



**Notes on the quarterly report – 30 June 2014**

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

**A1. Basis of Preparation**

These condensed consolidated interim financial statements, for the period ended 30 June 2014, have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s Audited Financial Statements for the year ended 31 December 2013. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

**A2. Changes in Accounting Policies**

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

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

**MFRSs, Amendments to MFRSs and IC Interpretation**

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

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

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

Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
Amendments to MFRS 119 : Defined Benefit Plans: Employee Contributions	1 July 2014



**SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)  
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**A3. Qualification of Annual Financial Statements**

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2013 were not qualified.

**A4. Seasonal and Cyclical Factors**

The Group’s business operation results were not materially affected by any major seasonal or cyclical factors during the financial period ended 30 June 2014.

**A5. Unusual Nature and Amounts of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2014.

**A6. Changes in Accounting Estimates**

There were no changes in accounting estimates that have a material effect in the current quarter results.

**A7. Debt and Equity Securities**

Saved as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review:

(a) Share Buy-Back

During the six months ended 30 June 2014, the Company repurchased 55,000 of its issued share capital from the open market at an average cost of RM 1.45 per share. The total consideration paid for the share buy-back of STC shares during the six months ended 30 June 2014, including transaction costs was RM 79,578 and was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A Subsection 3(A) (b) of the Companies Act, 1965.

As at 30 June 2014, the number of treasury shares held was 3,385,777 STC shares at an average cost of RM 1.45 per share.

**A8. Dividend Paid**

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

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



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**A9. Segment Information**

**Business Segments Revenue & Results**

	<b>Transformer, Industrial lighting &amp; related products</b>	<b>Process equipment</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Six Months Ended 30 June 2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>REVENUE</b>				
External Sales	126,123	63,515	-	189,638
Inter-segment sales	1,045	-	(1,045)	-
Total Revenue	<u>127,168</u>	<u>63,515</u>	<u>(1,045)</u>	<u>189,638</u>
<b>RESULTS</b>				
Segment results				27,259
Share of profit in associate companies				6
Unallocated corporate expenses				(327)
Finance cost				(1,665)
Interest income				121
Profit before taxation				<u>25,394</u>
Taxation				(6,195)
Net profit for the period				<u>19,199</u>
Other comprehensive income				(1,165)
Total comprehensive income for the period				<u>18,034</u>
	<b>Transformer, Industrial lighting &amp; related products</b>	<b>Process equipment</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Six Months Ended 30 June 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>REVENUE</b>				
External Sales	99,176	49,279	-	148,455
Inter-segment sales	-	-	-	-
Total Revenue	<u>99,176</u>	<u>49,279</u>	<u>-</u>	<u>148,455</u>
<b>RESULTS</b>				
Segment results				23,194
Share of profit from associate companies				(73)
Unallocated corporate expenses				(322)
Finance cost				(1,979)
Interest income				90
Profit before taxation				<u>20,910</u>
Taxation				(5,515)
Net profit for the period				<u>15,395</u>
Other comprehensive income				498
Total comprehensive income for the period				<u>15,893</u>



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

**Geographical Segments Revenue & Results**

<b>Six Months Ended 30 June 2014</b>	<b>Malaysia RM’000</b>	<b>Overseas RM’000</b>	<b>Eliminations RM’000</b>	<b>Consolidated RM’000</b>
<b>REVENUE</b>				
External Sales	149,484	40,154	-	189,638
Inter-segment sales	6,351	14,317	(20,668)	-
Total Revenue	<u>155,835</u>	<u>54,471</u>	<u>(20,668)</u>	<u>189,638</u>

**RESULTS**

Segment results				27,259
Share of profit from associate companies				6
Unallocated corporate expenses				(327)
Finance cost				(1,665)
Interest income				121
Profit before taxation				<u>25,394</u>
Taxation				(6,195)
Net profit for the period				<u>19,199</u>
Other comprehensive income				(1,165)
Total comprehensive income for the period				<u>18,034</u>

**Six Months Ended 30 June 2013**

	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
<b>REVENUE</b>				
External Sales	121,153	27,302	-	148,455
Inter-segment sales	4,437	8,750	(13,187)	-
Total Revenue	<u>125,590</u>	<u>36,052</u>	<u>(13,187)</u>	<u>148,455</u>

**RESULTS**

Segment results	21,301	1,893	-	23,194
Share of loss from associate companies	(73)	-	-	(73)
Unallocated corporate expenses				(322)
Finance cost				(1,979)
Interest income				90
Profit before taxation				<u>20,910</u>
Taxation				(5,515)
Net profit for the period				<u>15,395</u>
Other comprehensive income				498
Total comprehensive income for the period				<u>15,893</u>



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**Notes on the quarterly report – 30 June 2014**

**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	232

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

Save as disclosed below, there was no material event subsequent to the end of the current quarter under review.

On 9 July 2014, a subsidiary of STC, Ningbo Success Zhenye Luminaire Limited Liabilities Company (“NSZ”) has subscribed for a total of 300,000 ordinary shares of RMB 1.00 each in Shenyang Success Zhenye Luminaire Limited Liabilities Company (“SSZ”), representing an equity interest of 60% of the total issued and paid-up share capital of SSZ for a total cash consideration of RMB 300,000 (equivalent to RM 156,000\*).

In relation thereto, SSZ shall become a subsidiary of NSZ and sub-subsidiary of STC.

**A13. Changes in the composition of the Group**

There was no changes in the composition of the Group during the current quarter under review.

**A14. Changes in contingent liabilities and contingent assets**

As at the date of this announcement, there were no material contingent liabilities and contingent assets incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.



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

**B1. Review of performance**

The Group recorded a revenue of RM 102.46 million for the current quarter ended 30 June 2014 as compared to RM 83.16 million in the previous year corresponding quarter, showing an increase of 23.2% or RM 19.29 million. The favourable results recorded were due to better performance from both transformer and lighting segment and process equipment segment.

Net profit attributable to owners of the parent (PAT after NCI) of RM 9.23 million for the current quarter ended 30 June 2014 representing an increase of 20.4% or RM 1.56 million as compared to previous year's corresponding quarter ended of RM 7.67 million mainly due to better performance derived from transformer and lighting segment and partially offset by lower profit margin from process equipment segment.

The Group recorded a revenue of RM 189.64 million for the six months ended 30 June 2014 as compared to RM 148.46 million in the previous year corresponding period, showing an increase of 27.7% or RM41.18 million due to better performance from both transformer and lighting segment and process equipment segment.

PAT after NCI was approximately RM 16.7 million for the six months ended 30 June 2014, showing an increase of 22.7% or RM 3.09 million compared to previous year corresponding period of RM 13.61 million mainly due to better performance derived from transformer and lighting segment and partially offset by lower profit margin from process equipment segment.

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

**B2. Variation of results against preceding quarter**

The Group recorded a profit before tax (PBT) of RM 14.35 million for the current quarter ended 30 June 2014, representing an increase of 29.9% or RM 3.31 million as compared to preceding quarter ended 31 March 2014 of RM 11.05 million, due to better performance recorded from transformer and lighting segment.

**B3. Prospects**

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

In respect of the process equipment segment, the market outlook in the palm oil industry is expected to remain competitive. Meanwhile, the group has intensified its effort in expanding its market into oil and gas and other industries.

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



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**B4. Profit Forecast or Profit Guarantee**

Not applicable as there was no profit forecast or profit guarantee issued by the Group.

**B5. Tax Expense**

	2nd Quarter Ended		6 Months Ended	
	30-Jun-2014	30-Jun-2013	30-Jun-2014	30-Jun-2014
	RM'000	RM'000	RM'000	RM'000
Income tax	3,562	3,459	6,299	5,815
Deferred tax	118	(59)	(104)	(300)
Total	<u>3,680</u>	<u>3,400</u>	<u>6,195</u>	<u>5,515</u>

The effective tax rate for the current quarter and financial year under review was lower than the statutory tax rate of 25%.

**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 June 2014 were as follows:

	Payable within 12 months RM'000	Payable after 12 Months RM'000
<u>Secured</u>		
Bank Borrowings	56,250	26,634
Hire Purchase Payables	1,143	2,209
Bank Overdraft	855	-
Total Borrowings	<u>58,248</u>	<u>28,843</u>

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

	Amount RM'000
Malaysian Ringgit	71,369
United States Dollar	11,180
Singaporean Dollar	4,447
Indonesian Rupiah	95
Total Borrowings	<u>87,091</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 six months ended 30 June 2014 are computed as follow:-

	<b>2nd Quarter Ended</b>		<b>6 Months Ended</b>	
	<b>30-Jun</b>	<b>30-Jun</b>	<b>30-Jun</b>	<b>30-Jun</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Profit attributable to owners of the parent (RM'000)	9,231	7,670	16,703	13,613
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	116,614	114,905	116,614	114,905
Basic earning per share (sen)	7.91	6.68	14.32	11.85

**(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**

	<b>2nd Quarter ended</b>		<b>6 Months Ended</b>	
	<b>30-Jun 2014 RM'000</b>	<b>30-Jun 2013 RM'000</b>	<b>30-Jun 2014 RM'000</b>	<b>30-Jun 2013 RM'000</b>
Other income	(424)	(177)	(891)	(454)
Depreciation	1,971	1,807	3,951	3,553
Reversal of impairment loss of trade receivables	-	35	-	560
(Gain)/loss on disposal of properties, plant & equipment	-	(96)	(37)	(169)
(Gain)/loss on foreign exchange	667	(544)	(668)	(698)



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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 June 2014, into realised and unrealised profits is as follows:

	<b>As at End of Current Quarter 30-Jun-2014 RM'000</b>	<b>As at End of Preceding Quarter 31-Mar-2014 RM'000</b>
Total retained profits of the Company and its subsidiaries :		
- Realised	258,657	252,028
- Unrealised	3,297	3,758
	<u>261,954</u>	<u>255,786</u>
Total share of accumulated profit/(loss) from jointly controlled entities :		
- Realised	6	(94)
- Unrealised	-	-
	<u>261,960</u>	<u>255,692</u>
Less : Consolidation adjustments	(92,307)	(90,704)
	<u>169,653</u>	<u>164,988</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 Aug 2014