



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

Notes on the quarterly report – 30 June 2015

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 2015, 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 2014. 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 2014.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2015 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: -



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

Notes on the quarterly report – 30 June 2015

MFRSs, Amendments to MFRSs and IC Interpretation	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The above mentioned accounting standards and interpretations (including the consequential amendments) do not have any financial impact on the Group’s financial statements upon their initial application.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2014 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 2015. However, the process equipment’s business operation result is very much dependent on the timing of completion of each project.

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 2015.

A6. Changes in Accounting Estimates

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



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

Notes on the quarterly report – 30 June 2015

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 2015, the Company repurchased 325,500 of its issued share capital from the open market at an average cost of RM 1.46 per share. The total consideration paid for the share buy-back of STC shares during the six months ended 30 June 2015, including transaction costs was RM 4,766,847.03 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 2015, the number of treasury shares held was 3,962,277 STC shares at an average cost of RM 1.20 per share.

A8. Dividend Paid

In respect of financial year ending 2015, the Board of Directors had declared a single-tier dividend of RM0.04 per share (Previous corresponding period: RM 0.04 per share) on 116,285,223 ordinary shares amounting to RM 4,651,409 on 24 April 2015.

The entitlement to the interim dividend was determined based on the shareholders registered in the record of depositors as at 18 May 2015 and the dividend has been paid on 15 June 2015.



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

Notes on the quarterly report – 30 June 2015

A9. Segment Information

Business Segments Revenue & Results

	Transformer, Industrial lighting & related products	Process equipment	Eliminations	Consolidated
Six Months Ended 30 June 2015	RM'000	RM'000	RM'000	RM'000
REVENUE				
External Sales	135,999	59,316	-	195,315
Inter-segment sales	1	-	(1)	-
Total Revenue	<u>136,000</u>	<u>59,316</u>	<u>(1)</u>	<u>195,315</u>
RESULTS				
Segment results				19,551
Share of profit in associate companies				(39)
Unallocated corporate expenses				(344)
Finance cost				(1,909)
Interest income				123
Profit before taxation				<u>17,382</u>
Taxation				(4,243)
Net profit for the period				<u>13,139</u>
Other comprehensive income				(530)
Total comprehensive income for the period				<u>12,609</u>



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

Notes on the quarterly report – 30 June 2015

A9. Segment Information - (Cont’d)

	Transformer, Industrial lighting & related products	Process equipment	Eliminations	Consolidated
Six Months Ended 30 June 2014	RM’000	RM’000	RM’000	RM’000
REVENUE				
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>
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>



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

Notes on the quarterly report – 30 June 2015

A9. Segment Information - (Cont’d)

Geographical Segments Revenue & Results

Six Months Ended 30 June 2015	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	151,688	43,627	-	195,315
Inter-segment sales	11,993	14,032	(26,025)	-
Total Revenue	<u>163,681</u>	<u>57,659</u>	<u>(26,025)</u>	<u>195,315</u>
RESULTS				
Segment results				19,551
Share of profit from associate companies				(39)
Unallocated corporate expenses				344
Finance cost				(1,909)
Interest income				123
Profit before taxation				<u>17,382</u>
Taxation				(4,243)
Net profit for the period				<u>13,139</u>
Other comprehensive income				(530)
Total comprehensive income for the period				<u>12,609</u>



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

Notes on the quarterly report – 30 June 2015

Six Months Ended 30 June 2014	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
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 loss from associate companies				6
Unallocated corporate expenses				(327)
Finance cost				(1,665)
Interest income				121
Profit before taxation				<u>25,394</u>
Taxation				<u>(6,195)</u>
Net profit for the period				<u>19,199</u>
Other comprehensive income				<u>(1,165)</u>
Total comprehensive income for the period				<u>18,034</u>



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

Notes on the quarterly report – 30 June 2015

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

There were no capital commitment approved and contracted for during the current period ended 30th June 2015.

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 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.



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

Notes on the quarterly report – 30 June 2015

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

B1. Review of performance

The Group recorded a revenue of RM 93.48 million for the current quarter ended 30 June 2015 as compared to RM 102.46 million in the previous year corresponding quarter, showing a decrease of 8.8% or RM8.98 million were mainly due to decrease in sales from process equipment segment.

Net profit attributable to owners of the parent (PAT after NCI) of RM 11.82 million for the current quarter ended 30 June 2015 representing an increase of 28.0% or RM 2.59 million as compared to previous year’s corresponding quarter ended of RM 9.23 million mainly due to better performance derived from transformer and lighting segment.

The Group recorded a revenue of RM 195.32 million for the six months ended 30 June 2015 as compared to RM 189.64 million in the previous year corresponding period, showing an increase of 3.0% or RM 5.68 million attributable to better performance from transformer and lighting segment despite decrease in sales from process equipment segment.

PAT after NCI was approximately RM 14.70 million for the six months ended 30 June 2015, showing a decrease of 12.0% or RM 2.0 million compared to previous year corresponding period of RM 16.70 million mainly due to loss incurred in process and equipment segment despite profit making 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 15.75 million for the current quarter ended 30 June 2015, representing an increase of 896.2 % or RM 14.18 million as compared to preceding quarter ended 31 March 2015 profit before tax of RM 1.58 million mainly due to better performance from all segments.

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 to remain competitive.

Barring any unforeseen circumstances, the Group expects to achieve satisfactory financial performance in 2015.



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

Notes on the quarterly report – 30 June 2015

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-2015	30-Jun-2014	30-Jun-2015	30-Jun-2014
	RM'000	RM'000	RM'000	RM'000
Income tax	3,205	3,562	6,149	6,299
Deferred tax	(100)	118	(1,906)	(104)
Total	<u>3,105</u>	<u>3,680</u>	<u>4,243</u>	<u>6,195</u>

The effective tax rate for the current quarter and financial year under review was lower than the statutory tax rate of 25% is mainly due to loss incurred in a major subsidiary.

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 2015 were as follows:

<u>Secured</u>	Payable within	Payable after 6
	6 months	Months
	RM'000	RM'000
Bank Borrowings	28,376	88,246
Hire Purchase Payables	2,085	1,040
Bank Overdraft		1,048
Total Borrowings	<u>30,461</u>	<u>90,334</u>

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

	Amount
	RM'000
Malaysian Ringgit	112,374
United States Dollar	4,003
Singaporean Dollar	4,339
Indonesian Rupiah	79
Total Borrowings	<u>120,795</u>



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

Notes on the quarterly report – 30 June 2015

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 2015 are computed as follow:-

	2nd Quarter Ended		6 Months Ended	
	30-Jun	30-Jun	30-Jun	30-Jun
	2015	2014	2015	2014
Profit attributable to owners of the parent (RM'000)	11,815	9,231	14,701	16,703
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	116,279	116,614	116,279	116,614
Basic earning per share (sen)	10.16	7.91	12.46	14.32

(b) Diluted

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



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

Notes on the quarterly report – 30 June 2015

B11. Notes to the Statement of Comprehensive Income

	2nd Quarter ended		6 Months Ended	
	30-Jun 2015 RM'000	30-Jun 2014 RM'000	30-Jun 2015 RM'000	30-Jun 2014 RM'000
Other income	(1,614)	(424)	(1,970)	(891)
Depreciation	2,283	1,971	4,560	3,951
(Gain)/loss on disposal of properties, plant & equipment	-	-	-	(37)
(Gain)/loss on foreign exchange	(2,109)	667	(962)	(668)



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

Notes on the quarterly report – 30 June 2015

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 2015, into realised and unrealised profits is as follows:

	As at End of Current Quarter 30-Jun-2015	As at End of Preceding Quarter 31-Mar-2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	235,952	229,417
- Unrealised	<u>3,297</u>	<u>1,446</u>
	239,249	230,863
Total share of accumulated profit/(loss) from jointly controlled entities :		
- Realised	<u>(370)</u>	<u>(360)</u>
	238,879	230,503
Less : Consolidation adjustments	(50,978)	(49,818)
Total group retained profits	<u>187,901</u>	<u>180,685</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
27 August 2015