



Notes on the quarterly report – 31 March 2019

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

A1. Basis of Preparation

These condensed consolidated financial statements, for the period ended 31 March 2019, 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 (“Bursa Securities”) and should be read in conjunction with the Group’s audited financial statements for the year ended 30 June 2018.

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 statements for the financial year ended (“FYE”) 30 June 2018.

During the financial period, the Group had adopted the following new accounting standards and interpretations (including the consequential amendments, if any): -

MFRSs, Amendments to MFRSs and IC Interpretation

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share- Based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15	Effective Date of MFRS 15
Amendments to MFRS 15	Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’
Amendments to MFRS 140	Transfer of Investment Property
Amendments to MFRS 9	Prepayment Features with Negative Compensation
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvement to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1:	Deletion of Short-term Exemptions for First-time Adopter
• Amendments to MFRS 128	: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impacts on the Group’s financial statements except as follows:



Notes on the quarterly report – 31 March 2019

MERS 15 — Revenue from Contracts with Customers

MFRS 15 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

The Group apply MFRS 15 using the modified retrospective approach by recognizing its cumulative effect of the adoption to the retained profits as at 1 July 2018 on contracts which were on-going before 1 July 2018, and that the comparatives will not be restated. The impacts from the adoption of MFRS 15 in the current financial period has been demonstrated in the Condensed Interim Statement of Changes in Equity.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period: -

MFRSs and IC Interpretations

	Effective date
(including the Consequential Amendments)	
MFRS 16 : Leases	1 January 2019
MFRS 17 : Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 10 : Sale or Contribution of Assets between an and MFRS 128 Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 119 : Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015- 2017 Cycles	1 January 2019

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.



Notes on the quarterly report – 31 March 2019

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the FYE 30 June 2018 was not subject to any qualification.

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 (“FPE”) 31 March 2019. However, the process equipment’s business operation result is very much dependent on the status of the work in progress and 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 FPE 31 March 2019.

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

Save as disclosed below, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial year-to-date under review.

a) Share Buy Back

During the FPE 31 March 2019, the Company repurchased 2,616,300 units of its issued share capital from the open market at average cost of RM0.6428 per ordinary share in STC (“STC Share(s)”). The total consideration paid for the share buy-back of STC Shares during the nine months’ period ended 31 March 2019 including transaction costs was RM1,681,764.62 and was financed by internally generated funds. The STC Shares repurchased are being held as treasury shares in accordance with Section 127 Subsection 4(b) of the Companies Act 2016.

As at 31 March 2019, the number of treasury shares held was 14,371,454 STC Shares at an average cost of RM0.6875 per STC Share out of its 248,500,200 STC shares.

b) Employees’ Share Option Scheme (“ESOS”)

During the current financial year-to-date under review, 2,000 number of ordinary shares were issued under the Company’s ESOS making the issued ordinary shares of the Company to become 248,500,200 ordinary shares as at 31 March 2019.



Notes on the quarterly report – 31 March 2019

A8. Dividend Paid

During the financial period ended 31 March 2019, a first interim tax-exempt single-tier dividend of RM0.01 per ordinary share on 235,467,146 ordinary shares for the financial year ending 30 June 2019 was declared on 27 November 2018 amounting to RM2,351,671.46 and was paid on 16 January 2019 to the shareholders whose name appeared in Company’s record of depository on 20 December 2018.

In the previous year corresponding financial period ended 31 March 2018, a first interim tax-exempt single-tier dividend of RM0.05 per ordinary share on 116,817,323 ordinary shares for the financial year ended 30 June 2018 was declared on 12 September 2017 and was paid on 29 November 2017 to the shareholders whose names appeared in the Company’s Record of Depositors on 1 November 2017, amounting to RM5,840,866.15.

Pertaining to this dividend, the shareholders were given an option to elect to reinvest the whole or part of the interim dividend into new ordinary shares of the Company in accordance with the dividend reinvestment scheme (“**DRS**”) with the issue price fixed at RM 3.10 per new ordinary share.

The net dividend paid amounting to RM1,019,746.15 after less the amount opted for the DRS. A total of 1,555,200 new ordinary shares have been issued and allotted on 29 November 2017 and were listed on 30 November 2017.



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

Notes on the quarterly report – 31 March 2019

A9. Segment Information

Business Segments Revenue & Results

	Transformer, industrial lighting and related products	Process equipment	Eliminations	Consolidated
Quarter Ended 31 March 2019	RM’000	RM’000	RM’000	RM’000
REVENUE				
External Sales	65,057	14,759	-	79,816
Inter-segment sales	28	-	(28)	-
Total Revenue	<u>65,085</u>	<u>14,759</u>	<u>(28)</u>	<u>79,816</u>

RESULTS

Segment results				2,640
Unallocated corporate expenses				(231)
Finance cost				(726)
Interest income				<u>289</u>
Profit before taxation				1,972
Taxation				<u>(1,111)</u>
Net profit for the period				861
Other comprehensive expense				<u>556</u>
Total comprehensive income for the period				<u>1,417</u>

	Transformer, industrial lighting and related products	Process equipment	Eliminations	Consolidated
Nine Months Ended 31 March 2019	RM’000	RM’000	RM’000	RM’000
REVENUE				
External Sales	202,340	47,426	-	249,766
Inter-segment sales	316	-	(316)	-
Total Revenue	<u>202,656</u>	<u>47,426</u>	<u>(316)</u>	<u>249,766</u>

RESULTS

Segment results				23,617
Unallocated corporate expenses				(610)
Finance cost				(2,442)
Interest income				<u>700</u>
Profit before taxation				21,265
Taxation				<u>(7,110)</u>
Net profit for the year				14,155
Other comprehensive expense				<u>(355)</u>
Total comprehensive income for the period				<u>13,800</u>



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

Notes on the quarterly report – 31 March 2019

	Transformer, industrial lighting and related products	Process equipment	Eliminations	Consolidated
Quarter Ended 31 March 2018	RM’000	RM’000	RM’000	RM’000
REVENUE				
External Sales	56,894	19,265	-	76,159
Inter-segment sales	11	-	(11)	-
Total Revenue	<u>56,905</u>	<u>19,265</u>	<u>(11)</u>	<u>76,159</u>

RESULTS

Segment results				2,159
Unallocated corporate expenses				(323)
Finance cost				(786)
Interest income				158
Profit before taxation				<u>1,208</u>
Taxation				<u>(1,051)</u>
Net profit for the period				157
Other comprehensive expense				<u>100</u>
Total comprehensive income for the period				<u>257</u>

	Transformer, industrial lighting and related products	Process equipment	Eliminations	Consolidated
Nine Months Ended 31 March 2018	RM’000	RM’000	RM’000	RM’000
REVENUE				
External Sales	193,702	57,400	-	251,102
Inter-segment sales	85	-	(85)	-
Total Revenue	<u>193,787</u>	<u>57,400</u>	<u>(85)</u>	<u>251,102</u>

RESULTS

Segment results				22,741
Unallocated corporate expenses				(935)
Finance cost				(2,612)
Interest income				462
Profit before taxation				<u>19,656</u>
Taxation				<u>(4,989)</u>
Net profit for the period				14,667
Other comprehensive expense				<u>(324)</u>
Total comprehensive income for the period				<u>14,343</u>



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

Notes on the quarterly report – 31 March 2019

A9. Segment Information - (Cont’d)

Geographical Segments Revenue & Results

Quarter Ended 31 March 2019	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	53,037	26,779	-	79,816
Inter-segment sales	6,207	7,823	(14,030)	-
Total Revenue	59,244	34,602	(14,030)	79,816

RESULTS

Segment results				2,640
Unallocated corporate expenses				(231)
Finance cost				(726)
Interest income				289
Profit before taxation				1,972
Taxation				(1,111)
Net profit for the period				861
Other comprehensive expense				556
Total comprehensive income for the period				1,417

Nine Months Ended 31 March 2019	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	168,661	81,105	-	249,766
Inter-segment sales	18,180	24,186	(42,366)	-
Total Revenue	186,841	105,291	(42,366)	249,766

RESULTS

Segment results				23,617
Unallocated corporate expenses				(610)
Finance cost				(2,442)
Interest income				700
Profit before taxation				21,265
Taxation				(7,110)
Net profit for the period				14,155
Other comprehensive expense				(355)
Total comprehensive income for the period				13,800



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

Notes on the quarterly report – 31 March 2019

Quarter Ended 31 March 2018	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	53,781	22,378	-	76,159
Inter-segment sales	4,763	4,945	(9,708)	-
Total Revenue	58,544	27,323	(9,708)	76,159

RESULTS

Segment results				2,159
Unallocated corporate expenses				(323)
Finance cost				(786)
Interest income				158
Profit before taxation				1,208
Taxation				(1,051)
Net profit for the period				157
Other comprehensive expense				100
Total comprehensive income for the period				257

Nine Months Ended 31 March 2018	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	171,092	80,010	-	251,102
Inter-segment sales	17,316	18,920	(36,236)	-
Total Revenue	188,408	98,930	(36,236)	251,102

RESULTS

Segment results				22,741
Unallocated corporate expenses				(935)
Finance cost				(2,612)
Interest income				462
Profit before taxation				19,656
Taxation				(4,989)
Net profit for the period				14,667
Other comprehensive expense				(324)
Total comprehensive income for the period				14,343



Notes on the quarterly report – 31 March 2019

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 was no capital commitment approved and contracted for during the period under review.

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

There were no material events subsequent to the end of the interim reporting period other than the corporate exercise as disclosed in Note B6.

A13. Changes in the composition of the Group

On 23 January 2019, Success Transformer Marketing Sdn Bhd (“**STM**”), a wholly-owned subsidiary of STC, had subscribed for 60 ordinary shares, representing 60% equity interest in A.B.U Hayat Lighting Sdn Bhd (“**AHL**”) for a total cash consideration of RM60 (“**Subscription**”). Upon completion of the subscription, AHL became 60% direct owned subsidiary of STM and indirect subsidiary of STC.

Other than the above, there were no other material changes in the composition of the Group for the current quarter ended 31 March 2019.

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.



Notes on the quarterly report – 31 March 2019

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

B1. Review of performance

Current quarter review

The Group recorded a revenue of RM79.82 million for the current quarter ended 31 March 2019 as compared to RM76.16 million in the previous year corresponding quarter, showing an increase of RM3.66 million or 4.81%. These was mainly due to increase in sales from transformer and lighting segment despite decrease in sales from process and equipment segment.

The higher sales recorded in transformer and lighting segment in the current quarter as compared to previous year corresponding quarter mainly due to increase in sales from overseas and local market.

The lower sales recorded in process equipment segment in the current quarter as compared to previous year corresponding quarter mainly due to lower order book secured.

Profit after tax (“PAT”) attributable to owners of the Company of RM0.72 million for the current quarter ended 31 March 2019 as compared to RM1.06 million in the previous year corresponding quarter, showing a decrease of RM0.34 million or 32.08%.

These decrease was mainly due to impairment loss of inventories, provision of non-recurring expenses, loss on foreign exchange and loss incurred from process equipment segment.

Nine months financial period review

The Group recorded a revenue of RM249.77 million for the financial period ended 31 March 2019 as compared to RM251.10 million in the previous year corresponding period, showing a decrease of RM1.33 million or -0.53%. These was mainly due to decrease in sales from process equipment segment despite increase in sales from transformer and lighting segment.

The lower sales recorded in process equipment segment in the financial period as compared to previous year corresponding period mainly due to lower order book secured.

The higher sales recorded in transformer and lighting segment in the financial period as compared to previous year corresponding period mainly due to increase in sales from local market.

PAT attributable to owners of the Company was RM12.32 million for the financial period ended 31 March 2019 as compared to RM14.03 million in the previous year corresponding period, showing a decrease of RM1.71 million or -12.19%.

The higher PAT attributable to owners of the Company in previous year was mainly due to reversal of allowance for impairment loss of trade receivables amounting to RM2.44 million under process equipment segment. On the other hand, for transformer and lighting segment, the PAT attributable to owners of the Company had slightly improved as compared to previous year corresponding quarter due to improvement of sales.

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



Notes on the quarterly report – 31 March 2019

B2. Variation of results against preceding quarter

The Group recorded a profit before tax (“PBT”) of RM1.97 million for the current quarter ended 31 March 2019 as compared to RM9.69 million in the preceding quarter ended 31 December 2018, showing a decrease of RM7.72 million or 79.67%.

This was mainly due to decrease in sales from both transformer and lighting segment and process equipment segment. Further, it also due to impairment loss of inventories, provision of non-recurring expenses, loss on foreign exchange and loss incurred from process equipment segment.

B3. Prospects

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

In the process equipment segment, the Group is anticipated that the prospects for the current financial year ending 2019 will continue to be challenging. Nevertheless, there is sign of improvement in market sentiments and incoming orders from client. Moving forward, the management shall ensure efficient project management and stringent on-going cost recalibration exercise to enable the Group to remain resilient in the increasingly challenging business environment.

Barring any unforeseen circumstances, the Group expects to achieve satisfactory financial performance in 2019.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense

	3rd Quarter Ended		9 Months Ended	
	31-Mar-2019	31-Mar-2018	31-Mar-2019	31-Mar-2018
	RM'000	RM'000	RM'000	RM'000
Income tax	1,350	1,703	6,802	5,579
Deferred tax	(239)	(652)	308	(590)
Total	<u>1,111</u>	<u>1,051</u>	<u>7,110</u>	<u>4,989</u>

The effective tax rate for the cumulative quarter is higher than the statutory tax rate mainly due to loss incurred in subsidiaries and adding back of non-allowable expenses.



Notes on the quarterly report – 31 March 2019

B6. Status of Corporate Proposals

Employees’ share option scheme

On 21 May 2018, the Company proposes to establish an employees’ share option scheme (“**ESOS**”) of up to 15% of the total number of issued shares of STC (excluding treasury shares) at any point in time during the duration of the ESOS for the eligible employees and executive directors of the Group (excluding dormant subsidiary companies) (“**Proposed ESOS**”).

The listing application in relation to the Proposed ESOS has been submitted to Bursa Securities on 22 May 2018 and approved on 28 May 2018.

The approval for the Proposed ESOS from the shareholders of the Company was obtained at the extraordinary general meeting on 2 July 2018.

On 16 November 2018, total of 7,102,200 ESOS options were offered to the eligible employees and an executive director of the Group at RM0.54 (after discounted of 9.85% on five (5) day volume weighted average market price of STC’s shares of RM0.599 immediately preceding the date of the offer). 95.33% of the options were accepted by eligible director and employees on 15 December 2018.

Details of the ESOS options granted to eligible director are disclosed as below:

Director	ESOS Options Offered (Unit)	ESOS Options Accepted (Unit)
Tan Wei Neng	232,700	232,700



Notes on the quarterly report – 31 March 2019

B7. Group Borrowings

The Group’s borrowings as at 31 March 2019 were as follows:

	Payable within 12 months	Payable after 12 Months
<u>Secured</u>	RM'000	RM'000
Bank Borrowings	28,098	15,405
Hire Purchase Payables	400	1,771
Bank Overdraft	2,007	-
Total Borrowings	<u>30,505</u>	<u>17,176</u>

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

	Amount RM'000
Malaysian Ringgit	42,772
United States Dollar	2,729
Singaporean Dollar	2,144
Indonesian Rupiah	36
Total Borrowings	<u>47,681</u>

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 was no dividend proposed during the current quarter ended 31 March 2019.



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

Notes on the quarterly report – 31 March 2019

B10. Earnings per share

(a) Basic

Basic earnings per share of the Group is 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 nine months' period ended 31 March 2019 are computed as follow: -

	3rd Quarter Ended		9 Months Ended	
	31-Mar	31-Mar	31-Mar	31-Mar
	2019	2018	2019	2018
Profit attributable to owners of the parent (RM'000)	716	1,059	12,315	14,025
Weighted average number of STC Shares in issue ('000)	234,128	242,621	234,985	242,621
Basic earning per STC Share (sen)	0.31	0.44	5.24	5.78

(b) Diluted

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

	3rd Quarter Ended		9 Months Ended	
	31-Mar	31-Mar	31-Mar	31-Mar
	2019	2018	2019	2018
Profit attributable to owners of the parent (RM'000)	716	1,059	12,315	14,025
Weighted average number of STC Shares in issue ('000)	234,128	242,621	234,985	242,621
Adjusted for unexercised Employee's Share Option Scheme ('000)	234,974	-	235,265	-
Diluted earning per STC Share (sen)	0.30	0.44	5.23	5.78



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

Notes on the quarterly report – 31 March 2019

B11. Notes to the Statement of Comprehensive Income / (Loss)

	3rd Quarter Ended		9 Months Ended	
	31-Mar 2019 RM'000	31-Mar 2018 RM'000	31-Mar 2019 RM'000	31-Mar 2018 RM'000
Other income /(loss)				
Interest income	289	158	700	462
Other income	171	482	1,300	1,796
Reversal of impairment losses on trade receivables	(25)	15	24	2,500
Reversal of inventories written down	-	-	33	2,117
Bad debts recover / (written off)	(115)	4	(86)	58
Depreciation	(2,184)	(2,625)	(8,214)	(7,640)
Gain/(Loss) on foreign currency exchange	(971)	(2,699)	250	(5,686)
Fair value adjustment - trade receivable	(454)	-	(454)	-
Gain/(Loss) on disposal of property, plant and equipment	(9)	(9)	684	(16)
Impairment loss of inventories	(1,063)	-	(1,063)	-
Impairment loss of trade receivables	-	-	-	(43)
Interest expense	(726)	(786)	(2,442)	(2,612)
Loss in disposal of associate company	(243)	-	(243)	-
Property, plant and equipment written off	(26)	-	(51)	-
Provision for warranty cost	(416)	-	(416)	-
Fair value of ESOS option	(353)	-	(353)	-

The Group does not have the following items for the respective period:

- a) Gain or loss on derivatives

By order of the Board

Tan Ah Bah @ Tan Ah Ping
Managing Director
29 May 2019