



SUCCESS TRANSFORMER CORPORATION BERHAD ("STC")
(200301034518) (636939-W)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Current	Comparative	Cumulative 6 months	
	Quarter 31-Dec-19 RM'000	Quarter 31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
Revenue	64,714	88,757	138,366	169,950
Operating profit	3,465	10,333	18,912	20,598
Interest expense	(136)	(820)	(694)	(1,716)
Interest income	348	175	596	411
Profit before taxation	3,677	9,688	18,814	19,293
Taxation	(1,389)	(2,511)	(4,021)	(5,999)
Net Profit / (Loss) after taxation				
- From continuing operations	2,288	7,377	15,185	13,341
- From discontinued operations	-	(200)	(392)	(47)
Profit for the period	2,288	7,177	14,793	13,294
Profit / (Loss) attributable to :				
Owners of the Company				
- From continuing operations	1,673	6,109	13,213	11,607
- From discontinued operations	-	(127)	(229)	(8)
	1,673	5,982	12,984	11,599
Non-controlling interests				
- From continuing operations	615	1,268	1,646	1,656
- From discontinued operations	-	(73)	163	39
	615	1,195	1,809	1,695
	2,288	7,177	14,793	13,294
Earnings per share (sen) :				
Basic	0.71	2.54	5.53	4.91
- From continuing operations	0.71	2.59	5.63	4.91
- From discontinued operations	-	(0.05)	(0.10)	-
Diluted	0.70	N/A	5.47	N/A
- From continuing operations	0.70	N/A	5.57	N/A
- From discontinued operations	-	N/A	(0.10)	N/A

The unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2019 with the accompanying explanatory notes attached to these interim financial statements.



SUCCESS TRANSFORMER CORPORATION BERHAD ("STC")
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Current Quarter 31-Dec-19 RM'000	Comparative Quarter 31-Dec-18 RM'000	Cumulative 6 months	
			31-Dec-19 RM'000	31-Dec-18 RM'000
Profit / (Loss) for the period	2,288	7,177	14,793	13,294
Other comprehensive expense				
Currency translation differences for foreign operations	(337)	(287)	(1,199)	(911)
Total comprehensive income for the period	<u>1,951</u>	<u>6,890</u>	<u>13,594</u>	<u>12,383</u>
Total comprehensive income / (loss) attributable to :				
Owners of the Company				
- From continuing operations	1,299	6,078	12,481	11,186
- From discontinued operations	-	(127)	(229)	(8)
	<u>1,299</u>	<u>5,951</u>	<u>12,252</u>	<u>11,178</u>
Non-controlling interests				
- From continuing operations	652	866	1,179	1,166
- From discontinued operations	-	73	163	39
	<u>652</u>	<u>939</u>	<u>1,342</u>	<u>1,205</u>
Total comprehensive income for the period	<u>1,951</u>	<u>6,890</u>	<u>13,594</u>	<u>12,383</u>

The unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2019 with the accompanying explanatory notes attached to these interim financial statements.



SUCCESS TRANSFORMER CORPORATION BERHAD ("STC")
(200301034518) (636939-W)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	As at 31.12.2019 Unaudited RM'000	As at 30.06.2019 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	76,866	111,928
Investment properties	30,134	46,422
Right-of-use assets	355	-
Investment in associate company	394	403
Goodwill on consolidation	-	6,921
Amount due from a related party	2,693	2,693
Deferred tax assets	347	348
TOTAL NON-CURRENT ASSETS	110,789	168,715
Current assets		
Inventories	95,683	116,713
Trade receivables	65,518	72,001
Other receivables, deposits and prepayments	12,121	12,772
Contract assets	-	9,725
Amount due from associates	860	1,330
Tax recoverable	6,964	12,696
Short term investment	32,157	15,224
Cash and bank balances	51,965	39,147
TOTAL CURRENT ASSETS	265,268	279,608
TOTAL ASSETS	376,057	448,323
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	71,861	71,515
Treasury shares	(9,880)	(9,880)
Reserves	257,726	259,141
	319,707	320,776
NON-CONTROLLING INTERESTS	23,376	28,227
TOTAL EQUITY	343,083	349,003
LIABILITIES		
Non-Current liabilities		
Lease liabilities	248	-
Long term borrowings	1,716	14,810
Deferred tax liabilities	1,586	1,281
TOTAL NON-CURRENT LIABILITIES	3,550	16,091
Current liabilities		
Trade payables	13,048	33,969
Other payables and accruals	14,645	21,529
Lease liabilities	112	-
Short term borrowings	1,011	27,129
Current tax payable	608	602
TOTAL CURRENT LIABILITIES	29,424	83,229
TOTAL LIABILITIES	32,974	99,320
TOTAL EQUITY AND LIABILITIES	376,057	448,323
Net assets per share attributable to owners of the parent (RM) *	1.36	1.37

* Non-controlling interests are excluded from the computation of the net assets per shares

The unaudited Condensed Consolidation Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2019 with the accompanying explanatory notes attached to these interim financial statements.



SUCCESS TRANSFORMER CORPORATION BERHAD ("STC")
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Current Year - To - date 31-Dec-19 RM'000	Preceding Year Corresponding Year 31-Dec-18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation		
From continuing operations	19,206	19,317
From discontinued operations	(392)	(24)
	<u>18,814</u>	<u>19,293</u>
Adjustments for:		
Non-cash items	5,453	3,594
Non-operating items	(6,075)	615
	<u>18,192</u>	<u>23,502</u>
Operating profit before changes in working capital		
Changes in working capital:		
Inventories	11,711	(2,253)
Trade and other receivables	(2,640)	7,805
Trade and other payables	(6,679)	(4,059)
	<u>20,584</u>	<u>24,995</u>
Cash generated from operating activities		
Tax paid	(5,914)	(7,220)
Tax refund	7,954	176.00
Interest paid	(694)	(1,716)
Interest received	596	411
	<u>22,526</u>	<u>16,646</u>
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,663)	(2,982)
Proceeds from disposal of property, plant and equipment	240	1,254
Increase of investment in subsidiary	(388)	(392)
Net cash inflow from disposal of subsidiary company	27,090	-
	<u>24,279</u>	<u>(2,120)</u>
Net cash generated from / (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movement in fixed deposit pledged	109	(2)
Repayment of lease liabilities	(96)	-
Repayment of bank borrowings and hire purchase payables	(6,086)	(2,698)
Net movement in trade bills	(1,396)	(1,793)
Drawdown from bank borrowings	4,000	2,001
Proceeds from issuance of new shares	305	-
Purchase of treasury shares	-	(1,515)
Dividend paid by the Company	(13,390)	-
Dividend paid by subsidiary to non-controlling interests	-	(1,443)
	<u>(16,554)</u>	<u>(5,450)</u>
Net cash used in financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	30,251	9,076
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR	54,246	47,162
EFFECTS ON EXCHANGE RATES FLUCTUATIONS ON CASH HELD	(391)	528
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>84,106</u></u>	<u><u>56,766</u></u>

The unaudited Condensed Consolidation Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2019 with the accompanying explanatory notes attached to these interim financial statements.



SUCCESS TRANSFORMER CORPORATION BERHAD ("STC")
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Current Year - To - date 31-Dec-19 RM'000	Preceding Year Corresponding Year 31-Dec-18 RM'000
Cash and cash equivalents at end of the period comprises:		
Cash & bank Balances	51,948	34,134
Deposits with licensed banks	17	129
	<hr/>	<hr/>
	51,965	34,263
Less: Bank Overdraft	-	(2,668)
	<hr/>	<hr/>
	51,965	31,595
Add : Short term investment	32,157	25,295
Less : Non-cash & cash equivalent		
-Fixed deposit pledge for banking facilities	(16)	(124)
	<hr/>	<hr/>
	84,106	56,766

Disposal of subsidiary company

The disposal had the following effect on the financial position of the Group:

	RM'000
Property, Plant and Equipment	32,489
Investment in property	16,163
Inventories	10,901
Receivables	18,227
Cash & bank balances	557
Bank overdraft	(1,877)
Loans and borrowings	(35,909)
Payables	(21,050)
Net assets	<hr/> 19,501
Non-Controlling Interest	(6,742)
Share of net assets disposed as at 31/08/2019	<hr/> 12,759
Goodwill	6,921
Carrying amount of net assets/(liab) disposed	<hr/> 19,680
Gain on disposal	6,090
Disposal proceed	<hr/> 25,770
Less : Cash and bank balances	(557)
Less : Bank overdraft	1,877
Net cash inflow from disposal of subsidiary	<hr/> <hr/> 27,090

The unaudited Condensed Consolidation Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2019 with the accompanying explanatory notes attached to these interim financial statements.



SUCCESS TRANSFORMER CORPORATION BERHAD ("STC")
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Attributable to Owners of the Parent						Retained earnings	Total	Non - controlling interests	Total equity
	Non-distributable			Distributable						
	Share capital	Share premium	Treasury shares	Employees Share option reserve	Foreign currency translation reserve	Capital reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current period-to-date ended 31 December 2019										
As at 1 July 2019	71,515	-	(9,880)	457	2,926	7,790	247,968	320,776	28,227	349,003
Profit for the year	-	-	-	-	-	-	12,984	12,984	1,809	14,793
Other comprehensive income										
- Foreign currency translation differences	-	-	-	-	(732)	-	-	(732)	(467)	(1,199)
Total comprehensive income for the period	-	-	-	-	(732)	-	12,984	12,252	1,342	13,594
Contributions by and distributions to owners of the Company :										
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(6,742)	(6,742)
Employees' share option granted	-	-	-	278	-	-	-	278	-	278
Employees' share option exercised	346	-	-	(41)	-	-	-	305	-	305
Dividend paid by the Company	-	-	-	-	-	-	(13,390)	(13,390)	-	(13,390)
Changes in ownership interest in subsidiary that do not result in a loss of control	-	-	-	-	-	-	(514)	(514)	549	35
Total transactions with owners of the Company	346	-	-	237	-	-	(13,904)	(13,321)	(6,193)	(19,514)
At 31 December 2019	71,861	-	(9,880)	694	2,194	7,790	247,048	319,707	23,376	343,083



SUCCESS TRANSFORMER CORPORATION BERHAD ("STC")
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Attributable to Owners of the Parent						Retained earnings	Total	Non - controlling interests	Total equity
	Non-distributable			Distributable						
	Share capital	Share premium	Treasury shares	Share option reserve	Foreign currency translation reserve	Capital reserve				
	RM'000	RM'000	RM'000	RM'001	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 31 December 2018										
At 1 July 2018	69,966	1,268	(8,198)	-	3,176	7,790	236,395	310,397	28,701	339,098
Effects of adoption of MFRS 15	-	-	-	-	-	-	(808)	(808)	-	(808)
As at 1 July 2018	69,966	1,268	(8,198)	-	3,176	7,790	235,587	309,589	28,701	338,290
Profit for the period	-	-	-	-	-	-	11,599	11,599	1,695	13,294
Other comprehensive income										
- Foreign currency translation differences	-	-	-	-	(421)	-	-	(421)	(490)	(911)
Total comprehensive income for the period	-	-	-	-	(421)	-	11,599	11,178	1,205	12,383
Contributions by and distributions to owners of the Company :										
Dividend paid										
- by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(1,443)	(1,443)
Effects of adoption of MFRS 15	-	-	-	-	-	-	808	808	-	808
Purchase of treasury shares	-	-	(1,515)	-	-	-	-	(1,515)	-	(1,515)
Changes in ownership interest in subsidiary that do not result in a loss of control	-	-	-	-	-	-	(809)	(809)	417	(392)
Total transactions with owners of the Company	-	-	(1,515)	-	-	-	(1)	(1,516)	417	(1,099)
At 31 December 2018	69,966	1,268	(9,713)	-	2,755	7,790	247,185	319,251	28,880	348,131

The unaudited Condensed Consolidation Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2019 with the accompanying explanatory notes attached to these interim financial statements.



SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)
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Notes on the quarterly report – 31 December 2019

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

A1. Basis of Preparation

These condensed consolidated financial statements, for the period ended 31 December 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 STC and its subsidiaries (“Group”) audited financial statements for the year ended 30 June 2019.

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 2019, except for the adoption of the following new MFRS, amendments to MFRSs and IC interpretation that are effective for annual period beginning on or after 1 January 2019 as follow:

MFRSs, Amendments to MFRSs and Interpretations Committee (“IC”) Interpretation

MFRS 16	Lease
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015- 2017 Cycles	

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.

MFRS 16

MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in profit or loss.

The Group has adopted MFRS 16 using the modified retrospective approach which measured the right-of-use assets equals to the lease liabilities at 1 July 2019 with no restatement of comparative information.



**SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)
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Notes on the quarterly report – 31 December 2019

The Group has not applied in advance the following accounting standards (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 (including the Consequential Amendments)

<u>Standard issued but not effective</u>	Effective date
MFRS 17 : Insurance Contracts	1 January 2021
Amendments to MFRS 3 : Definition of a Business	1 January 2020
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 101 : Definition of Material and MFRS 108	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The above-mentioned accounting standards and interpretations (including the consequential amendments) is expected to have no material impact on the Group’s financial statements upon their initial application.



**SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)
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Notes on the quarterly report – 31 December 2019

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the FYE 30 June 2019 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 December 2019.

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 December 2019, save as disclosed in Note A15.

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 financial period under review.

a) Share Buy Back

As at 31 December 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 249,519,200 STC shares.

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

During the FPE 31 December 2019, a total number of 564,200 ordinary shares were issued under the Company’s ESOS, increasing the issued ordinary shares of the Company to 249,519,200 ordinary shares as at 31 December 2019.



**SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)
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Notes on the quarterly report – 31 December 2019

A8. Dividend Paid

During the FPE 31 December 2019, a special tax-exempt single-tier dividend of RM0.035 per ordinary share on 234,904,146 ordinary shares for the financial year ending 30 June 2020 amounting to RM8,221,645 was declared on 12 September 2019 and paid on 7 October 2019 to the shareholders whose name appeared in Company’s record of depository on 30 September 2019.

On 13 September 2019, the Company declared an interim tax-exempt single-tier dividend of RM0.022 per ordinary shares on 234,904,146 ordinary shares in respect of the financial year ending 30 June 2020 amounting to RM5,167,890 and paid on 7 October 2019 to shareholders whose names appeared in Company’s record of depositors on 30 September 2019.

The total dividend declared and paid during the financial year ending 30 June 2020 is RM13,389,535.

In the previous year corresponding FPE 31 December 2018, 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 amounting to RM2,351,671.46 was declared on 27 November 2018 and paid on 16 January 2019 to the shareholders whose name appeared in Company’s record of depository on 20 December 2018.



**SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)
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Notes on the quarterly report – 31 December 2019

A9. Segment Information

Business Segments Revenue & Results

Quarter Ended 31 December 2019	Transformer, lighting and related RM’000	Process equipment RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	64,714	-	-	64,714
Inter-segment sales	-	-	-	-
Total Revenue	64,714	-	-	64,714
RESULTS				
Segment results				3,994
Unallocated corporate expenses				(529)
Finance cost				(136)
Interest income				348
Profit before taxation				3,677
Taxation				(1,389)
Net profit for the period				
- From continuing operations				2,288
- From discontinued operations				-
Profit for the period				2,288
Profit attributable to :				
Owners of the Company				
- From continuing operations				1,673
- From discontinued operations				-
				1,673
Non-controlling interests				
- From continuing operations				615
- From discontinued operations				-
				615
				2,288
Comprehensive income / (loss) for the period :				
Profit for the period				2,288
Other comprehensive expense				(337)
Total comprehensive income for the period				1,951
Total comprehensive income attributable to :				
Owners of the Company				
- From continuing operations				1,299
- From discontinued operations				-
				1,299
Non-controlling interests				
- From continuing operations				652
- From discontinued operations				-
				652
Total comprehensive income for the period				1,951



**SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)
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Notes on the quarterly report – 31 December 2019

Six Months Ended 31 December 2019	Transformer, lighting and related RM’000	Process equipment RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	131,308	7,058	-	138,366
Inter-segment sales	-	-	-	-
Total Revenue	131,308	7,058	-	138,366
RESULTS				
Segment results				20,050
Unallocated corporate expenses				(1,138)
Finance cost				(694)
Interest income				596
Profit before taxation				18,814
Taxation				(4,021)
Net profit/(loss) for the period				
- From continuing operations				15,185
- From discontinued operations				(392)
Profit for the period				14,793
Profit / (Loss) attributable to :				
Owners of the Company				
- From continuing operations				13,213
- From discontinued operations				(229)
				12,984
Non-controlling interests				
- From continuing operations				1,646
- From discontinued operations				163
				1,809
				14,793
Comprehensive income/(loss) for the period :				
Profit for the period				14,793
Other comprehensive expense				(1,199)
Total comprehensive income for the period				13,594
Total comprehensive income / (loss) attributable to :				
Owners of the Company				
- From continuing operations				12,481
- From discontinued operations				(229)
				12,252
Non-controlling interests				
- From continuing operations				1,179
- From discontinued operations				163
				1,342
Total comprehensive income for the period				13,594



**SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)
(200301034518) (636939-W)**

Notes on the quarterly report – 31 December 2019

Quarter Ended 31 December 2018	Transformer, lighting and related products RM’000	Process equipment RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	72,549	16,208	-	88,757
Inter-segment sales	286	-	(286)	-
Total Revenue	72,835	16,208	(286)	88,757
RESULTS				
Segment results				10,529
Unallocated corporate expenses				(196)
Finance cost				(820)
Interest income				175
Profit before taxation				9,688
Taxation				(2,511)
Net profit / (loss) for the period				7,177
- From continuing operations				7,377
- From discontinued operations				(200)
Profit for the period				7,177
Profit / (Loss) attributable to :				
Owners of the Company				
- From continuing operations				6,109
- From discontinued operations				(127)
				5,982
Non-controlling interests				
- From continuing operations				1,268
- From discontinued operations				(73)
				1,195
				7,177
Comprehensive income / (loss) for the period :				
Profit for the period				7,177
Other comprehensive expense				(287)
Total comprehensive income for the period				6,890
Total comprehensive income / (loss) attributable to :				
Owners of the Company				
- From continuing operations				6,078
- From discontinued operations				(127)
				5,951
Non-controlling interests				
- From continuing operations				866
- From discontinued operations				73
				939
Total comprehensive income for the period				6,890



**SUCCESS TRANSFORMER CORPORATION BERHAD (“STC”)
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Notes on the quarterly report – 31 December 2019

Six Months Ended 31 December 2018	Transformer, lighting and related products RM’000	Process equipment RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	137,283	32,667	-	169,950
Inter-segment sales	288	-	(288)	-
Total Revenue	137,571	32,667	(288)	169,950
RESULTS				
Segment results				20,977
Unallocated corporate expenses				(379)
Finance cost				(1,716)
Interest income				411
Profit before taxation				19,293
Taxation				(5,999)
Net profit / (loss) for the period				13,341
- From continuing operations				13,341
- From discontinued operations				(47)
Profit for the period				13,294
Profit / (Loss) attributable to :				
Owners of the Company				
- From continuing operations				11,607
- From discontinued operations				(8)
				11,599
Non-controlling interests				
- From continuing operations				1,656
- From discontinued operations				39
				1,695
				13,294
Comprehensive income / (loss) for the period :				
Profit for the period				13,294
Other comprehensive expense				(911)
Total comprehensive income for the period				12,383
Total comprehensive income / (loss) attributable to :				
Owners of the Company				
- From continuing operations				11,186
- From discontinued operations				(8)
				11,178
Non-controlling interests				
- From continuing operations				1,166
- From discontinued operations				39
				1,205
Total comprehensive income for the period				12,383



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A9. Segment Information - (Cont’d)

Geographical Segments Revenue & Results

Quarter Ended 31 December 2019	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	33,385	31,329	-	64,714
Inter-segment sales	-	2,267	(2,267)	-
Total Revenue	33,385	33,596	(2,267)	64,714
RESULTS				
Segment results				3,994
Unallocated corporate expenses				(529)
Finance cost				(136)
Interest income				348
Profit before taxation				3,677
Taxation				(1,389)
Net profit for the period				
- From continuing operations				2,288
- From discontinued operations				-
Profit for the period				2,288
Profit attributable to :				
Owners of the Company				
- From continuing operations				1,673
- From discontinued operations				-
				1,673
Non-controlling interests				
- From continuing operations				615
- From discontinued operations				-
				615
				2,288
Comprehensive income / (loss) for the period :				
Profit for the period				2,288
Other comprehensive expense				(337)
Total comprehensive income for the period				1,951
Total comprehensive income attributable to :				
Owners of the Company				
- From continuing operations				1,299
- From discontinued operations				-
				1,299
Non-controlling interests				
- From continuing operations				652
- From discontinued operations				-
				652
Total comprehensive income for the period				1,951



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Six Months Ended 31 December 2019	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE				
External Sales	73,937	64,429	-	138,366
Inter-segment sales	-	8,250	(8,250)	-
Total Revenue	73,937	72,679	(8,250)	138,366
RESULTS				
Segment results				20,050
Unallocated corporate expenses				(1,138)
Finance cost				(694)
Interest income				596
Profit before taxation				18,814
Taxation				(4,021)
Net profit /(loss) for the period				
- From continuing operations				15,185
- From discontinued operations				(392)
Profit for the period				14,793
Profit / (Loss) attributable to :				
Owners of the Company				
- From continuing operations				13,213
- From discontinued operations				(229)
				12,984
Non-controlling interests				
- From continuing operations				1,646
- From discontinued operations				163
				1,809
				14,793
Comprehensive income / (loss) for the period :				
Profit for the period				14,793
Other comprehensive expense				(1,199)
Total comprehensive income for the period				13,594
Total comprehensive income / (loss) attributable to :				
Owners of the Company				
- From continuing operations				12,481
- From discontinued operations				(229)
				12,252
Non-controlling interests				
- From continuing operations				1,179
- From discontinued operations				163
				1,342
Total comprehensive income for the period				13,594



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Quarter Ended 31 December 2018	Malaysia	Overseas	Eliminations	Consolidated
	RM’000	RM’000	RM’000	RM’000
REVENUE				
External Sales	57,732	31,025	-	88,757
Inter-segment sales	6,470	6,677	(13,147)	-
Total Revenue	64,202	37,702	(13,147)	88,757
RESULTS				
Segment results				10,529
Unallocated corporate expenses				(196)
Finance cost				(820)
Interest income				175
Profit before taxation				9,688
Taxation				(2,511)
Net profit / (loss) for the period				
- From continuing operations				7,377
- From discontinued operations				(200)
Profit for the period				7,177
Profit / (Loss) attributable to :				
Owners of the Company				
- From continuing operations				6,109
- From discontinued operations				(127)
				5,982
Non-controlling interests				
- From continuing operations				1,268
- From discontinued operations				(73)
				1,195
				7,177
Comprehensive income / (loss) for the period :				
Profit for the period				7,177
Other comprehensive expense				(287)
Total comprehensive income for the period				6,890
Total comprehensive income / (loss) attributable to :				
Owners of the Company				
- From continuing operations				6,078
- From discontinued operations				(127)
				5,951
Non-controlling interests				
- From continuing operations				866
- From discontinued operations				73
				939
Total comprehensive income for the period				6,890



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Six Months Ended 31 December 2018	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	115,624	54,326	-	169,950
Inter-segment sales	11,973	16,363	(28,336)	-
Total Revenue	127,597	70,689	(28,336)	169,950
RESULTS				
Segment results				20,977
Unallocated corporate expenses				(379)
Finance cost				(1,716)
Interest income				411
Profit before taxation				<u>19,293</u>
Taxation				<u>(5,999)</u>
Net profit / (loss) for the period				<u>13,341</u>
- From continuing operations				13,341
- From discontinued operations				<u>(8)</u>
Profit for the period				<u><u>13,294</u></u>
Profit / (Loss) attributable to :				
Owners of the Company				
- From continuing operations				11,607
- From discontinued operations				<u>(8)</u>
				11,599
Non-controlling interests				
- From continuing operations				1,656
- From discontinued operations				<u>39</u>
				1,695
				<u><u>13,294</u></u>
Comprehensive profit / (loss) for the period :				
Profit for the period				13,294
Other comprehensive expense				<u>(911)</u>
Total comprehensive loss for the period				<u><u>12,383</u></u>
Total comprehensive income / (loss) attributable to :				
Owners of the Company				
- From continuing operations				11,186
- From discontinued operations				<u>(8)</u>
				11,178
Non-controlling interests				
- From continuing operations				1,166
- From discontinued operations				<u>39</u>
				1,205
Total comprehensive income for the period				<u><u>12,383</u></u>



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A10. Valuation of Property, Plant & Equipment

There was no revaluation of property plant and equipment. All property, plant and equipment was stated at cost less accumulated depreciation.

A11. Capital Commitments

There was no capital commitment approved and contracted for as at 31 December 2019.

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

Save as below, there were no material events subsequent to the FPE 31 December 2019.

In relation to the Disposal as disclosed in Note A13(b) below, STC has via its letter dated 9 January 2020, agreed to grant an extension of time for the Purchaser to fulfil the unfulfilled post completion obligation pursuant to Clause 5.5 of the Sale and Purchase Agreement (“SPA”) (“**Unfulfilled Post Completion Obligation**”).

STC has agreed to grant an extension of time from 10 January 2020 to 28 February 2020 for the Purchaser to fulfil the Unfulfilled Post Completion Obligation, subject to the conditions as stipulated in the announcement of STC dated 9 January 2020 as follows:

- (i) the Purchaser continues to indemnify STC against any claims in relation to the guarantees from the Posting Date (i.e. 24 September 2019) until such guarantees are fully discharged; and
- (ii) the Purchaser releases the remainder of the Retained Sum referred to in Clause 5.2.2 of the SPA of RM4,407,361.53 earlier to STC, by 15 January 2020 instead of 2 March 2020 (being 6 months from the Completion Date of 3 September 2019).

A13. Changes in the composition of the Group

Save as disclosed below, there were no material changes in the composition of the Group during the FPE 31 December 2019.

- a) On 31 July 2019, STC acquired an additional 46% equity interest in PT Boxon Nikkon from its subsidiary, Boxon Industries Hardware (M) Sdn. Bhd. for a total cash consideration of RM387,777. Following the completion of the acquisition on 31 July 2019, BNJ became 96% direct owned subsidiary.
- b) On 3 September 2019, STC had entered into a sale and purchase agreement with MIE Industrial Sdn Bhd (“**Purchaser**”) in relation to the disposal of 52,000,000 ordinary shares in Seremban Engineering Berhad (“**SEB**”), representing approximately 65% of the entire equity interest in SEB, a subsidiary company of STC for a total cash consideration of RM26 million. This transaction was completed on 3 September 2019 and SEB has ceased to be a subsidiary company of STC with effect from 3 September 2019 (“**Disposal**”).



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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.

A15. Discontinued operation

As mentioned in Note A13(b) above, SEB has ceased to be a subsidiary company of STC with effect from 3 September 2019 and hence, it had been classified as “Discontinued operations” in the Statement of Profit or Loss and Other Comprehensive Income.

The revenue and results of the Discontinued operations during current quarter and FPE 31 December 2019 under review are as follow:

	3 months ended		6 months period ended	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Revenue	-	16,208	7,058	32,667
Other income	-	324	94	725
Operating expenses	-	(2,616)	(1,465)	(5,241)
Operating (loss) / profit before tax	-	(227)	(392)	(130)
Taxation	-	(23)	-	(23)
Net (loss) / profit after tax	-	(250)	(392)	(153)
Cash flow (used in) / from discontinued operations				
Operating activities	-	6,596	(4,251)	2,606
Investing activities	-	(11)	-	(367)
Financing activities	-	(2,880)	1,091	1,453
Net cash flows	-	3,705	(3,160)	3,692



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

B1. Review of performance

	<u>3 Months Period Ended</u>		<u>Changes</u>	<u>6 Months Period Ended</u>		<u>Changes</u>
	<u>31-Dec-19</u>	<u>31-Dec-18</u>	<u>(%)</u>	<u>31-Dec-19</u>	<u>31-Dec-18</u>	<u>(%)</u>
	<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>	
Revenue	64,714	88,757	-27%	138,366	169,950	-19%
Profit before tax	3,677	9,688	-62%	18,814	19,293	-2%
Taxation	(1,389)	(2,511)	-45%	(4,021)	(5,999)	-33%
Net profit after tax	2,288	7,177	-68%	14,793	13,294	11%
- From continuing operations	2,288	7,377	-69%	15,185	13,341	14%
- From discontinued operations	-	(200)	-100%	(392)	(47)	734%
Profit / (Loss) attributable to Owners of the Company :	1,673	5,982	-72%	12,984	11,599	12%
- From continuing operations	1,673	6,109	-73%	13,213	11,607	14%
- From discontinued operations	-	(127)	-100%	(229)	(8)	2763%

Current quarter review

The Group recorded a revenue of RM64.71 million for the current quarter ended 31 December 2019 as compared to RM88.76 million in the previous year corresponding quarter, showing a decrease of RM24.05 million or approximately 27%. The decrease of revenue was mainly due to the Discontinued operation of the process equipment segment as a result of the Disposal, as well as lower sales recorded in the transformer and lighting segment for the current quarter ended 31 December 2019 as compared to previous year corresponding quarter due to decrease sales in overseas market.

Profit after tax (“PAT”) attributable to owners of the Company from continuing operations of RM1.67 million for the current quarter ended 31 December 2019 as compared to RM6.11 million in the previous year corresponding quarter, showing a decrease of RM4.44 million or approximately -73%. This mainly due to decrease sales in transformer and lighting segment. Furthermore, lower gross profit margin, increase in selling and distribution expenses as well as administrative expenses resulted in the decrease in PAT attributable to owners of the Company for current quarter.

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.

Six months’ financial period review

The Group recorded a revenue of RM138.37 million for the FPE 31 December 2019 as compared to RM169.95 million in the previous year corresponding financial period, showing a decrease of RM31.58 million or approximately 19%. These was mainly due to the Discontinued operation of the process equipment segment as a result of the Disposal and lower sales recorded in transformer and lighting segment.

The lower sales recorded in transformer and lighting segment for the FPE 31 December 2019 as compared to previous year corresponding financial period was due to decrease in sales from both overseas and local market.



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PAT attributable to owners of the Company from continuing operations of RM13.21 million for the FPE 31 December 2019 as compared to RM11.61 million in the previous year corresponding financial period, showing an increase of RM1.60 million or approximately 14%. This was mainly due to one-off gain on the Disposal amounting to RM6.09 million.

However, before gain on Disposal, PAT attributable to owners of the Company was decrease as compared to previous year corresponding financial period. This mainly due to the decrease in sales from transformer and lighting segment and gross profit margin.

Further, the lower PAT attributable to owners of the Company also due to loss on foreign exchange in current financial period as compared to gain on foreign exchange in previous year corresponding financial period.

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 and year ended under review.

B2. Variation of results against preceding quarter

	Current Quarter 31-Dec-19 RM'000	Preceding Quarter 30-Sep-19 RM'000	Changes (%)
Revenue	64,714	73,652	(12)
Profit before tax	3,677	15,137	(76)
Taxation	(1,389)	(2,632)	(47)
Net profit after tax	2,288	12,505	(82)
- From continuing operations	2,288	12,897	(82)
- From discontinued operations	-	(392)	(100)
Profit / (Loss) attributable to Owners of the Company :			
	1,673	11,311	(85)
- From continuing operations	1,673	11,540	(86)
- From discontinued operations	-	(229)	(100)

The Group recorded a revenue of RM64.71 million for the current quarter ended 31 December 2019 as compared to RM73.65 million in the preceding quarter, showing a decrease of RM8.94 million or approximately 12%. The decrease of revenue was mainly due to the Discontinued operation of the process equipment segment as a result of the Disposal, as well as lower sales recorded in the transformer and lighting segment for the current quarter ended 31 December 2019 as compared to preceding quarter due to decrease sales in overseas market.



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PAT attributable to owners of the Company from continuing operations of RM1.67 million for the current quarter ended 31 December 2019 as compared to RM11.54 million in the preceding quarter, showing a decrease of RM9.87 million or approximately -86%. This was mainly due to one-off gain on the Disposal amounting to RM6.09 million in preceding quarter and lower sales recorded in transformer and lighting segment in current quarter.

Furthermore, lower gross profit margin, increase in selling and distribution expenses as well as administrative expenses resulted in the decrease in PAT attributable to owners of the Company for current quarter.

B3. Prospects

The Group expects stiff competition in the domestic and regional market and slow growth in the global economy due to the on-going COVID-19 outbreak. 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, locally and overseas. The Group will also step up on its effort to enhance its competitive and productivity in its operations.

Barring any unforeseen circumstances, the Group expects to achieve satisfactory financial performance in the financial year ending 30 June 2020.

B4. Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued by the Group as at 31 December 2019.

B5. Tax Expense

	3 Months Ended		6 Months Ended	
	31-Dec-2019	31-Dec-2018	31-Dec-2019	31-Dec-2018
	RM'000	RM'000	RM'000	RM'000
Income tax	1,404	2,429	3,716	5,452
Deferred tax	(15)	82	305	547
Total	<u>1,389</u>	<u>2,511</u>	<u>4,021</u>	<u>5,999</u>

The effective tax rate for the current quarter is higher than the statutory tax rate was mainly due to loss incurred in subsidiaries. While, the effective tax rate for the cumulative quarter is lower than statutory tax rate was mainly due to gain on disposal of SEB amounting to RM6.09 million which is not subject to tax.



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B6. Status of Corporate Proposals

Save as disclosed below, 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.

a) Utilisation of Proceeds from Corporate Proposals

(i) The status of utilisation of proceeds arising from the Disposal as disclosed in Note A13(b) as at 21 February 2020 is set out below:

	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Variation for utilisation of proceeds (RM'000)	Balance (RM'000)	Expected timeframe for the utilisation from the date of receipt
Working capital					
Purchase of raw materials	8,000	(8,000)	-	-	Within 12 months
Payment of payroll	1,000	(1,000)	-	-	
Selling and distribution expenses	1,000	(1,000)	-	-	
Other administrative expenses	1,000	(991)	*(9)	-	
Future potential investment(s) / acquisition(s)	14,800	-	-	14,800	Within 12 months
Defray estimated expenses relating to the Disposal	200	(209)	9	-	Within 6 months
Total	26,000	11,200	-	14,800	

Note:

* The actual amount of the expenses relating to the Disposal were higher than the estimated expenses. Hence, the variation in the amount of estimated expenses had been adjusted against the amount proposed for other administrative expenses under the working capital.



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b) 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.

The fair value of the share options granted to eligible employees and directors was determined using Black-Scholes Option Pricing model, after taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at the grant date and the input assumed by the Company in arising the fair value are as follows:

Weighted average share price (RM)	0.59
Weighted average exercise price (RM)	0.54
Expected volatility (%)	58.00
Expected life (years)	1.11
Risk-free Interest rate (%)	3.77
Expected dividend yield (%)	2.60

During the financial year ending 30 June 2020, total numbers of 647,700 shares options were exercised as at 21 February 2020.

ESOS options granted to eligible director is disclosed as below:

Director	ESOS Options Offered (Units)	Exercised during the period (Units)	Outstanding (Units) As at 21 February 2020
Tan Wei Neng	232,700	69,800	162,900



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B7. Group Borrowings

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

	Payable within 12 months RM'000	Payable after 12 Months RM'000
<u>Secured</u>		
Bank Borrowings	672	1,470
Hire Purchase Payables	339	246
Total Borrowings	<u>1,011</u>	<u>1,716</u>

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

	Amount RM'000
Malaysian Ringgit	800
Singaporean Dollar	1,903
Indonesian Rupiah	24
Total Borrowings	<u>2,727</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 Dividend

There was no dividend proposed or declared during the current quarter under review.



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B10. Earnings per share

(a) Basic

Basic earnings per share of the Group is calculated by dividing profit / (loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and FPE 31 December 2019 are computed as follow: -

	3 Months Ended		6 Months Ended	
	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Profit / (Loss) attributable to Owners of the Company (RM'000)				
- From continuing operations	1,673	6,109	13,213	11,607
- From discontinued operations	-	(127)	(229)	(8)
	<u>1,673</u>	<u>5,982</u>	<u>12,984</u>	<u>11,599</u>
Weighted average number of STC Shares in issue ('000)	234,892	236,293	234,892	236,293
Basic earning per STC Share (sen)				
- From continuing operations	0.71	2.59	5.63	4.91
- From discontinued operations	-	(0.05)	(0.10)	-
	<u>0.71</u>	<u>2.54</u>	<u>5.53</u>	<u>4.91</u>



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(b) Diluted

Pursuant to the requirements of MFRS 133 Earnings per Share, the weighted average number of ordinary shares used in the calculation of basic and diluted EPS for the current quarters and FPE 31 December 2019 have been retrospectively adjusted to reflect the unexercised ESOS as disclosed in Note B6(b).

	3 Months Ended		6 Months Ended	
	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Profit / (Loss) attributable to Owners of the Company (RM'000)				
- From continuing operations	1,673	6,109	13,213	11,607
- From discontinued operations	-	(127)	(229)	(8)
	<u>1,673</u>	<u>5,982</u>	<u>12,984</u>	<u>11,599</u>
Weighted average number of STC Shares in issue ('000)	234,892	236,293	234,892	236,293
Adjusted for unexercised Employee's Share Option Scheme ('000)	237,260	N/A	237,260	N/A
Diluted earnings per STC Share (sen)				
- From continuing operations	0.71	N/A	5.57	N/A
- From discontinued operations	-	N/A	(0.10)	N/A
	<u>0.71</u>	<u>N/A</u>	<u>5.47</u>	<u>N/A</u>



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B11. Notes to the Statement of Profit or Loss and Other Comprehensive Income / (Loss)

	3 Months Ended		6 Months Ended	
	31-Dec 2019 RM'000	31-Dec 2018 RM'000	31-Dec 2019 RM'000	31-Dec 2018 RM'000
Other income / (loss)				
Bad debts recover	-	29	-	29
(Loss) / Gain on disposal of property, plant and equipment	(96)	653	84	693
Gain on disposal of subsidiary company	-	-	6,090	-
Interest income	348	175	596	411
Other income	333	644	537	1,129
Reversal of impairment losses on trade receivables	14	41	14	49
Reversal of inventories written down	1,472	33	1,582	33
Fair value of ESOS option	(139)	-	(278)	-
(Loss) / Gain on foreign currency exchange	(46)	391	(1,002)	1,834
Impairment loss of trade receivables	(195)	-	(195)	-
Interest expense	(136)	(820)	(694)	(1,716)
Property, plant and equipment written off	(1)	(494)	(1)	(494)
Depreciation	(2,157)	(1,846)	(4,792)	(4,491)

Save as disclosed above, the other items required under Paragraph 16, Part A of the Appendix 9B of the Main Market Listing Requirements of Bursa Securities are not applicable.

By order of the Board

Tan Ah Bah @ Tan Ah Ping
Managing Director
25 February 2020