total comprehensive income for the period				26,753

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 2011.

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 and investment	259

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

Investment in Nikkon Lighting (Thailand) Co., Ltd ("NLT")

On 20 November 2012, STC had subscribed for a total of 9,800 ordinary shares of THB100.00 each in NLT, representing 49% of the total issued capital of NLT for a total cash consideration of THB980,000 (approximately RM98,000*). Upon receipt of the relevant documents including but not limited to certificate of incorporation and share certificate(s) of NLT by STC on 4 January 2013, the Equity Investment in NLT is deemed completed.

In relation thereto, NLT became a 49% owned associate of STC.

A12. Material Events Subsequent to The End of The Interim Period - (Cont'd)

Acquisition Of A Piece Of Land By Success Transformer Marketing Sdn Bhd ("STMKT")

On 19 February 2013, a wholly owned subsidiary of STC, STMKT had accepted an offer from Moremas Sdn Bhd ("MMSB") to acquire a piece of land, held under 3 separate titles no. HSD 283453 PT 690, HSD 283454 PT 689 and HSD 283455 PT 691 in Pekan Subang, Daerah Petaling, measuring approximately 4046 square meters, 4045 square meters, and 2697 square meters respectively ("the Land") for a total purchase consideration of RM9,000,000.00.

Save as disclosed above, 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 change 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

Notes on the quarterly report – 31 December 2012

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

B1. Review of performance

The Group recorded a revenue of RM 75.69 million for the current quarter ended 31 December 2012 as compared to RM 76.89 million in the previous year corresponding quarter, showing a decrease of 1.6%.

Net profit attributable to owners of the parent (PAT after NCI) of RM 8.04 million for the current quarter ended 31 December 2012 representing an increase of 36.4% as compared to previous year's corresponding quarter ended 31 December 2011 of RM 5.90 million mainly due to better performance derived from transformer and industrial lighting segment.

The Group recorded a revenue of RM 300.2 million for the financial year ended 31 December 2012 as compared to RM 255.20 million in the previous financial year ended 31 December 2011, showing an increase of 17.6%. The results were achieved on the back of higher revenue derived from all segments.

PAT after NCI was approximately RM 28.18 million for financial year ended 31 December 2012, showing an increase of RM3.69 million, representing an increase of 15.1% as compared to preceding year corresponding periods of RM 24.49 million mainly due to better performance derived from all segments.

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 11.55 million for the current quarter ended 31 December 2012, representing an decrease of RM 0.33 million (2.76%) as compared to preceding quarter ended 30 September 2012 of RM 11.87 million.

B3. Prospects

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.

While for the process equipment segment, it is expecting to remain competitive especially in the Palm Oil industry. However the Board is still optimistic in achieving satisfactory performance with the growth in other industries.

Barring any unforeseen circumstances, the Group aims to record comparable financial performance in the coming year.

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		Financial Year Ended	
	31-Dec 2012 RM'000	31-Dec 2011 RM'000	31-Dec 2012 RM'000	31-Dec 2011 RM'000
Income tax	2,408	1,472	9,982	8,014
Deferred tax	42	82	(248)	(131)
Total	2,450	1,554	9,734	7,883

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 utilisation of reinvestment allowances by subsidiary companies of the Group.

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 the end of the reporting quarter are as follows:

	Payable within 12 months RM'000	Payable after 12 Months RM'000
Secured		
Bank Borrowings	37,714	41,563
Hire Purchase Payables	689	1,710
Bank Overdraft	1,054	
Total Borrowings	39,457	43,273

All the borrowings are denominated in Ringgit Malaysia.

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 financial quarter ended 31 December 2012 are computed as follow:-

	4th Quarter Ended		Financial Year Ended	
	31-Dec-2012	31-Dec-2011	31-Dec-2012	31-Dec-2011
Profit attributable to owners of the parent (RM'000)	8,042	5,897	28,183	24,493
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	114,651	114,008	114,651	114,008
Basic earning per share (sen)	7.01	5.17	24.58	21.48

(b) Diluted

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

B11. Notes to the Statement of Comprehensive Income

	4th Quarter ended		Financial Year Ended	
	31-Dec 2012 RM'000	31-Dec 2011 RM'000	31-Dec 2012 RM'000	31-Dec 2011 RM'000
Other Income	294	55	944	603
Depreciation	1,704	1,493	6,639	5,240
Allowance for Doubtful Debts	2,616	344	2,822	411
Bad Debts Written Off	-	3	-	3
Provision for Inventories	553	884	1,009	884
(Gain)/loss on disposal of properties, plant & equipment	(14)	-	(142)	(164)
(Gain)/loss on foreign exchange	(124)	9	(281)	(282)

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 31 December 2012, into realised and unrealised profits is as follows:

	As at End of Current Quarter 31-Dec-2012 RM'000	As at End of Preceding Quarter 30-Sep-2012 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	240,001	229,939
- Unrealised	(6,458)	(6,399)
	233,543	223,540
Total share of accumulated profit from jointly controlled entities :		
- Realised	(34)	(43)
- Unrealised		
	233,509	223,497
Less : Consolidation adjustments	(97,009)	(94,503)
Total group retained profits	136,500	128,994

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
25 February 2013