



Notes on the quarterly report – 30 September 2013

**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 2013, 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 2012. 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 2012.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2013 did not have significant impact on the unaudited condensed consolidated financial statements upon their initial application.

<b>MFRSs, Amendments to MFRSs and IC Interpretation</b>		<b>Effective for financial periods beginning on or after</b>
MFRS 10	Consolidated Financial Statement	1 January 2013
MFRS 11	Joint Agreements	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (as amended in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investment in Associated and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS1	First-time Adoption of MFRS – Government Loans	1 January 2013
Amendments to MFRS1	First-time Adoption of MFRS – (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
Amendments to MFRS 7	Disclosures- Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS10	Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS11	Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS12	Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS116	Property, Plant and Equipment – (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
Amendments to MFRS132	Financial Instruments: Presentation (Annual Improvement 2009 – 2011 Cycle)	1 January 2013



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**A2. Changes in Accounting Policies - (Cont’d)**

<b><u>MFRSs, Amendments to MFRSs and IC Interpretation</u></b>		<b>Effective for financial periods beginning on or after</b>
Amendments to MFRS134	Interim Financial Reporting: (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

**MFRS and Amendments to MRFS that are applicable to the Group but not yet effective**

The Group did not early adopt the following standards that have been issued by the Malaysian Accounting Standards Board as these are effective for financial period beginning on or after 1 January 2014:

<b><u>MFRSs, Amendments to MFRSs and IC Interpretation</u></b>		<b>Effective for financial periods beginning on or after</b>
Amendments to MFRS132	Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities	1 January 2014
MFRS 9	Financial Instruments (2009)	1 January 2015
MFRS 9	Financial Instruments (2010)	1 January 2015
Amendments to MFRS7	Financial Instruments: Disclosure – Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015

**A3. Qualification of Annual Financial Statements**

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2012 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 2013.

**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 2013.

**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

During the financial period nine months ended 30 September 2013, the Company:

- Repurchased 19,000 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 nine months ended 30 September 2013, including transaction costs was RM 19,453 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.
- Disposed 2,194,400 of its issued share capital to the open market at an average selling price of RM 1.27 per share. The total consideration received for the disposal of treasury share was RM 2,777,329.

As at 30 September 2013, the number of treasury shares held was 3,480,777 STC shares at an average cost of RM 1.05 per share.

**A8. Dividend Paid**

In respect of financial year ending 2013, the Board of Directors had declared an interim tax exempt dividend of RM0.03 per share (Previous corresponding period: RM 0.03 per share) on 116,522,223 ordinary shares amounting to RM 3,495,667 on 22 April 2013.

The entitlement to the interim dividend was determined based on the shareholders registered in the record of depositors as at 22 May 2013 and the dividend has been paid on 7 June 2013.



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**A9. Segment Information**

**Business Segments Revenue & Results**

	<b>Transformer, Industrial lighting &amp; related products</b>	<b>Process equipment</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Nine Months Ended 30 September 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>REVENUE</b>				
External Sales	155,621	75,744	-	231,365
Inter-segment sales	5	-	(5)	-
<b>Total Revenue</b>	<b>155,626</b>	<b>75,744</b>	<b>(5)</b>	<b>231,365</b>
<b>RESULTS</b>				
Segment results	33,940	8,354	(4,546)	37,748
Share of loss in associate companies	-	(215)	-	(215)
Unallocated corporate expenses				(476)
Finance cost				(3,458)
Interest income				143
<b>Profit before taxation</b>				<b>33,742</b>
Taxation				(8,886)
<b>Net profit for the period</b>				<b>24,856</b>
Other comprehensive income				1,464
<b>Total comprehensive income for the period</b>				<b>26,320</b>
	<b>Transformer, Industrial lighting &amp; related products</b>	<b>Process equipment</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Nine Months Ended 30 September 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>REVENUE</b>				
External Sales	145,666	78,698	-	224,364
Inter-segment sales	148	-	-	148
<b>Total Revenue</b>	<b>145,814</b>	<b>78,698</b>	<b>-</b>	<b>224,512</b>
<b>RESULTS</b>				
Segment results	30,078	8,168	(4,707)	33,539
Share of profit from associate companies	-	(43)	-	(43)
Unallocated corporate expenses				(549)
Finance cost				(2,437)
Interest income				236
<b>Profit before taxation</b>				<b>30,746</b>
Taxation				(7,284)
<b>Net profit for the period</b>				<b>23,462</b>
Other comprehensive income				(200)
<b>Total comprehensive income for the period</b>				<b>23,262</b>



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**A9. Segment Information - (Cont'd)**

**Geographical Segments Revenue & Results**

	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
<b>Nine Months Ended 30 September 2013</b>				
<b>REVENUE</b>				
External Sales	187,915	43,450	-	231,365
Inter-segment sales	7,102	17,544	(24,646)	-
Total Revenue	195,017	60,994	(24,646)	231,365
<b>RESULTS</b>				
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				33,742
Taxation				(8,886)
Net profit for the period				24,856
Other comprehensive income				1,464
Total comprehensive income for the period				26,320

	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
<b>Nine Months Ended 30 September 2012</b>				
<b>REVENUE</b>				
External Sales	192,449	50,104	-	242,553
Inter-segment sales	(4,492)	(13,549)	-	(18,041)
Total Revenue	187,957	36,555	-	224,512
<b>RESULTS</b>				
Segment results	31,086	2,453	-	33,539
Share of profit from associate companies	(43)	-	-	(43)
Unallocated corporate expenses				(549)
Finance cost				(2,437)
Interest income				236
Profit before taxation				30,746
Taxation				(7,284)
Net profit for the period				23,462
Other comprehensive income				(200)
Total comprehensive income for the period				23,262



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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:	<b>RM’000</b>
Purchase of property, plant and equipment	55

**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**

On 2 September 2013, a wholly-owned subsidiary of STC, Success Transformer Pte. Ltd. (“STPL”) had acquired additional 15,000 ordinary shares of RM1.00 each in Nikkon Lighting & Electrical Pte. Ltd. (“NLEPL”), representing an additional equity interest of 5% in the issued and paid-up share capital of NLEPL for a total cash consideration of SGD\$18,000.00 (equivalent to RM 46,818.00).

In relation thereto, STPL holds 55% plus 1 share in NLEPL .

Save for disclosed above, 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.



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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 82.91 million for the current quarter ended 30 September 2013 as compared to RM 80 million in the previous year corresponding quarter, showing an increase of 3.6% or RM 2.91 million.

Net profit attributable to owners of the parent (PAT after NCI) of RM 8.54 million for the current quarter ended 30 September 2013 representing an increase of 0.9% or RM 0.07 million as compared to previous year’s corresponding quarter ended 30 September 2012 of RM 8.47 million.

The Group recorded a revenue of RM 231.37 million for the financial period ended 30 September 2013 as compared to RM 224.51 million in the previous year corresponding period, showing an increase of 3.1% or RM6.85 million.

PAT after NCI was approximately RM 22.12 million for the financial period ended 30 September 2013, showing an increase of 8.1% or RM 1.67 million compared to previous year corresponding period of RM 20.46 million.

The better performance from the above, mainly derived from transformer and industrial lighting 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 12.86 million for the current quarter ended 30 September 2013, representing an increase of 3.9% or RM 0.48 million as compared to preceding quarter ended 30 June 2013 of RM 12.38 million due to better performance derived from transformer and industrial lighting segment.

**B3. Prospects**

The Group expects challenging and stiff 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.

The process equipment segment expects the market in the palm oil industry to remain challenging. However, the order books and enquiries received from both the general and other segments including oil and gas remain encouraging.

The Group expect performance for current financial year to improve.



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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 2013 RM'000	30-Sep 2012 RM'000	30-Sep 2013 RM'000	30-Sep 2012 RM'000
Income tax	3,368	2,357	8,902	7,574
Deferred tax	(281)	(28)	(16)	(290)
Total	<u>3,087</u>	<u>2,329</u>	<u>8,886</u>	<u>7,284</u>

The effective tax rate for the current quarter and financial period under review was slightly lower than statutory tax rate of 25% mainly due to utilisation of reinvestment allowances and other incentive claimed by the 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 30 September 2013 were as follows:

	Payable within 12 months RM'000	Payable after 12 Months RM'000
<u>Secured</u>		
Bank Borrowings	48,009	43,177
Hire Purchase Payables	959	1,418
Bank Overdraft	1,306	-
Total Borrowings	<u>50,274</u>	<u>44,595</u>

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

	Amount RM'000
Malaysian Ringgit	82,740
United States Dollar	7,383
Singaporean Dollar	4,600
Indonesian Rupiah	146
Total Borrowings	<u>94,869</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 financial period ended 30 September 2013 are computed as follow:-

	<b>3rd Quarter Ended</b>		<b>9 Months Ended</b>	
	<b>30-Sep</b>	<b>30-Sep</b>	<b>30-Sep</b>	<b>30-Sep</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Profit attributable to owners of the parent (RM'000)	8,540	8,466	22,122	20,457
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	115,449	114,748	115,449	114,748
Basic earning per share (sen)	7.40	7.38	19.16	17.83

**(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		Financial Period Ended	
	30-Sep 2013	30-Sep 2012	30-Sep 2013	30-Sep 2012
	RM'000	RM'000	RM'000	RM'000
Other income	(318)	(668)	(1,234)	(1,224)
Depreciation	1,893	1,699	5,446	4,935
Impairment loss of trade receivables	90	180	-	206
Reversal of impairment loss of trade receivables	(10)	-	(60)	-
Bad debts written off / (recover)	-	-	(56)	-
Write down of inventories	-	80	-	456
(Gain)/loss on disposal of properties, plant & equipment	(39)	(105)	(208)	(128)
(Gain)/loss on foreign exchange	(93)	(272)	(791)	(157)



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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 2013, into realised and unrealised profits is as follows:

	<b>As at End of Current Quarter 30-Sep-2013 RM'000</b>	<b>As at End of Preceding Quarter 30-Jun-2013 RM'000</b>
Total retained profits of the Company and its subsidiaries :		
- Realised	237,041	235,767
- Unrealised	6,248	4,501
	<u>243,289</u>	<u>240,268</u>
Total share of accumulated profit/(loss) from jointly controlled entities :		
- Realised	(216)	(73)
- Unrealised		
	<u>243,073</u>	<u>240,195</u>
Less : Consolidation adjustments	(91,002)	(94,719)
Total group retained profits	<u><u>152,071</u></u>	<u><u>145,476</u></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  
25 November 2013