



SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)
(Company No: 636939-W)

Notes on the quarterly report – 31 December 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 year ended 31 December 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.

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for financial year beginning on or after
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)

<u>MFRSs, Amendments to MFRSs and IC Interpretation</u>		Effective for financial year beginning on or after
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 year beginning on or after 1 January 2014:

<u>MFRSs, Amendments to MFRSs and IC Interpretation</u>		Effective for financial year beginning on or after
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 ended 31 December 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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 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 2,344,400 of its issued share capital to the open market at an average selling price of RM 1.26 per share. The total consideration received for the disposal of treasury share was RM 2,964,023.

As at 31 December 2013, the number of treasury shares held was 3,330,777 STC shares at an average cost of RM 1.05 per share.

A8. Dividend Paid

In respect of financial year ended 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

	Transformer, Industrial lighting & related products	Process equipment	Eliminations	Consolidated
Financial Year Ended 31 December 2013	RM'000	RM'000	RM'000	RM'000
REVENUE				
External Sales	217,263	105,666	-	322,929
Inter-segment sales	7	132	(139)	-
Total Revenue	<u>217,270</u>	<u>105,798</u>	<u>(139)</u>	<u>322,929</u>

RESULTS

Segment results				50,238
Share of loss in associate companies				(305)
Unallocated corporate expenses				(636)
Finance cost				(4,711)
Interest income				206
Profit before taxation				<u>44,792</u>
Taxation				(12,535)
Net profit for the period				<u>32,257</u>
Other comprehensive income				1,984
Total comprehensive income for the period				<u>34,241</u>

	Transformer, Industrial lighting & related products	Process equipment	Eliminations	Consolidated
Financial Year Ended 31 December 2012	RM'000	RM'000	RM'000	RM'000
REVENUE				
External Sales	193,918	101,687	-	295,605
Inter-segment sales	219	-	(219)	-
Total Revenue	<u>194,137</u>	<u>101,687</u>	<u>(219)</u>	<u>295,605</u>

RESULTS

Segment results				44,513
Share of profit from associate companies				(17)
Unallocated corporate expenses				(698)
Finance cost				(3,669)
Interest income				287
Profit before taxation				<u>40,416</u>
Taxation				(9,781)
Net profit for the period				<u>30,635</u>
Other comprehensive income				(12)
Total comprehensive income for the period				<u>30,623</u>



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A9. Segment Information - (Cont'd)

Geographical Segments Revenue & Results

	Malaysia	Overseas	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Financial Year Ended 31 December 2013				
REVENUE				
External Sales	260,862	62,067	-	322,929
Inter-segment sales	9,641	25,420	(35,061)	-
Total Revenue	<u>270,503</u>	<u>87,487</u>	<u>(35,061)</u>	<u>322,929</u>
RESULTS				
Segment results				50,238
Share of loss from associate companies				(305)
Unallocated corporate expenses				(636)
Finance cost				(4,711)
Interest income				206
Profit before taxation				<u>44,792</u>
Taxation				(12,535)
Net profit for the period				<u>32,257</u>
Other comprehensive income				1,984
Total comprehensive income for the period				<u>34,241</u>
	Malaysia	Overseas	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Financial Year Ended 31 December 2012				
REVENUE				
External Sales	243,758	51,847	-	295,605
Inter-segment sales	7,610	17,761	(25,371)	-
Total Revenue	<u>251,368</u>	<u>69,608</u>	<u>(25,371)</u>	<u>295,605</u>
RESULTS				
Segment results				44,513
Share of profit from associate companies				(17)
Unallocated corporate expenses				(698)
Finance cost				(3,669)
Interest income				287
Profit before taxation				<u>40,416</u>
Taxation				(9,781)
Net profit for the period				<u>30,635</u>
Other comprehensive income				(12)
Total comprehensive income for the period				<u>30,623</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	398

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 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 91.56 million for the current quarter ended 31 December 2013 as compared to RM 71.09 million in the previous year corresponding quarter, showing an increase of 28.8% or RM 20.47 million. The favourable results recorded were due to better performance from both segments, mainly derived from transformer and lighting segment.

Net profit attributable to owners of the parent (PAT after NCI) of RM 6.51 million for the current quarter ended 31 December 2013 representing a decrease of 5.6% or RM 0.38 million as compared to previous year’s corresponding quarter ended 31 December 2012 of RM 6.90 million mainly due to lower profit margin from process equipment segment.

The Group recorded a revenue of RM 322.93 million for the financial year ended 31 December 2013 as compared to RM 295.61 million in the previous year, showing an increase of 9.2% or RM27.32 million due to better performance from both segments, mainly derived from transformer and lighting segment.

PAT after NCI was approximately RM 28.93 million for the financial year ended 31 December 2013, showing an increase of 7.0% or RM 1.89 million compared to previous year of RM 27.04 million mainly due to better performance derived from transformer and 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 10.75 million for the current quarter ended 31 December 2013, representing a decrease of 16.4% or RM 2.11 million as compared to preceding quarter ended 30 September 2013 of RM 12.85 million mainly due to higher operating cost incurred for both segments and lower profit margin from process equipment segment.

B3. Prospects

The Group expects 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 condition in the palm oil and other industries continue to remain challenging, while the outlook in the oil and gas sector in Malaysia is expected to be promising.

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



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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

	4th Quarter Ended		Financial Year Ended	
	31-Dec 2013 RM'000	31-Dec 2012 RM'000	31-Dec 2013 RM'000	31-Dec 2012 RM'000
Income tax	3,451	2,570	12,353	10,145
Deferred tax	198	(72)	182	(364)
Total	<u>3,649</u>	<u>2,498</u>	<u>12,535</u>	<u>9,781</u>

The effective tax rate for the current quarter and financial year under review was slightly higher than statutory tax rate of 25% mainly due to adding back of non-allowable expenses for the current quarter.

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 31 December 2013 were as follows:

	Payable within 12 months RM'000	Payable after 12 Months RM'000
<u>Secured</u>		
Bank Borrowings	47,976	36,218
Hire Purchase Payables	878	1,273
Bank Overdraft	448	-
Total Borrowings	<u>49,302</u>	<u>37,491</u>

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

	Amount RM'000
Malaysian Ringgit	71,772
United States Dollar	10,420
Singaporean Dollar	4,483
Indonesian Rupiah	118
Total Borrowings	<u>86,793</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 year ended 31 December 2013 are computed as follow:-

	4th Quarter Ended		Financial Year Ended	
	31-Dec	31-Dec	31-Dec	31-Dec
	2013	2012	2013	2012
Profit attributable to owners of the parent (RM'000)	6,513	6,897	28,934	27,042
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	115,745	114,651	115,745	114,651
Basic earning per share (sen)	5.63	6.02	25.00	23.59

(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

	4th Quarter ended		Financial Period Ended	
	31-Dec 2013 RM'000	31-Dec 2012 RM'000	31-Dec 2013 RM'000	31-Dec 2012 RM'000
Other income	(439)	(1,338)	(1,673)	(2,562)
Depreciation	1,725	1,757	7,171	6,692
Impairment loss of trade receivables	327	2,692	327	2,898
Reversal of impairment loss of trade receivables	46	(846)	(14)	(846)
Bad debts written off / (recover)	-	202	(56)	202
Write down of inventories	1,132	609	1,132	1,065
(Gain)/loss on disposal of properties, plant & equipment	(11)	5	(219)	(123)
(Gain)/loss on foreign exchange	1,004	(134)	213	(291)



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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 31 December 2013, into realised and unrealised profits is as follows:

	As at End of Current Quarter 31-Dec-2013 RM'000	As at End of Preceding Quarter 30-Sep-2013 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	245,886	237,041
- Unrealised	4,717	6,248
	<u>250,603</u>	<u>243,289</u>
Total share of accumulated profit/(loss) from jointly controlled entities :		
- Realised	(305)	(216)
- Unrealised		
	<u>250,298</u>	<u>243,073</u>
Less : Consolidation adjustments	(91,414)	(91,002)
Total group retained profits	<u><u>158,884</u></u>	<u><u>152,071</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 February 2014