



Notes on the quarterly report – 31 December 2008

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

A1. Basis of preparation

The condensed interim financial statements for the 4th quarter ended 31 December 2008 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 2007.

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 2007.

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 2007 except for the change in accounting policy on revenue recognition by the Company's wholly owned subsidiary company, Seremban Engineering Sdn Bhd ("SESB").

The salient points of the change are as follows,

- (a) SESB had on 1 January 2008, changed of its revenue recognition policy for its process equipment manufacturing division from completion method to that of percentage of completion method for projects supported by contracts or where specific progress claims can be clearly identified against the stage of completion of contracts, resulting decrease in profit after tax and earnings per share attributable to equity holders of the parent for current quarter of the Group by RM 816 thousand and 0.68 sen respectively.
- (b) The change in the accounting policy has been accounted for prospectively in accordance with FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors ("FRS 108").



Notes on the quarterly report – 31 December 2008

A2. Changes in Accounting Policies (Continued)

(c) The interim results of the corresponding comparative quarter have not been restated as it is impracticable to determine the period specific effects or the cumulative effect of the change. The management has not collected sufficient data in prior periods in a way that allows retrospective application of the new accounting policy.

(d) The change in the accounting policy will allow better reflection and consistency of the periodic performance of process equipment manufacturing division in line with the industry norms and common practices.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2007 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 year ended 31 December 2008.

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 year ended 31 December 2008 other than the completion of the acquisition of the remaining equity interest of Seremban Engineering Sdn Bhd.

A6. Changes in accounting estimates

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



Notes on the quarterly report – 31 December 2008

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review except for the following:-

Share Buy-back

Repurchased a total of 640,300 ordinary shares of its issued share capital from the open market during the current financial year to date, at an average cost of RM0.79 per shares. The total consideration paid for the share buy-back of STC shares for the financial year to date, including transaction costs, was amounted to RM506,760 and were financed by internally generated funds. The STC Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the financial year ended 31 December 2008.

A8. Dividend Paid

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



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

Notes on the quarterly report – 31 December 2008

A9. Segment information

Business Segments Revenue & Results

	Transformer, Industrial lighting & related products	Process equipment	Eliminations	Consolidated
Twelve Months Ended 31 Dec 2008	RM'000	RM'000	RM'000	RM'000
REVENUE				
External Sales	122,878	62,128	-	185,006
Inter-segment sales	-	-	-	-
Total Revenue	<u>122,878</u>	<u>62,128</u>	<u>-</u>	<u>185,006</u>
RESULTS				
Segment results	23,268	9,914	-	33,182
Unallocated Corporate expenses				(776)
Finance Cost				(341)
Interest income				3
Profit before taxation				<u>32,068</u>
Taxation				(6,922)
Profit for the period				<u>25,146</u>
Twelve Months Ended 31 Dec 2007				
REVENUE				
External Sales	96,143	49,953	-	146,096
Inter-segment sales	-	-	-	-
Total Revenue	<u>96,143</u>	<u>49,953</u>	<u>-</u>	<u>146,096</u>
RESULTS				
Segment results	20,073	7,631	-	27,704
Unallocated Corporate expenses				(412)
Finance Cost				(6)
Interest income				45
Profit before taxation				<u>27,331</u>
Taxation				(6,788)
Profit for the period				<u>20,543</u>



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

Notes on the quarterly report – 31 December 2008

A9. Segment information (Continued)

Geographical Locations Revenue & Results

	Malaysia	China	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Twelve Months Ended 31 Dec 2008				
REVENUE				
External Sales	176,577	8,429	-	185,006
Inter-segment sales	-	4,389	(4,389)	-
Total Revenue	<u>176,577</u>	<u>12,818</u>	<u>(4,389)</u>	<u>185,006</u>
RESULTS				
Segment results	32,422	760	-	33,182
Unallocated Corporate expenses				(776)
Finance Cost				(341)
Interest income				3
Profit before taxation				<u>32,068</u>
Taxation				(6,922)
Profit for the period				<u>25,146</u>
Twelve Months Ended 31 Dec 2007				
REVENUE				
External Sales	146,096	-	-	146,096
Inter-segment sales	-	-	-	-
Total Revenue	<u>146,096</u>	<u>-</u>	<u>-</u>	<u>146,096</u>
RESULTS				
Segment results	27,704	-	-	27,704
Unallocated Corporate expenses				(412)
Finance Cost				(6)
Interest income				45
Profit before taxation				<u>27,331</u>
Taxation				(6,788)
Profit for the period				<u>20,543</u>



Notes on the quarterly report – 31 December 2008

A10. Carrying Amount of Revalued Assets

As an integral part of the acquisition of the remaining equity interest in Seremban Engineering Sdn Bhd, the Group had on 30 April 2008, undertook a revaluation of Seremban Engineering Sdn Bhd properties to determine its fair value. This does not constitute a revaluation of the Group's property, plant and equipment in accordance with the Group's accounting policy on revaluation.

Save as disclosed above, the valuation of other 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 2007.

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.

A12. Changes in the composition of the Group

Incorporation of subsidiary

(a) On 02 September 2008, Success Transformer Corporation Berhad ("STC") announced that Seremban Engineering Sdn Bhd ("SESB"), a wholly-owned subsidiary of STC has subscribed a total of 240,000 ordinary shares of RM1.00 each in Sepen Engineering Sdn Bhd ("SEPEN"), representing a 60% equity interest in the issued and paid-up share capital of SEPEN for a total cash consideration of RM240,000.00. As a result, SEPEN has become a subsidiary of SESB and an indirect subsidiary of STC.

SEPEN was incorporated on 29 August 2008 in Malaysia with an authorized share capital of RM1,000,000 ordinary shares of RM1.00 each, of which 400,000 ordinary shares of RM1.00 each have been issued and fully paid-up. SEPEN is principally involved in the manufacturing and fabrication of process equipment and other engineering works.

The effect of the investment on the financial results of the Group during the current quarter and financial year ended 31 December 2008 are as follows:

	4th Quarter ended 31 Dec 08 RM'000	Twelve months ended 31 Dec 08 RM'000
Increase in Group's net profit	<u>76</u>	<u>164</u>



Notes on the quarterly report – 31 December 2008

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

(b) Further to announcement on 14 July 2008, Ningbo Success Zhenye Luminaire Limited Liabilities Company (“JV Co”) (Joint venture between STC and Ninghai Zhenye Luminaires Manufacturing Co. Ltd) has commenced operation on 1 September 2008. The JV Co was incorporated in the People’s Republic of China with the registered share capital of RMB 10,000,000 of which STC subscribed for a total cash consideration of RMB 6,000,000, representing 60% interest equity in the registered share capital.

JV Co principally involve in the design, manufacture, and trading of industrial light fittings & fixtures (save for lamps manufacturing), home electrical appliances, moulds, plastic and glass parts, hardware stamping, ballast, electronic controllers and its accessories, to trade and/or as agent, to import or export of technology and skills, except for goods and technology and skills controlled or restricted by the country.

The effect of the investment on the financial results of the Group during the financial quarter and financial year ended 31 Dec 08 are as follows:

	4th Quarter ended	Twelve months ended
	31 Dec 08	31 Dec 08
	RM’000	RM’000
Increase in Group’s net profit	<u>274</u>	<u>348</u>

(c) The Board of Directors of STC had on 18 February 2009 announced that Seremban Engineering Sdn Bhd (“SESB”), a wholly owned subsidiary of STC has entered into a joint venture cum shareholders’ agreement with Carsten Ranico & Partners (M) Sdn Bhd (“CRP”) to set up a company in British Virgin Islands (“JV Company”) to be principally involved in the leasing and servicing of steam stripping equipments wherein SESB shall hold 50% and CRP shall hold the remaining 50% in the share capital of the JV Company. The respective parties to the JV Company are in the midst of setting up the JV Company.

There were no changes in the composition of the Group during the current quarter and financial year under review save as disclosed above.

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.



Notes on the quarterly report – 31 December 2008

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

B1. Review of performance

The Group recorded revenue of RM 42.1 million for the current quarter as compared to corresponding quarter of RM 44.2 million, showing slight decrease of 4.7%. However, for the financial year ended 31 December 2008, the revenue had increased by 26.6% to RM 185.0 million as compared to RM 146.1 million recorded in the previous year. Current quarter Profit after tax (PAT) of RM 5.4 million was similar to previous corresponding quarter. Nevertheless, the Group's performance improved for the financial year ended 31 December 2008 as compared to previous financial year ended 31 December 2007 as PAT increased to RM 23.8 million from RM 17.9 million, showing an increase of 33% mainly due to higher sales volume from transformer, industrial lighting and process equipment segments.

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

The Group's PBT of RM 6.3 million for the current quarter was approximately RM 2.5 million or 29.1% lower than the preceding quarter ended 30 September 2008 of RM 8.8 million mainly due to write-down of inventories.

B3. Prospects 2009

The outlook for the manufacturing of transformers, industrial lightings and process equipment is expected to be very challenging. Nevertheless, the Company will continue to focus on tapping on its extensive customer network and aggressive sales and marketing force in expanding and exploring into new markets especially in export market. Despite the uncertainties facing the global and domestic economy, the Board will aim to record moderate improved performance in 2009.

B4. Profit Forecast or Profit guarantee

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



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

Notes on the quarterly report – 31 December 2008

B5. Tax expense

	4th Quarter ended		Twelve months ended	
	31-Dec 2008	31-Dec 2007	31-Dec 2008	31-Dec 2007
	RM'000	RM'000	RM'000	RM'000
Income tax	459	1,381	6,592	6,479
Deferred tax	189	174	330	309
Total	<u>648</u>	<u>1,555</u>	<u>6,922</u>	<u>6,788</u>

The effective tax rate for the current quarter under review was lower than the statutory tax rate of 26% due to the utilization of reinvestment and export 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:

	4th Quarter ended 31 December 2008 RM'000
At cost	5
At book value	2
At market value	4



Notes on the quarterly report – 31 December 2008

B8. Corporate Proposals

Save as disclosed in note A12, there were no changes in the composition of the Group during the current quarter under review.

B9. Group borrowings

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

	Payable within 12 months RM'000	Payable after 12 months RM'000
<u>Secured</u>		
Bank Borrowings	27,488	3,391
Hire purchase payables	115	980
Total Borrowing	<u>27,603</u>	<u>4,371</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

Save as disclosed below, 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;

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 RM 1,454,700 to the Defendant. SESB is now seeking damages of RM 1,454,700 together with interest against the Defendant. The matter is now fixed for mention on 7 April 2009 by the court. The solicitors of SESB are of the view that SESB's chances of success on the matter to be fair.



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

Notes on the quarterly report – 31 December 2008

B12. Proposed Dividend

No dividend has been proposed for the 4th quarter ended 31 December 2008.

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 December 2008 are computed as follow:-

	4th Quarter ended		Twelve months ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2008	2007	2008	2007
Net Profit attributable to equity holders of the parent (RM'000)	5,429	5,405	23,802	17,910
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	119,849	118,972	119,849	118,972
Basic earning per share (sen)	4.53	4.54	19.86	15.05

(b) Diluted

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

By order of the Board

Tan Ah Bah @ Tan Ah Ping
Managing Director
26 February 2009