



Notes on the quarterly report – 31 March 2007

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

A1. Basis of preparation

The condensed interim financial statements for the 1st quarter ended 31 March 2007 are unaudited and have been prepared in accordance with FRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The condensed interim financial statements should be read in conjunction with the audited consolidated financial statements of STC for the financial year ended 31 December 2006.

The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of STC and its subsidiary companies ("Group") since the financial year ended 31 December 2006.

A2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted by STC in these condensed interim financial statements are consistent with those adopted in the audited consolidated financial statements of STC for the financial year ended 31 December 2006 except for the adoption of Amendment to FRS 119 Employee Benefits issued by MASB that is effective for the Group's annual reporting date, 31 December 2007, which does not have significant financial impact on financial results of the Group.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2006 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 31 March 2007.

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 31 March 2007.



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A6. Changes in accounting estimates

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

A7. Issuances and repayment of debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review other than as follows:

- (i) On 12 February 2007, the Company placed out 6,940,000 new ordinary shares of RM 0.50 each at an issue price of RM 0.64 per share, which represents a discount of approximately 10% to the five (5) day weighted average market price, to identified investors (“First Tranche of Private Placement shares”). The First Tranche of Private Placement shares were granted listing on the Second Board of Bursa Malaysia on 22 February 2007.
- (ii) On 7 March 2007, the Company placed out 1,060,000 new ordinary shares of RM 0.50 each at an issue price of RM 0.59 per share, which represents a discount of approximately 9% to the five (5) day weighted average market price, to identified investors (“Second Tranche of Private Placement shares”). The Second Tranche of Private Placement shares were granted listing on the Second Board of Bursa Malaysia on 14 March 2007

A8. Dividend Paid

There was no dividend declared or paid by the Company during the current quarter under review.



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A9. Segment information

The Group is principally engaged in the manufacturing and trading of electrical industrial equipment and process equipment.

Business Segments

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31-Mar-07	31-Mar-06	31-Mar-07	31-Mar-06
	RM'000	RM'000	RM'000	RM'000
Revenue				
- Transformer, lighting & related products	19,759	16,959	19,759	16,959
- Process equipment	6,005	-	6,005	-
	<u>25,764</u>	<u>16,959</u>	<u>25,764</u>	<u>16,959</u>
Profit after tax				
- Transformer, lighting & related products	2,796	2,325	2,796	2,325
- Process equipment	325	-	325	-
	<u>3,121</u>	<u>2,325</u>	<u>3,121</u>	<u>2,325</u>

Geographical Segment

The Group operates principally in Malaysia, therefore information analysing geographical segment is not presented. The analysis of segment results is not presented because it is not practicable to allocate operating expenses as the basis for making these allocations is arbitrary. The analysis of revenue based on geographical locations of the Group's customers is shown as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31-Mar-07	31-Mar-06	31-Mar-07	31-Mar-06
	RM'000	RM'000	RM'000	RM'000
Revenue				
- Local	18,957	13,756	18,957	13,756
- Export	6,807	3,203	6,807	3,203
	<u>25,764</u>	<u>16,959</u>	<u>25,764</u>	<u>16,959</u>



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A10. Carrying Amount of Revalued Assets

The Group did not revalue any of its property, plant and equipment for the current quarter under review and the valuations of property, plant and equipment have been brought forward without amendment from the audited consolidated financial statements of STC for the financial year ended 31 December 2006.

A11. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter under review save as disclosed in Note B8.

A12. Changes in the composition of the Group

The Acquisition of 60% equity interests in Seremban Engineering Sdn Bhd (“SESB”) for a cash consideration of RM 14,628,000 was completed on 1 March 2007 (“Acquisition”). Accordingly, SESB became a subsidiary of the Company.

(a) The effect of the acquisition on the financial results of the Group during the financial quarter are as follows:

	31-03-07
	RM'000
Revenue	6,005
Operating costs	<u>(5,505)</u>
	500
Taxation	41
Share by minority interests	<u>(216)</u>
Increase in Group net profit	<u><u>325</u></u>



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A12. Changes in the composition of the Group (continue)

(b) The effect of the acquisition on the financial position of the Group at the end of the financial quarter are as follows:

	31-03-07
	RM'000
Property, plant and equipment	11,948
Prepaid lease payment	258
Trade and other receivables	9,886
Inventories	14,895
Deposit, Cash and Bank balances	10,533
Trade and other payables	(16,834)
Borrowings	(13,714)
Deferred tax liabilities	(381)
Minority interest	<u>(6,636)</u>
Net asset acquired	9,955
Goodwill on consolidation	<u>4,821</u>
Total purchase consideration	14,776
Cash and cash equivalents of the subsidiary companies acquired	<u>(9,484)</u>
Cash flow on acquisition, net of cash and cash equivalents acquired	<u><u>5,292</u></u>

Save as disclosed above, there were no other changes in the composition of the Group during the current quarter under review.

A13. Changes in contingent liabilities and contingent assets

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



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A14. Condition imposed by the Securities Commission (“SC”)

The utilization of the proceeds from the rights issue of 6,507,488 STC shares at an issue price of RM0.74 per STC share

A total of about RM4.8 million has been received by STC pursuant to the rights issue implemented by STC. This gross proceeds has been utilized in the following manner:-

	Total Proceeds RM'000	Utilization Up To 31 March 2007 RM'000	Balance Unutilised RM'000
Purchase of plant & machinery	3,316	669	2,647
Listing expenses	1,500	1,528	(28)
Total	4,816	2,197	2,619

The status of utilization of the proceeds is set out in Note B8.

In addition, there is a private placement for the issuance of 8,000,000 new ordinary shares of RM0.50 completed on 7 March 2007. As at 30 April 2007, the gross proceeds of RM5,067,000 raised from the issue has been utilized in the following manner:

	Total Proceeds RM'000	Utilisation RM'000	Balance RM'000
Acquisition of new plant and machinery	1,934	1,934	-
Working Capital	2,853	2,853	-
Defray estimated expenses and fees	280	280	-
	<hr/> 5,067	<hr/> 5,067	<hr/> -



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

B1. Review of performance

The Group recorded revenue of approximately RM 25.8 million for the current quarter under review as compared RM 17 million in the previous corresponding quarter ended 31 March 2006, showing a substantial increase of approximately 51.9%. This increase was mainly due to higher sales volume from both local and export sales, including the contribution of approximately RM 6 million from the newly acquired subsidiary, Seremban Engineering Sdn Bhd (SESB).

The Group's profit before tax (PBT) and profit after tax (PAT) for the 1st quarter ended 31 March 2007 of RM 4.2 million and RM 3.4 million were approximately 33.6% and 34.2 % higher than the previous corresponding quarter period of RM 3.2 million and RM 2.3 million respectively. The improvement was primarily due to higher sales volume recorded and additional profits of RM 325 thousand contributed by SESB.

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

B2. Variation of results against preceding quarter

There was no significant variance on the Group's result for the current financial quarter as compared to the preceding quarter except for the incorporation of results from the newly acquired subsidiary, SESB.

B3. Prospects 2007

In view of the country's improving economic fundamentals and anticipated domestic demand especially with the upcoming rollout of projects under the Ninth Malaysia Plan, the outlook for the manufacturing of transformers and industrial lightings are expected to be favourable. So far, the Group has built good track record and reputation in providing quality products and services to customers and will continue with aggressive branding and promotional strategies to focus on strengthening its existing markets as well as expanding its new markets, both locally and overseas. Furthermore, the prospect of the process equipment industry looks promising and the investment in SESB starts contributing positive results to the Group. Hence, barring any unforeseen circumstances, the Group is optimistic in achieving our target of double-digit profit growth for the year 2007 and surpassing the growth rate achieved last year.

B4. Profit Forecast or Profit guarantee

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



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B5. Tax expense

	1st Quarter ended		Three months ended	
	31-Mar 2007 RM'000	31-Mar 2006 RM'000	31-Mar 2007 RM'000	31-Mar 2006 RM'000
Income tax	874	847	874	847
Deferred tax	(8)	(6)	(8)	(6)
Total	<u>866</u>	<u>841</u>	<u>866</u>	<u>841</u>

The effective tax rate for the current quarter under review was lower than the statutory tax rate of 28% principally due to the utilization of reinvestment allowances by subsidiary companies of the Group.

B6. Unquoted investments and/or properties

The Group has not disposed of any unquoted investments and/or properties during the current quarter under review.

B7. Quoted Securities

There was no purchase or disposal of quoted securities during the financial year-to-date under review.

Details of investment in quoted securities:

	1st Quarter ended 31 Mar 2007 RM'000
At cost	5
At book value	2
At market	4



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B8. Corporate Proposals

Status of Utilization of Proceeds

- (1) The Board had on 17 January 2007 approved to further extend the time frame for the utilization of proceeds for additional six (6) months i.e. from 19 January 2007, being twenty four (24) months from the date of listing of STC to 18 July 2007. This extension is made as the Board requires more time to study on the feasibility for the purchase of plant and machinery for the solar products.

The status of utilization of the proceeds from the rights issue of 6,507,488 STC shares at an issue price of RM0.74 per STC share is disclosed in Note A14.

- (2) There is a private placement for the issuance of 8,000,000 new ordinary shares of RM0.50 completed on 7 March 2007. The status of utilization of the proceeds is disclosed in Note A14.

Status of Internal Restructuring

On 8 May 2007, the Company had announced that it intends to undertake an internal restructuring of its subsidiaries by acquiring:

- (i) the entire issued and paid-up share capital of the Success Electronics & Transformer Manufacturer Sdn Bhd (200853-K), Nikkon Industrial Lighting Sdn Bhd (408117-K), SES Property Sdn Bhd (167985-V) and Success Transformer Marketing Sdn Bhd (465030-W) from its wholly owned subsidiary, Success Transformer Manufacturer Sdn Bhd (248892-A) (“STMFG”) for a total purchase consideration amounting to RM49,979,081, and
- (ii) 75% of the issued and paid up share capital of Daiichi Steel Sdn Bhd (484410-V) and 65% of the issued and paid up share capital of Omega Metal Industries Sdn Bhd (522621-K) from STMFG for a purchase consideration of RM 525,521 and RM 698,882 respectively and subject to the terms and conditions contained in a conditional sale and purchase agreement dated 8 May 2007.

(collectively referred to as “the **Proposed Internal Restructuring**”).

The purchase considerations for the Proposed Internal Restructuring are payable by way of book entry whereby the said purchase considerations will be credited as an amount owing to STMFG.

At the date of this announcement, the completion of the acquisition of Success Transformer Marketing Sdn Bhd is pending the approval from the Foreign Investment Committee.



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B9. Group borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:

	Payable within 12 months (Secured) RM'000	Payable after 12 months (Secured) RM'000
Bank Borrowings	20,644	1,672
Hire purchase payables	<u>569</u>	<u>673</u>
Total Borrowing	<u>21,213</u>	<u>2,345</u>

All the borrowings are denominated in Ringgit Malaysia.

B10. Off balance sheet financial instrument

There are no off balance sheet financial instruments as at the date of this report that might materially affect the Group's business position.

B11. 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 other than as follows:

A suit initiated by SESB on 15 August 2003 against Dato Dr. Mohd Aminuddin bin Mohd Rouse ("Defendant") in the Kuala Lumpur High Court via suit number S7-22-1243-2003. SESB's claim arises from an agreement dated 23 April 1998 whereby SESB had advanced an interest free loan of RM1,104,700 to the Defendant. SESB is now seeking damages of RM1,454,700 together with interest against the Defendant. The matter is now at an interlocutory stage and no dates have been fixed by the court as of to-date. The solicitors are of the view that SESB's chances of success on the matter to be fair.

B12. Dividend Paid

No dividend has been proposed or declared for 1st quarter ended 31 March 2007.



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B13. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the financial quarter ended 31 March 2007 are computed as follow:-

	1st Quarter ended		3 months ended	
	31 Mar	31 Mar	31 Mar	31 Mar
	2007	2006	2007	2006
Net Profit attributable to equity holders of the parent (RM'000)	3,121	2,325	3,121	2,325
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	115,996	112,000	115,996	112,000
Basic earning per share (sen)	2.69	2.08	2.69	2.08

(b) Diluted

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

By order of audit committee

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Tan Ah Bah @ Tan Ah Ping
Managing Director
21 May 2007