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**SUCCESS TRANSFORMER CORPORATION BERHAD**  
(200301034518) (636939-W)  
(Incorporated in Malaysia)

**(I) CIRCULAR TO SHAREHOLDERS IN RELATION TO**

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE;**

**AND**

**(II) STATEMENT TO SHAREHOLDERS IN RELATION TO**

**PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES**

Notice of the Sixteenth Annual General Meeting (“**AGM**”) of our Company which will be conducted in a fully virtual basis through live streaming from the Broadcast Venue at the Conference Room, No.5 Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan on Tuesday, 08 December 2020 at 11.00 a.m. using the Remote Participation and Voting Facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>, or at any adjournment thereof, together with the Proxy Form, are set out in our Company’s Annual Report 2020.

The Proxy Form must be completed either in a hard copy form or by electronic means in the following manner, not less than forty-eight (48) hours before the time stipulated for holding the meeting or any adjournment thereof. The lodging of the Proxy Form will not preclude you from participating and voting in person at the AGM should you subsequently decide to do so.

<b><u>Mode of submission</u></b>	<b><u>Designated Address</u></b>
Hard copy	Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively Tricor Customer Service Centre Unit G-3, Ground Floor Vertical Podium, Avenue 3 Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia.
Electronic means	TIIH Online (applicable to individual shareholder only) Weblink : <a href="https://tiih.online">https://tiih.online</a>

*(Please refer to the Administrative Guide on the procedures for electronic lodgement of Proxy Form via TIIH Online)*

This Circular is dated 30 October 2020

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## DEFINITIONS

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Unless otherwise indicated the following abbreviations shall apply throughout this Circular: -

Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
AGM	:	Annual General Meeting
AHL	:	A.B.U Hayat Lighting Sdn Bhd (201901002872) (1312198-H), a 60% owned subsidiary of STMKT.
ASB	:	Aruanmota Sdn Bhd (200701023045) (781060-W), a wholly owned subsidiary of STC
BIHJ	:	Boxon Industries Hardware (JB) Sdn. Bhd. (200701002563) (760561-H), a wholly owned subsidiary of BIHM
BIHM	:	Boxon Industries Hardware (M) Sdn Bhd (200301010066) (612486-P), a 60% owned subsidiary of STC
BNJ	:	PT Boxon Nikkon Jayaindo, a 96% owned subsidiary of STC
Board	:	The Board of Directors of STC
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577) (635998-W)
BSZ	:	Success Zhenye Luminaire (Beijing) Limited Liabilities Company, a 40% owned associate of NSZ
Directors	:	Shall have the same meaning given in Section 2(1) of the Capital Market & Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the Recurrent Related Party Transactions were agreed upon, a Director of STC or any other company which is our subsidiary or holding company or a chief executive officer of STC, our subsidiary or holding company
DS	:	Daiichi Steel Sdn Bhd (199901009510) (484410-V), a 95% owned subsidiary of STC
EPS	:	Earnings per share
FYE	:	Financial year ended 30 June
ESOS	:	Employee share option scheme of STC, being the scheme for the granting of ESOS Options to eligible employees (including an executive director of our Group) to subscribe for new STC Shares pursuant to terms and conditions of the by-laws
ESOS Option(s)	:	Options offered to eligible employees of STC Group to subscribe for the new STC Shares pursuant to the ESOS
ILCS	:	ILCS Technologies Sdn Bhd (201001043466) (927394-U), a 60% owned subsidiary of STC
Listing Requirements	:	The Main Market Listing Requirements of Bursa Securities

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**DEFINITIONS (Cont'd)**

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LPD	:	30 September 2020, being the latest practicable date prior to the printing of this Circular
Major Shareholder	:	Means a person who has an interest or interests in one or more voting shares in our Company and the nominal amount of those Shares, or the aggregate of the nominal amount of those Shares, is:  (i) equal to or more than 10% of the aggregate of the nominal amounts of all voting shares in our Company; or  (ii) equal to or more than 5% of the aggregate of the nominal amounts of all voting shares in our Company where such person is the largest shareholder of our Company.  For the purpose of this definition, “interests in shares” shall have the meaning given in Section 8 of the Act. Includes any person who is or was, within the past 6 months of the date on which the terms of the Recurrent Related Party Transactions were agreed upon, a major shareholder of our Company or any other company, which is our subsidiary or holding company.
Mandate Period	:	The mandate period for the Proposed Mandate commencing from the date of our AGM until: -  (i) the conclusion of our next AGM following the general meeting at which the resolution for such mandate has been passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;  (ii) the expiration of the period within which our AGM after the date it is required to be held pursuant to Section 340(2)(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(2)(4) of the Act); or  (iii) revoked or varied by resolution passed by our shareholders in a general meeting,  whichever is the earlier.
Maximum Scenario	:	Assuming that all of the Outstanding ESOS Options are exercised.
Minimum Scenario	:	Assuming that none of the Outstanding ESOS Options are exercised.
NA	:	Net assets
NLPL	:	Nikkon Lighting Pty Ltd (143481958), a wholly owned subsidiary of STC
NLE	:	Nikkon Lighting & Electrical Pte Ltd (201117228C), a 75% owned by STPL
NLED	:	Nikkon LED Sdn Bhd (201101027785) (955920-T), a 80% owned subsidiary of STC
NLT	:	Nikkon Lighting (Thailand) Co., Ltd. (0105555171471), a 49% owned subsidiary of STC
NSC	:	Ningbo Success Zhenye Casting Limited Liabilities Company (330226000048060), a 60% owned subsidiary of NSZ
NSK	:	Nikkon Success Kenya Limited, a 91% owned subsidiary of STC

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**DEFINITIONS (Cont'd)**

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NSG	:	Ningbo Success Zhenye Gushi International Trading Co., Ltd (91330226MA2AH7490K), a 100% owned subsidiary of NSZ
NSZ	:	Ningbo Success Zhenye Luminaire Limited Liabilities Company (330200400028999), a 60% owned subsidiary of STC
OASB	:	Omega Attraction Sdn Bhd (200401007043) (645547-V), the ultimate holding company of STC
OMI	:	Omega Metal Industries Sdn Bhd (200001020014) (522621-K), a wholly owned subsidiary of STC
Outstanding ESOS	:	5,391,900 Outstanding ESOS Options that are exercisable as at LPD
Person(s) Connected	:	<p>In relation to a Director or a Major Shareholder, means such person who falls under any one of the following categories: -</p> <ul style="list-style-type: none"><li>(i) a family member of the Director's or Major Shareholder's which includes spouse, parent, child (including adopted child and stepchild), brother, sister and spouse of his child, brother or sister;</li><li>(ii) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, Major Shareholder or a member of the Director's or Major Shareholder's family is the sole beneficiary;</li><li>(iii) a partner of the Director, Major Shareholder or a partner of a Person Connected with that Director or Major Shareholder;</li><li>(iv) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;</li><li>(v) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;</li><li>(vi) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;</li><li>(vii) a body corporate or its directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;</li><li>(viii) a body corporate in which the Director, Major Shareholder and/or Persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or</li><li>(ix) a body corporate which is a related corporation.</li></ul>
Proposed Mandate	:	Proposed renewal of existing shareholders' mandate for our Group to enter into the Recurrent Related Party Transactions

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**DEFINITIONS (Cont'd)**

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Proposed Renewal of Share Buy-Back Authority	:	Proposed renewal of authority for our Company to purchase our own ordinary shares of up to ten percent (10%) of our total issued share
Purchased Shares	:	STC Shares bought by STC pursuant to the Proposed Renewal of Share Buy-Back Authority
Recurrent Related Party Transactions or Transactions	:	Transactions with Related Parties involving recurrent transactions of a revenue or trading nature which are necessary for the day to day operations and in the ordinary course of business of our Group
Registered Office	:	Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur
Related Party(ies)	:	Director(s), Major Shareholder(s) or person(s) connected with such Director(s) or Major Shareholder(s)
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions, as amended from time to time and any re-enactment thereof
SESP	:	SES Property Sdn Bhd (198801000628) (167985-V), a wholly owned subsidiary of STC
SETM	:	Success Electronics & Transformer Manufacturer Sdn Bhd (199001009281) (200853-K), a wholly owned subsidiary of STC
STC or our/the Company	:	Success Transformer Corporation Berhad (200301034518) (636939-W)
STC Group or our Group	:	STC, its subsidiaries and associates
STC Share(s) or Share(s)	:	Ordinary shares in our Company
STMFR	:	Success Transformer Manufacturer Sdn Bhd (199201017388) (248892-A), a wholly owned subsidiary of STC
STMKT	:	Success Transformer Marketing Sdn Bhd (199801008903) (465030-W), a wholly owned subsidiary of STC
STPL	:	Success Transformer Pte. Ltd. (201116915C), a wholly owned subsidiary of STC
SSZ	:	Shenyang Success Zhenye Luminaire Liabilities Company, a 40% owned associate of NSZ
Treasury Shares	:	21,251,154 treasury shares held by STC as at the LPD
Zhenye	:	Ninghai Zhenye Luminaries Manufacturing Co. Ltd. (3302262000305) which owns 40% equity interest in NSZ

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporation.

All references to “our Company” and “STC” in this Circular are to Success Transformer Corporation Berhad, references to “our Group” is to our Company, its subsidiaries and associates and references to “we”, “us”, “our” and “ourselves” are to our Company, and save where the context otherwise requires, our subsidiaries.

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**SUCCESS TRANSFORMER CORPORATION BERHAD**

(200301034518) (636939-W)

(Incorporated in Malaysia)

**Registered Office: -**

Level 7, Menara Milenium  
Jalan Damanlela, Pusat Bandar  
Damansara, Damansara Heights  
50490 Kuala Lumpur  
Wilayah Persekutuan.

30 October 2020

**Board of Directors: -**

Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak (*Independent Non-Executive Chairman*)

Tan Ah Bah @ Tan Ah Ping (*Managing Director*)

Tan Chung Ling (*Deputy Managing Director*)

Tan Wei Neng (*Executive Director*)

Tan Chung Chay (*Executive Director*)

Chan Foong Ping (*Independent Non-Executive Director*)

Yeoh Kim Wah (*Non-Independent Non-Executive Director*)

**To: Our shareholders**

Dear Sir / Madam,

**PROPOSED MANDATE**

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**1. INTRODUCTION**

Our Company had on 04 December 2019 obtained its shareholders' mandate for our Group to enter into the Recurrent Related Party Transactions which are necessary for our Group's day-to-day operations and which are in our ordinary course of business and on terms that are not more favourable to the Related Parties than those generally available to the public under Paragraph 10.09 of the Listing Requirements. The said shareholders' mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of our Company's forthcoming AGM unless approval for its renewal is obtained from our shareholders at our Company's forthcoming AGM.

In view of the above, our Company had on 13 October 2020 announced to Bursa Securities of its intention to seek its shareholders' approval for the renewal of the existing shareholders' mandate for Recurrent Related Party Transactions to be entered into by our Group during the Mandate Period as set out in Section 2.4 of this Circular.

The purpose of this Circular is to provide you with information relating to the Proposed Mandate, to seek your approval for the ordinary resolution to be tabled at our forthcoming AGM. The Notice of our Sixteenth AGM and the Proxy Form has been incorporated into our Company's Annual Report 2020, which is being circulated to you together with this Circular.

**YOU ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE ATTACHED APPENDIX CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED MANDATE.**



## 2. PROPOSED MANDATE

### 2.1 Provisions under the Listing Requirements

Pursuant to Paragraph 10.09(1)(a) of Chapter 10 of the Listing Requirements, a listed issuer must make an immediate announcement to Bursa Securities of a recurrent related party transaction where:

- (i) the consideration, value of assets, capital outlay or costs of the recurrent related party transaction is RM1 million or more; or
- (ii) the percentage ratio of such recurrent related party transactions is 1% or more

whichever is the higher.

However, under Paragraph 10.09(2) of the Listing Requirements, the listed issuer may seek a shareholders' mandate in respect of the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day to day operations subject to the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where: -

- a. the consideration, value of assets, capital outlay or costs of the aggregated recurrent transactions is RM1 million or more; or
- b. any one of the percentage ratios of such aggregated recurrent transactions is 1% or more;

whichever is higher;

- (iii) the issue of a circular to shareholders for the shareholders' mandate containing information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (iv) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (v) the Company immediately announces to Bursa Securities when the actual value of Recurrent Related Party Transactions entered into by the Company exceeds the estimated value of the Recurrent Related Party Transactions disclosed in the Circular by 10% or more and must include information as may be prescribed by the Bursa Securities in its announcement.

In order to comply with Paragraph 10.09 of the Listing Requirements, our Board hereby seeks your approval for the Proposed Mandate as set out in Section 2.3 below. The Proposed Mandate will take effect from the date the ordinary resolution is passed by the shareholders at the forthcoming AGM and remain in effect until;

- (i) the conclusion of the next AGM of the Company following the general meeting at which the Proposed Mandate is passed, at which time it will lapse, unless by a resolution passed at the general meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting;

whichever is earlier.

Where the Company has procured the shareholders' mandate pursuant to the above, the provisions of Paragraph 10.08 of the Listing Requirements shall not apply during the period of validity of the shareholders' mandate.

These Recurrent Related Party Transactions with the Related Parties are in the ordinary course of business and are on terms which are not more favourable to the Related Parties involved than generally available to the public and are not detrimental to our minority shareholders.

## 2.2 Background information on our Group

Our Company is principally an investment holding company. As at the LPD, the principal activities of our subsidiaries and associates, all of which were incorporated in Malaysia (save for NSZ and its subsidiaries, NLPL, NSK, STPL, NLE, BNJ and NLT which were incorporated in the People's Republic of China, Australia, Kenya, Singapore, Indonesia and Thailand), are as follows: -

### *Subsidiaries of STC*

<b>Subsidiary</b>	<b>Effective Equity Interest held (%)</b>	<b>Principal Activities</b>
ASB	100	Property investment holding
BIHM	60	Dormant
DS	95	Manufacturing of metal products focusing on metal stamping parts
ILCS	60	Trading, sales and marketing of electrical apparatus, lighting and related products
STPL	100	Investment holding and to carry on trading or business of electricians, mechanical engineers or any other business of alike nature
NLPL	100	Dormant
NLED	80	Manufacturing of LED lighting
NLT	49	Distribution of lighting and electrical product
NSK	91	Dormant

<b>Subsidiary</b>	<b>Effective Equity Interest held (%)</b>	<b>Principal Activities</b>
NSZ	60	Design, manufacturing and trading of industrial light fittings and fixtures (excluding lamps manufacturing), home electrical appliances, moulds, plastics and glass parts, hardware stamping, ballast, electronic controllers and its accessories.
BNJ	96	Wholesale for lighting, mechanical and electrical products, metal enclosure and accessories.
OMI	100	Manufacturing of metal products focusing on metal casings
SESP	100	Property investment holding
SETM	100	Manufacturing of electrical apparatus and industrial lighting
STMFR	100	Investment holding
STMKT	100	Trading, sales and marketing of electrical apparatus and industrial lighting

*Subsidiaries and associates of NSZ*

<b>Subsidiary</b>	<b>Effective Equity Interest held (%)</b>	<b>Principal Activities</b>
NSC	60	Aluminium die-casting, light fittings assembly and mould
NSG	100	Trade and sell goods manufactured by NSZ and others
SSZ	40	Wholesale for lighting and electrical products
BSZ	40	Wholesale for lighting and electrical products

*Subsidiary of STPL*

<b>Subsidiary</b>	<b>Effective Equity Interest held (%)</b>	<b>Principal Activities</b>
NLE	75	Wholesale of lighting and electrical products

*Subsidiary of BIHM*

<b>Subsidiary</b>	<b>Effective Equity Interest held (%)</b>	<b>Principal Activities</b>
BIHJ	100	Dormant

*Subsidiary of STMKT*

<b>Subsidiary</b>	<b>Effective Equity Interest held (%)</b>	<b>Principal Activities</b>
AHL	60	Provision of general consultancy and contractor services relating to electrical and electronics and to engage in trading, sales and marketing of electrical apparatus and industrial lighting.

The core businesses of our Company vide our investment in subsidiaries and associates, are in the manufacturing and trading of electrical apparatus and industrial lighting, metal stamping parts and metal casings, whilst our secondary business activity includes property investment holding.

The electrical apparatus is used for switching, signalling, distribution, connection and protection of electrical circuits, such as transformers, automatic voltage stabiliser and other similar products. In addition, our Group also manufactures other than electrical products including industrial lighting which is used as an electrical device for the purpose of illumination of industrial, commercial and public places.

### **2.3 Classes and nature of the Recurrent Related Party Transactions**

The Recurrent Related Party Transactions are principally in respect of the following: -

#### **(1) Purchases from Related Parties**

The purchases from Related Parties are mainly mould and raw materials such as floodlight fittings, lamp fixtures, rubber gasket and some rubber part, lamp holder and other electrical parts, which are used for the manufacturing activities of our Group as set out in Section 2.2 above.

The Related Parties are mainly the manufacturing lighting related products, small capacity transformers or electrical components or are involved in the wholesale and retail of electrical parts, accessories and appliances and trading and retail of electrical parts.

## 2.4 Proposed renewal of existing shareholders' mandate for Recurrent Related Party Transactions

This encompasses Recurrent Related Party Transactions as set out below: -

### RECURRENT RELATED PARTY TRANSACTIONS INVOLVING PURCHASES FROM RELATED PARTIES

No.	Related Party <i>Principal activities</i>	Companies in our Group	Nature of the transactions	Value of Transactions			Interested Director(s)/ Major Shareholders and/or Person(s) Connected	Shareholdings of Interested Director(s)/Major Shareholder(s) and/or Person(s) Connected in Related Party	
				Estimated value as disclosed in the circular to shareholders dated 31 October 2019	Actual value transacted up to LPD ("Actual Value") ^	Estimated value for the Proposed Mandate		Direct %	Indirect %
1.	Ninghai Juncheng Lighting Factory Co. Ltd ("Juncheng")  <i>Manufacturer of light, hardware, plastic product, mould, electrical spare parts, and casting</i>	NSZ	Purchase of light hardware, plastic product, mould, electrical spare parts, casting and other raw materials, used for the manufacturer of industrial lights fittings products from Jun Cheng to NSZ	RM  1,000,000	RM  1,205	RM  1,000,000	Gu Zhen Wu <sup>(i)</sup> Zhou Jie Di <sup>(i)</sup>	- -	- -

No.	Related Party <i>Principal activities</i>	Companies in our Group	Nature of the transactions	Value of Transactions			Interested Director(s)/ Major Shareholders and/or Person(s) Connected	Shareholdings of Interested Director(s)/Major Shareholder(s) and/or Person(s) Connected in Related Party	
				Estimated value as disclosed in the circular to shareholders dated 31 October 2019	Actual value transacted up to LDP ("Actual Value") ^	Estimated value for the Proposed Mandate		Direct %	Indirect %
2.	Ninghai Shengfeng Rubber Factory Co Ltd ("Shengfeng")  <i>Manufacturer of plastic product, and mould</i>	NSZ	Purchase of plastic product, mould and other raw materials used for the manufacturer of industrial lights fittings products from Sheng Feng by NSZ	RM  3,000,000	RM  375,278	RM  3,000,000	Gu Zhen Wu <sup>(i)</sup> Zhou Jie Di <sup>(i)</sup>	- -	- -

No.	Related Party <i>Principal activities</i>	Companies in our Group	Nature of the transactions	Value of Transactions			Interested Director(s)/ Major Shareholders and/or Person(s) Connected	Shareholdings of Interested Director(s)/Major Shareholder(s) and/or Person(s) Connected in Related Party	
				Estimated value as disclosed in the circular to shareholders dated 31 October 2019	Actual value transacted up to LDP ("Actual Value") ^	Estimated value for the Proposed Mandate		Direct %	Indirect %
3.	Zhenyu Electric Factory Co. Ltd ("Zhenyu")  <i>Manufacturer of lamp holder</i>	NSZ	Purchase of light, hardware and electrical parts,mould and other raw materials used for the manufacturer of industrial lights fittings products from Zhenyu by NSZ and processing fee charged by Zhenyu to NSZ	RM  3,000,000	RM  564,733	RM  3,000,000	Gu Zhen Wu <sup>(i)</sup> Zhou Jie Di <sup>(i)</sup>	- -	- -
			<b>TOTAL</b>	<b>7,000,000</b>	<b>941,216</b>	<b>7,000,000</b>			

Notes: -

^ The actual value of each category of the above transactions transacted pursuant to the existing Shareholders' Mandate obtained at the last AGM up to LPD does not exceed the estimated aggregate value as disclosed in the preceding year's Circular, by 10% or more.

**Nature of the relationships**

- (i) Gu Zhen Wu and Zhou Jie Di are directors of NSZ and have indirect shareholdings of 40% in NSZ via their direct shareholdings in Zhenye. They are the close family members to the shareholders of Juncheng, Shengfeng and Zhenyu.

## **2.5 Rationale for the Proposed Mandate**

The Proposed Mandate will enable our Group to continue to carry out recurrent transactions necessary for our Group's day-to-day operations and enhance our Group ability to pursue business opportunities, which are time-sensitive in nature in a more expeditious manner. It will eliminate the need to make announcements and convene separate general meetings from time to time to seek shareholders' approval as and when potential recurrent transactions with a Related Party arise. This will substantially reduce expenses associated with the convening of such meetings on an ad hoc basis, improve administrative and cost efficiency and allow human resources and time to be channelled towards attaining other corporate objectives and opportunities.

Further, the Proposed Mandate is intended to facilitate transactions to be entered into in the ordinary course of business of our Group which are transacted from time to time with the Related Parties which are carried out at arm's length on our Group's normal commercial terms and are not prejudicial to the interest of our shareholders and on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to our minority shareholders.

## **2.6 Benefits of the Recurrent Related Party Transactions**

The benefits of the Recurrent Related Party Transactions to our Group are as follows: -

- (i) the Recurrent Related Party Transactions to be entered into by our Group are all in the ordinary course of business and intended to meet the business needs of our Group at the best possible terms so as to achieve synergistic benefits within our Group. As such, it is anticipated that the Recurrent Related Party Transactions would occur on a frequent and recurrent basis;
- (ii) the Related Parties, who are involved in the wholesale and retail of electrical parts, accessories, appliances and lighting fixtures, are the distributors of the products of our Group. Our Group would be able to reduce our marketing costs as well as capitalise on the extensive network of the Related Parties, leveraging on its direct and indirect distribution channels to market our Group's products; and
- (iii) where the Recurrent Related Party Transactions involve the supply of goods and services from the Related Parties, our Group is expected to benefit in terms of costs effectiveness and administrative efficiency in its procurement process. For instance, our Group does not keep a high level of inventories and when there is an urgent need for certain raw materials from the Related Parties on an ad hoc basis, it can procure these raw materials promptly which will reduce the stock holding cost and eventually improve the profitability of our Group.

## **2.7 Effects of the Proposed Mandate**

The Proposed Mandate will not have any effects on the issued share capital and the shareholding of the substantial shareholders of our Company.

Further, the Proposed Mandate will not have any material effect on the consolidated NA and the consolidated earnings of our Company.

## **2.8 Amount due and owing by Related Parties**

There are no amounts due and owing by the related parties to STC Group pursuant to the Recurrent Related Party Transactions which exceeded the credit terms as at 30 June 2020.



## **2.9 Review procedures and disclosure of the Recurrent Related Party Transactions**

Our Directors propose the following measures to ensure that the Recurrent Related Party Transactions are undertaken on an arm's length basis and on normal commercial terms consistent with our Group's usual business practices and policies, which are not more favourable to the Related Parties than those extended to third parties or public and are not to the detriment of our minority shareholders:

- (i) the interested Directors and Major Shareholders will be informed and briefed on the procedures put in place for our Group by the management of our Group in relation to transactions to be entered into by our Group. The interested Directors and Major Shareholders are required to declare and disclose to our Board in a timely manner on transactions in which they are deemed interested;
- (ii) records pertaining to the Recurrent Related Party Transactions will be analysed and monitored by our management. The status of these Recurrent Related Party Transactions will be reported by our management to the Audit Committee on a quarterly basis;
- (iii) our management will ensure that transactions are made based on terms that are not more favourable to the Related Parties than those generally available to the public by considering the prevailing market prices, commercial terms of transactions with third parties, business practices and policies and terms which are generally acceptable in the industry norms;
- (iv) the Audit Committee will review all Recurrent Related Party Transactions to ensure that relevant approvals have been obtained and the review procedures in respect of Recurrent Related Party Transactions are adhered to;
- (v) the Directors having interests in any Recurrent Related Party Transactions shall abstain from Board deliberations and shall ensure that the Major Shareholders and persons connected with them are also abstained from voting on the resolution approving the transactions;
- (vi) at least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities; and
- (vii) in the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by our Group based on the usual commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms/considerations to ensure that the Recurrent Related Party Transactions are not detrimental to our Group.

## **2.10 Statement by the Audit Committee**

The Audit Committee of our Company has seen and reviewed the procedures mentioned in Section 2.9 above and is satisfied that the abovementioned review procedures, are sufficient to ensure that these Recurrent Related Party Transactions will be made at an arm's length and are in accordance with our Group's commercial terms with third parties, business practices and policies and on terms generally in line with the industry norms and are not more favourable to the related party than those generally available to the public, and hence, will not be detrimental to the interests of our minority shareholders or disadvantageous to our Group.

The Audit Committee is also of the view that our Group has in place adequate procedures and processes to monitor, track and identify Recurrent Related Party Transactions in a timely and orderly manner and such procedures and processes are reviewed by the Audit Committee and/or the management staff annually.

## **2.11 Threshold for Authority**

The threshold for approval of Recurrent Related Party Transactions is consistent with those transactions entered into with unrelated parties. Where Recurrent Related Party Transactions is estimated to exceed the percentage ratio of 1% or RM 1 million in value whichever is higher, the Recurrent Related Party Transactions shall be reviewed and approved by the Audit Committee during its quarterly meetings.

### **3. CONDITIONS FOR THE PROPOSED MANDATE**

The Proposed Mandate is conditional upon your approval being obtained at our Company's forthcoming AGM.

The Proposed Mandate being procured from the shareholders of our Company shall only continue to be in force until: -

- (i) the conclusion of our Company's next AGM following the general meeting at which the resolution for the Proposed Mandate has been passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the AGM after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by our shareholders in general meeting,

whichever is the earlier.

### **4. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM**

Save as disclosed below, none of the other Directors or Major Shareholders of our Company and/or persons connected to them has any interest, direct and indirect, in the Proposed Mandate.

Gu Zhen Wu and Zhou Jie Di, being the Director and Major Shareholder of our 60% owned subsidiary, NSZ, by virtue of their shareholdings in Zhenye, is interested in the Proposed Mandate as they are close family members to the shareholders of Juncheng, Shengfeng and Zhenyu.

Gu Zhen Wu and Zhou Jie Di will abstain from voting in respect of their direct and indirect shareholdings, if any, in our Company, on the resolution to be tabled in relation to the Proposed Mandate at the forthcoming AGM and shall undertake to ensure that persons connected to them abstain from voting in respect of their direct and indirect interests, if any, in our Company on deliberating or approving the resolution pertaining to the Proposed Mandate to be tabled at the forthcoming AGM.

As at the LPD, Gu Zhen Wu and Zhou Jie Di do not hold any direct or indirect shareholdings in STC.

### **5. DIRECTORS' STATEMENT AND RECOMMENDATION**

Our Board having considered all aspects of the Proposed Mandate, is of the opinion that the Proposed Mandate is in the best interests of our Group and our shareholders and recommends that you vote in favour of the ordinary resolution in respect of the Proposed Mandate to be tabled at our forthcoming AGM.

## 6. AGM

The notice of AGM that contains the resolution pertaining to the Proposed Mandate has been incorporated into our Company's Annual Report 2020, which is available from the website link at [www.stcgroup.com.my](http://www.stcgroup.com.my) or you may scan the QR code stated in Appendix I. Our AGM will be conducted in fully virtual basis through live streaming from the broadcast venue at the Conference Room, No.5 Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan on Tuesday, 08 December 2020 at 11 a.m. using the Remote Participation and Voting Facilities provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its TIIH Online website at <https://tiih.online>, or at any adjournment thereof for the purpose of considering and if thought fit, passing the ordinary resolution on the Proposed Mandate.

If you are unable to attend and vote at our forthcoming AGM, you are requested to complete, sign and return the Proxy Form, which is enclosed in our Company's Annual Report 2020, in accordance with the instructions contained therein so as to arrive at our Registered Office not later than forty-eight (48) hours before the time fixed for our forthcoming AGM or any adjournment thereof. Kindly refer to the Administrative Guide for further information on electronic submission of the Proxy Form.

Shareholders and proxies are to attend, speak and vote (collectively "**participate**") remotely at the forthcoming AGM via the Remote Participation and Voting Facilities provided by the Tricor via its TIIH Online website at <https://tiih.online>. The right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies may communicate via real time submission of typed texts during the live streaming of the AGM.

The lodging of the Proxy Form will not preclude you from participating and voting in person at our forthcoming AGM should you subsequently wish to do so.

## 7. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I for further information.

Yours faithfully,

For and on behalf of the Board of Directors of  
**SUCCESS TRANSFORMER CORPORATION BERHAD**

**Tan Sri Dato'Ahmad Fuzi Bin Hj Abdul Razak**  
Chairman



**SUCCESS TRANSFORMER CORPORATION BERHAD**  
(200301034518) (636939-W)  
(Incorporated in Malaysia)

**STATEMENT TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

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**1. INTRODUCTION**

The Company had on 04 December 2019 obtained shareholders' approval in relation to the Proposed Renewal of Share Buy-Back Authority. The authority shall lapse at the conclusion of the forthcoming Sixteenth AGM, unless the authority is renewed.

Our Board had on 13 October 2020, announced our Company's intention to seek shareholders' approval for the Proposed Renewal of Share Buy-Back Authority at our forthcoming Sixteenth AGM.

The purpose of this Statement is to provide you with the details of the Proposed Renewal of Share Buy-Back Authority and to seek your approval on the ordinary resolution to be tabled at our forthcoming AGM in relation to the Proposed Renewal of Share Buy-Back Authority. The Notice of AGM and the Proxy Form are set out in our Company's Annual Report 2020.

**YOU ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE ATTACHED APPENDIX CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED MANDATE.**

**2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

**2.1** Our Company proposes to seek approval from our shareholders, a renewal of the authority to purchase up to ten percent (10%) of our total issued shares on Bursa Securities via stockbrokers to be appointed by our Board, at any time during the authorised period.

For illustration purposes, the maximum number of STC Shares that may be purchased under the Proposed Renewal of Share Buy-Back Authority based on the Minimum Scenario and Maximum Scenario are as follows: -

	<u>Minimum Scenario</u>	<u>Maximum Scenario</u>
	<u>No. of Shares</u>	<u>No. of Shares</u>
Total number of issued STC Shares as at LPD (including Treasury Shares)	249,877,500	249,877,500
Assuming full exercise of Outstanding ESOS Options <sup>(a)</sup>	-	5,391,900
<b>Total number of issued STC Shares</b>	<b>249,877,500</b>	<b>255,269,400</b>

10% of the total number of issued STC Shares	24,987,750	25,526,940
Less: Treasury Shares held as at LPD	(21,251,154)	(21,251,154)
<b>Maximum number of STC Shares that may be purchased pursuant to the Proposed Renewal of Share Buy-Back Authority</b>	<b>3,736,596</b>	<b>4,275,786</b>

*Note:*

(a) *Based on the Outstanding ESOS Options that are exercisable as at LPD.*

The authority from our shareholders for the Proposed Renewal of Share Buy-Back Authority will be effective upon the passing of the ordinary resolution for the Proposed Renewal of Share Buy-Back Authority at our forthcoming AGM until:

- (i) the conclusion of the next AGM of our Company following the general meeting which such resolution was passed, at which time the said authority would lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of our Company after that date is required by law to be held; or
- (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of our Company in general meeting;

whichever occurs first.

- 2.2** The Proposed Renewal of Share Buy-Back Authority will allow our Board to exercise the power of our Company to purchase its Shares at any time within the abovementioned period using the internal funds of our Company and/or external borrowings.

The amount of internally generated funds and/or external borrowings to be utilised will only be determined later, depending on, amongst others, the availability of internally generated funds, the actual number of Shares to be purchased and other relevant factors. The actual number of Shares to be purchased and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock market as well as the retained profits and the financial resources available to our Company.

In accordance with the Listing Requirements, the total maximum amount of funds to be allocated for the Proposed Renewal of Share Buy-Back Authority must be made wholly out of the Company's retained profits only based on the latest audited and unaudited financial statements. Therefore, the maximum funds to be utilised for the Proposed Renewal of Share Buy-Back Authority shall not exceed the aggregate of our Company's said retained profits of RM21,726,976 based on the audited financial statements for the FYE 2020, which is the latest published financial statement of our Company. In the event our Company purchases our own Shares using external borrowings, our Board will ensure that our Company has sufficient funds to repay the external borrowings and that the repayment would have no material effect on the cash flow of our Company.

The retained profits of our Company for the last three (3) financial years are as follows.

<b>Audited Accounts</b>	<b>Retained Earnings (RM)</b>
As at 30 June 2018	40,610,237
As at 30 June 2019	33,579,736
As at 30 June 2020	21,726,976

- 2.3** Pursuant to the Paragraph 12.17, Chapter 10 of the Listing Requirements, the purchase price of our Shares should not be more than fifteen percent (15%) above the weighted average market price of our Shares for the five (5) market days immediately preceding the date of the purchase.

In the case of a resale of the treasury shares on Bursa Securities, our Company may only resell or transfer any treasury shares pursuant to Section 127(7) of the Act at:

- (i) a price which is not less than the weighted average market price of our Shares for the five (5) market days immediately prior to the date of the resale or transfer; or
- (ii) a discounted price of not more than five percent (5%) to the weighted average market price for our Shares for the five (5) market days immediately prior to the date of the resale or transfer, provided that:
  - (a) the resale or transfer takes place no earlier than thirty (30) days from the date of the purchase; and
  - (b) the resale or transfer price is not less than the cost of purchase of the Shares being resold or transferred.

- 2.4** In accordance with Section 127(4) of the Act, our Directors are able to deal with any Shares so purchased by our Company under the Proposed Renewal of Share Buy-Back Authority in the following manner:

- (i) to cancel the Shares so purchased;
- (ii) to retain the Shares so purchased as treasury shares for distribution as share dividends to the shareholders of our Company and/or resell through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
- (iii) combination of (i) and (ii) above.

Further, in regards to the Shares so purchased and retain as treasury shares, our Board may decide to distribute the treasury shares as share dividends to our shareholders and/or resell the treasury shares on Bursa Securities and utilise the proceeds from the resale of the treasury shares for potential investment opportunities arising in the future or as working capital.

If our Board decides to resell the treasury shares on Bursa Securities, our Company will make an announcement on the day the resale is made, providing details of the description of the Shares resold, the number of Shares resold, the resale price of each Share resold or where relevant, the highest and lowest resale price, the total consideration received and the cumulative net outstanding treasury shares at the date of notification, where applicable.

**3. RATIONALE AND POTENTIAL ADVANTAGES OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The Proposed Renewal of Share Buy-Back Authority will enable our Company to utilise any of its surplus financial resources to purchase our own Shares from the market. It may stabilise the supply and demand of our Shares traded on Bursa Securities and thereby support its fundamental value.

Assuming all things being equal, any purchase of our Shares, regardless whether its Shares so purchased were retained as treasury shares or cancelled, would result in a lower number of our Shares being used for the purpose of computing the EPS. The reduced issued share capital subsequent to the Proposed Renewal of Share Buy-Back Authority may improve our Company's EPS, which in turn could be expected to benefit the shareholders.

The purchased Shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain without affecting the total issued share capital of our Company. Should any treasury shares be distributed as share dividends, this would serve to reward our shareholders.

**4. POTENTIAL DISADVANTAGES OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The Proposed Renewal of Share Buy-Back Authority will temporarily reduce the financial resources of our Company. This may result in our Company foregoing other investment opportunities that may emerge in the future or, at least, deprive our Company of interest income that can be derived from funds to be utilised for the Proposed Renewal of Share Buy-Back Authority.

It may also reduce the amount of resources available for distribution in the form of dividends to you as funds are utilised to purchase our own Shares. However, the financial resources of our Company may recover and increase upon the re-selling of the purchased Shares held as treasury shares.

Notwithstanding the above, our Board is of the view that the Proposed Renewal of Share Buy-Back Authority is not expected to have any material disadvantage to you as well as our Company as it will be implemented only after careful consideration of the financial resources of our Group and the resultant impact on our shareholders and our Company.

## 5. EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The effects of the Proposed Renewal of Share Buy-Back Authority are as follows:

### 5.1 Share Capital

In the event all of its Shares authorised under the Proposed Renewal of Share Buy-Back Authority are purchased and such Purchased Shares are cancelled, the issued shares of the Company will be as follows:-

<b>Total number of issued shares</b>	<b>Minimum Scenario No. of Shares</b>	<b>Maximum Scenario No. of Shares</b>
Existing as at LPD (including Treasury Shares)	249,877,500	249,877,500
Assuming full exercise of Outstanding ESOS Options	-	5,391,900
Enlarged total number of issued STC Shares	249,877,500	255,269,400
Assuming cancellation of STC Shares purchased under the Proposed Renewal of Share Buy-Back Authority	<sup>(a)</sup> (3,736,596)	<sup>(a)</sup> (4,275,786)
Assuming the cancellation of the Treasury Shares held as at LPD	(21,251,154)	(21,251,154)
<b>Upon completion of the Proposed Renewal of Share Buy-Back Authority</b>	<b>224,889,750</b>	<b>229,742,460</b>

*Note:*

(a) *Being 10% of the total number of issued STC Shares less Treasury Shares held by STC as at LPD.*

However, Shares purchased under the Proposed Renewal of Share Buy-Back Authority would be retained as treasury shares, resold on Bursa Securities and/or distributed to our shareholders as share dividends or a combination of these.

In this respect, the Proposed Renewal of Share Buy-Back Authority will have no effect on the issued share capital of our Company.

Pursuant to Section 127(9) of the Act, while the Purchased Shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any other distribution and otherwise are suspended. The treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in our Company for any purposes including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a general meeting and the result of a vote on a resolution at a general meeting.



## **5.2 NA**

The consolidated NA of our Company may increase or decrease depending on the number of Shares purchased under the Proposed Renewal of Share Buy-Back Authority, the purchase prices of its Shares, the effective cost of funding and the treatment of its Shares purchased under the Proposed Renewal of Share Buy-Back Authority.

The Proposed Renewal of Share Buy-Back Authority will reduce the consolidated NA per Share when the purchase price exceeds the consolidated NA per Share at the time of purchase. On the contrary, the consolidated NA per Share will increase when the purchase price is less than the consolidated NA per Share at the time of purchase.

If the Shares purchased under the Proposed Renewal of Share Buy-Back Authority are held as treasury shares and subsequently resold on Bursa Securities, the consolidated NA per Share would increase if our Company realise a gain from the resale or vice versa. If the treasury shares are distributed as share dividends, it will decrease our Group's NA by the cost of the treasury shares.

## **5.3 Working Capital**

The Proposed Renewal of Share Buy-Back Authority will reduce the working capital of our Group, the quantum of which will depend on, among others, the purchase prices of its Shares, the actual number of Shares purchased and any associated costs incurred in making the purchase.

However, if the Purchased Shares kept as treasury shares, are resold on Bursa Securities, the working capital of our Group would increase if the Company realised a gain from the resale.

The quantum of the increase in the working capital will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

## **5.4 Earnings and EPS**

The effect of the Proposed Renewal of Share Buy-Back Authority on the consolidated EPS of our Company will depend on the purchase prices paid for its Shares, the effective funding cost to our Group to finance the purchases of its Shares or any loss in interest income to our Group, if internally generated funds are utilised to finance the purchase of its Shares.

Assuming that any Shares so purchased are retained as treasury shares and resold on Bursa Securities, the effects on the consolidated earnings of our Company will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

## **5.5 Dividends**

The Proposed Renewal of Share Buy-Back Authority is not expected to have any material impact on the policy of our Board in recommending dividend, if any, to the shareholders. However, our Board may distribute future dividends in the form of the treasury shares purchased pursuant to the Proposed Renewal of Share Buy-Back Authority.

## 5.6 Substantial shareholders' and directors' shareholdings

### 5.6.1 Substantial Shareholders

The effects of the Proposed Renewal of Share Buy-Back Authority on the substantial shareholders' shareholdings in our Company based on our Register of Substantial Shareholders as at the LPD are set out below:

	As at the LPD				After Proposed Renewal of Share Buy-Back Authority							
					Minimum Scenario				Maximum Scenario			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholders	No. of Shares	% *	No. of Shares	% *	No. of Shares	% *	No. of Shares	% *	No. of Shares	% *	No. of Shares	% *
OASB	105,378,148	46.09	-	-	105,378,148	46.86	-	-	105,378,148	45.87	-	-
Tan Ah Bah @ Tan Ah Ping	209,300	0.09	105,742,428 <sup>(1)</sup>	46.25	209,300	0.09	105,742,428 <sup>(1)</sup>	47.02	209,300	0.09	105,742,428 <sup>(1)</sup>	46.03
Pan Kim Foon	209,300	0.09	105,742,428 <sup>(1)</sup>	45.02	209,300	0.09	105,742,428 <sup>(2)</sup>	47.02	209,300	0.09	105,742,428 <sup>(2)</sup>	46.03
Tan Chung Ling	154,980	0.07	105,796,748 <sup>(3)</sup>	46.27	154,980	0.07	105,796,748 <sup>(3)</sup>	47.04	154,980	0.07	105,796,748 <sup>(3)</sup>	46.05
Tan Chung Chay	-	-	105,796,748 <sup>(3)</sup>	46.27	-	-	105,796,748 <sup>(3)</sup>	47.04	-	-	105,796,748 <sup>(3)</sup>	46.05
Tan Chung Chiah	-	-	105,796,748 <sup>(3)</sup>	45.04	-	-	105,796,748 <sup>(3)</sup>	47.16	-	-	105,796,748 <sup>(3)</sup>	46.05
FMR LLC	16,738,900	7.32	-	-	16,738,900	7.44	-	-	16,738,900	7.29	-	-

Notes:

\* The % of shareholdings is calculated based on the number of issued share and net of 21,251,154 treasury shares.

(1) Deemed interest by virtue of his wife, Pan Kim Foon's and his direct interests in OASB, and his wife and daughter, Tan Chung Ling's direct interest in the Company.

(2) Deemed interest by virtue of her husband, Tan Ah Bah @ Tan Ah Ping's and her direct interests in OASB, and her husband and daughter, Tan Chung Ling's direct interests in the Company.

(3) Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping's and Pan Kim Foon's direct interests in the Company and OASB.

## 5.6.2 Directors

The effects of the Proposed Renewal of Share Buy-Back Authority on the Directors' shareholdings in our Company based on our Register of Directors as at the LPD are set out below:

Directors	As at the LPD				After Proposed Share Buy-Back							
					Minimum Scenario				Maximum Scenario			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	% *	No. of Shares	% *	No. of Shares	% *	No. of Shares	% *	No. of Shares	% *	No. of Shares	% *
Tan Ah Bah @ Tan Ah Ping	209,300	0.09	105,742,428 <sup>(1)</sup>	46.25	209,300	0.09	105,742,428 <sup>(1)</sup>	47.02	209,300	0.09	105,742,428 <sup>(1)</sup>	46.03
Yeoh Kim Wah	1,292,100	0.57	-	-	1,292,100	0.57	-	-	1,292,100	0.56	-	-
Tan Chung Ling	154,980	0.07	105,796,748 <sup>(2)</sup>	46.27	154,980	0.07	105,796,748 <sup>(2)</sup>	47.04	154,980 <sup>(2)</sup>	0.07	105,796,748 <sup>(2)</sup>	46.05
Tan Chung Chay	-	-	105,796,748 <sup>(2)</sup>	46.27	-	-	105,796,748 <sup>(2)</sup>	47.04	-	45.96	105,796,748 <sup>(2)</sup>	46.05
Tan Wei Neng	90,200	0.04	69,100 <sup>(3)</sup>	0.03	90,200	0.04	69,100 <sup>(3)</sup>	0.03	90,200 <sup>(3)</sup>	0.04	69,100 <sup>(3)</sup>	0.03
Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak	-	-	-	-	-	-	-	-	-	-	-	-
Chan Foong Ping	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

\* The % of shareholdings is calculated based on the total number of issued share and net of 21,251,154 treasury shares.

- (1) Deemed interest by virtue of his wife, Pan Kim Foon's and his direct interests in OASB, and his wife and daughter, Tan Chung Ling's direct interest in the Company.
- (2) Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping's and Pan Kim Foon's direct interests in the Company and OASB.
- (3) Deemed interest by virtue of his wife, Chew Yoke Ying's direct interest in the Company.

**6. PURCHASE, REALE AND CANCELLATION OF TREASURY SHARES MADE IN THE PRECEDING TWELVE (12) MONTHS**

For the FYE 2020, our Company purchased a total of 5,478,500 of its own Shares from the open market for a total consideration of RM3,768,928. There was neither any resale of treasury shares by our Company during the FYE 2020.

As at the LPD, the total number of Shares purchased and retained as treasury shares was 21,251,154.

Date of Purchase	No. of Shares Purchased	Purchase Price (RM)		Average Price (RM)	Total Consideration (RM)
		Lowest	Highest		
13/02/2020	23,700	0.90	0.91	0.9050	21,591
14/02/2020	33,300	0.90	0.91	0.9031	30,274
17/02/2020	81,900	0.91	0.91	0.9050	74,613
18/02/2020	274,300	0.90	0.91	0.9037	248,748
19/02/2020	200,000	0.91	0.91	0.9050	181,630
26/02/2020	309,100	0.76	0.77	0.7615	236,199
27/02/2020	500,000	0.73	0.76	0.7470	374,800
28/02/2020	800,000	0.70	0.73	0.7044	565,481
02/03/2020	400,000	0.70	0.71	0.7050	282,981
03/03/2020	543,300	0.70	0.71	0.7055	384,632
04/03/2020	17,700	0.70	0.70	0.7000	12,473
06/03/2020	5,000	0.71	0.71	0.7100	3,593
09/03/2020	700,000	0.65	0.70	0.6807	478,148
10/03/2020	34,500	0.65	0.65	0.6450	22,401
11/03/2020	200,000	0.65	0.65	0.6475	129,951
12/03/2020	200,000	0.61	0.63	0.6200	124,432
13/03/2020	96,000	0.56	0.58	0.5696	55,046
16/03/2020	313,400	0.54	0.55	0.5432	170,831
17/03/2020	28,800	0.51	0.51	0.5050	14,641
18/03/2020	100,000	0.52	0.52	0.5200	52,346
19/03/2020	287,600	0.45	0.49	0.4726	136,393
23/03/2020	129,900	0.41	0.41	0.4089	53,470
30/06/2020	200,000	0.57	0.57	0.5675	114,256
07/07/2020	100,000	0.60	0.60	0.6000	60,400
08/07/2020	174,000	0.59	0.60	0.5929	103,524
09/07/2020	100,000	0.59	0.59	0.5900	59,393
10/07/2020	100,000	0.59	0.59	0.5900	59,393
13/07/2020	100,000	0.59	0.59	0.5900	59,393
14/07/2020	37,300	0.57	0.58	0.5731	21,519
17/07/2020	24,900	0.58	0.58	0.5750	14,413
20/07/2020	165,000	0.58	0.59	0.5830	96,836
21/07/2020	200,000	0.58	0.58	0.5775	115,902
24/07/2020	200,000	0.57	0.57	0.5675	113,895
05/08/2020	200,000	0.56	0.56	0.5575	111,888
<b>Total</b>	<b>6,879,700</b>				<b>4,585,483</b>

There was no resale and cancellation of Treasury Shares in the previous twelve (12) months up to LPD.

Further information on the purchase or resale by our Company of its own Shares is set out in the Note 24 of the Notes to Financial Statements in our Company's Annual Report 2020.

## **7. PUBLIC SHAREHOLDING SPREAD**

As at the LPD, the public shareholding spread of our Company was approximately 45.58%. For illustration purposes, based on our Company's public shareholding spread as at the LPD, assuming the Proposed Renewal of Share Buy-Back Authority was carried out in full, i.e. up to 10% of our Company's issued share capital, the Shares are purchased from its shareholders who are deemed public and the purchased Shares are held as treasury shares, the pro-forma public shareholding spread of our Company is expected to be 44.69%. However, our Board undertakes that any proposed purchase of its own Shares would only be conducted in accordance with the laws prevailing at the time of purchase including compliance with the 25.0% public shareholding spread as required under the Listing Requirements.

## **8. IMPLICATION OF THE RULES**

Pursuant to the Rules, a person and any person acting in concert with him will be required to make a mandatory offer to acquire the remaining shares of the company not already owned by him if his shareholding in the company is increased to beyond thirty-three percent (33%) or if his existing shareholding in the company is more than thirty-three percent (33%) but less than fifty percent (50%), his shareholding is increased by more than two percent (2%) in any six (6) months period.

On the assumption that the Proposed Renewal of Share Buy-Back Authority is carried out in full, the Proposed Renewal of Share Buy-Back Authority will trigger an obligation for the substantial shareholders to undertake a mandatory offer under the Code as a result of the Proposed Renewal of Share Buy-Back Authority under both the Minimum and Maximum Scenario. However, the Company will only proceed with Proposed Renewal of Share Buy-Back Authority to the extent that it will not contravene the limit as provided under the Code.

## **9. APPROVAL REQUIRED**

The Proposed Renewal of Share Buy-Back Authority is subject to and conditional upon your approval at our Company's forthcoming AGM.

## **10. INTERESTS OF THE DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

Save for the proportionate increase in the percentage shareholdings of the Directors and substantial shareholders in our Company as a result of the Proposed Renewal of Share Buy-Back Authority, none of the Directors or substantial shareholders and/or persons connected to them, has any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Authority or the resale of the treasury shares, if any.

## **11. DIRECTORS' STATEMENT AND RECOMMENDATION**

Our Board, having considered all the aspects of the Proposed Renewal of Share Buy-Back Authority, is of the opinion that it is in the best interest of our Company. Accordingly, our Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Share Buy-Back Authority to be tabled at our forthcoming AGM.

## 12. AGM

The Notice of AGM that contains the resolution pertaining to the Proposed Renewal of Share Buy-Back Authority has been incorporated into our Company's Annual Report 2020 which is available from the website link at [www.stcgroup.com.my](http://www.stcgroup.com.my) or you may scan the QR code stated in Appendix I. Our AGM will be conducted in fully virtual basis through live streaming from the broadcast venue at the Conference Room, No.5 Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan on Tuesday, 08 December 2020 at 11 a.m. using the Remote Participation and Voting Facilities provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**") via its TIIH Online website at <https://tiih.online>, or at any adjournment thereof for the purpose of considering and if thought fit, passing the ordinary resolution on the Proposed Mandate.

If you are unable to attend and vote at our forthcoming AGM, you are requested to complete, sign and return the Proxy Form, which is enclosed in our Company's Annual Report 2020, in accordance with the instructions contained therein so as to arrive at our Registered Office not later than forty-eight (48) hours before the time fixed for our forthcoming AGM or any adjournment thereof. [Kindly refer to the Administrative Guide for further information on electronic submission of the Proxy Form.]

Shareholders and proxies are to attend, speak and vote (collectively "**participate**") remotely at the forthcoming AGM via the Remote Participation and Voting Facilities provided by the Tricor via its TIIH Online website at <https://tiih.online>. The right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies may communicate via real time submission of typed texts during the live streaming of the AGM.

The lodging of the Proxy Form will not preclude you from participating and voting in person at the AGM should you subsequently wish to do so.

## 13. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I for further information.

Your faithfully,  
For and on behalf of the Board of Directors of  
**SUCCESS TRANSFORMER CORPORATION BERHAD**

**Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak**  
Chairman

## APPENDIX I

### FURTHER INFORMATION

#### 1. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement / Circular has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein false or misleading.

#### 2. MATERIAL CONTRACTS

Save as disclosed below, Our Group has not entered into any material contracts (not being contracts entered into the ordinary course of business) within the past two (2) years immediately preceding the date of this Statement / Circular:

- (i) On 3 September 2019, STC had entered into a sale and purchase agreement (“SPA”) with MIE Industrial Sdn Bhd in relation to the disposal of 52,000,000 ordinary shares in Seremban Engineering Berhad (“SEB”), representing 65.26% of the entire equity interest in SEB, a subsidiary company of STC for a total cash consideration of RM26.00 million. This transaction was completed on 3 September 2019.

#### 3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Our Group has not engaged in any litigation, claims or arbitration, either as plaintiff or defendant which has a material effect on the financial position of our Group, and our Directors have no knowledge of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

#### 4. MARKET PRICE OF STC SHARES

The following table sets out the monthly highest and lowest market prices of STC Shares traded on the Bursa Securities for the past twelve (12) months from October 2019 to September 2020 (being the last full trading month prior to the LPD):

	Highest (RM)	Lowest (RM)
<b>2019 :-</b>		
October	1.05	0.88
November	1.03	0.92
December	1.10	0.94
<b>2020 :-</b>		
January	0.98	0.86
February	0.94	0.69
March	0.75	0.40
April	0.69	0.48
May	0.68	0.58
June	0.72	0.55
July	0.61	0.56
August	0.63	0.55
September	0.59	0.55

*(Source: Bloomberg)*

The last transacted market price of STC Shares on 13 October 2020 (being the date of the announcement of the Proposed Renewal of Share Buy-Back Authority) was RM0.55. The last transacted market price of STC Shares on the LPD was RM0.56.

## 5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our Company's Registered Office during office hours from the date of this Circular up to and including our forthcoming AGM:

- (i) the Company's Constitution
- (ii) the audited consolidated financial statements of our Company for the FYE 2018, FYE 2019 and FYE 2020.
- (iii) the SPA between STC and MIE Industrial Sdn Bhd in relation to the disposal of SEB; and
- (iv) QR Code for Notice of AGM

