



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

Notes on the quarterly report – 31 December 2011

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 2011 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 of the Main Market 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 2010. 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 2010.

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 2010, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs and Interpretations by the Group with effect from 1 January 2011.

FRSs, Amendments to FRSs and Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Improvements to FRSs (2010)	

The initial application of the abovementioned standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group except for the following:

- (i) FRS 3 (revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.



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A2. Changes in Accounting Policies – (Cont’d)

FRSs, Amendments to FRSs and Interpretations - (Cont’d)

- (ii) FRS 127 (revised) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (revised) prospectively and therefore, there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for its future transactions or arrangements.

The Group has not yet to adopt FRS 124 Related Party Disclosures which is effective for financial period beginning on 1 January 2012 as it is not yet effective for the current quarter ended 31 December 2011 and current financial year ending 31 December 2011.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2010 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 December 2011. However, the Process Equipment’s business operation result is very much depends on the timing of completion of each project.

A5. Unusual Nature and Amounts of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the financial period ended 31 December 2011.

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

Saved as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review:

(a) Share Buy-Back and Treasury Shares Sold

During the financial year ended 31 December 2011, the Company:

- Repurchased 488,600 of its issued share capital from the open market at an average cost of RM 1.02 per share. The total consideration paid for the share buy-back of STC shares during the



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financial year ended 31 December 2011, including transaction costs was RM 496,340 and was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A Subsection 3(A) (b) of the Companies Act, 1965.

- Distributed 2,812,723 treasury shares as share dividend to its shareholder.

As at 31 December 2011, the number of treasury shares held was 4,945,777 STC Shares.

A8. Dividend Paid

During the financial year ended 31 December 2011, the following dividends were declared and paid on 9 June 2011.

- tax exempt interim cash dividend of 2% or 1 sen per ordinary share amounting RM1,125,131.00
- total of 2,812,723 treasury share amounting to RM3,342,247.73 was distributed as share dividend to shareholder of the Company on the basis of 100 treasury shares listed and quoted on the Main Market of Bursa Securities for every 4,000 ordinary shares of RM0.50 each held in the Company, fractions of treasury share to be disregarded.

A9. Segment Information

Business Segments Revenue & Results

	Transformer, Industrial lighting & related products RM'000	Process equipment RM'000	Consolidated RM'000
Year Ended 31 December 2011			
REVENUE			
External Sales	170,001	85,259	255,260
Inter-segment sales	-	-	-
Total Revenue	<u>170,001</u>	<u>85,259</u>	<u>255,260</u>
RESULTS			
Segment results	30,484	4,867	35,351
Unallocated corporate expenses			(674)
Finance Cost			(117)
Interest income			<u>1</u>
Profit before taxation			34,561
Taxation			<u>(8,041)</u>
Net profit for the period			26,520
Other comprehensive income			(84)
Total comprehensive income for the period			<u>26,436</u>



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A9. Segment Information - (Cont’d)

Business Segments Revenue & Results - (Cont’d)

	Transformer, Industrial lighting & related products RM’000	Process equipment RM’000	Consolidated RM’000
Year Ended 31 December 2010			
REVENUE			
External Sales	156,894	50,722	207,616
Inter-segment sales	-	(151)	(151)
Total Revenue	<u>156,894</u>	<u>50,571</u>	<u>207,465</u>
RESULTS			
Segment results	31,739	3,921	35,660
Unallocated corporate expenses			(1,155)
Finance Cost			(123)
Interest income			34
Profit before taxation			<u>34,416</u>
Taxation			<u>(8,460)</u>
Net profit for the period			25,956
Other comprehensive income			(543)
Total comprehensive income for the period			<u>25,413</u>

Geographical Segments Revenue & Results

	Malaysia RM’000	Overseas RM’000	Consolidated RM’000
Year Ended 31 December 2011			
REVENUE			
External Sales	206,594	62,997	269,591
Inter-segment sales	3,216	(17,547)	(14,331)
Total Revenue	<u>209,810</u>	<u>45,450</u>	<u>255,260</u>
RESULTS			
Segment results	33,943	1,408	35,351
Unallocated corporate expenses			(674)
Finance Cost			(117)
Interest income			1
Profit before taxation			<u>34,561</u>
Taxation			<u>(8,041)</u>
Net profit for the period			26,520
Other comprehensive income			(84)
Total comprehensive income for the period			<u>26,436</u>



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A9. Segment Information - (Cont’d)

Geographical Segments Revenue & Results - (Cont’d)

	Malaysia RM’000	Overseas RM’000	Consolidated RM’000
Year Ended 31 December 2010			
REVENUE			
External Sales	171,784	51,787	223,571
Inter-segment sales	(969)	(15,137)	(16,106)
Total Revenue	<u>170,815</u>	<u>36,650</u>	<u>207,465</u>
RESULTS			
Segment results	34,166	1,494	35,660
Unallocated corporate expenses			(1,155)
Finance Cost			(123)
Interest income			<u>34</u>
Profit before taxation			<u>34,416</u>
Taxation			<u>(8,460)</u>
Net profit for the period			<u>25,956</u>
Other comprehensive income			<u>(543)</u>
Total comprehensive income for the period			<u>25,413</u>

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 valuation 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 2010.

A11. Capital Commitments

The amounts of capital commitments for the Group are as follows:

Approved and contracted for:	RM’000
Purchase of property, plant and equipment	3,994



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

On 9 February 2012, Seremban Engineering Berhad (“SEB”), a 65% owned subsidiary had subscribed a total of 300,000 ordinary share of RM1.00 each in Nine Energy Sdn. Bhd. (“NESB”) representing a 40% equity investment in the issued and paid-up share capital of NESB for a total cash consideration of RM300,000.00. As a result, NESB had become an associate of SEB.

Save as disclosed above, there was no material events subsequent to the end of the current quarter under review.

A13. Changes in the composition of the Group

There was no changes in the composition of the Group during the current quarter under review.

A14. Changes in contingent liabilities and contingent assets

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



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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 RM 76.89 million for the current quarter ended 31 December 2011 as compared to RM 67.14 million in the previous year corresponding quarter, showing an increase of 14.5%. The results were achieved on the back of higher revenue derived from all segments, mainly from process equipment segment.

Net profit attributable to owners of the parent (PAT after MI) of RM 5.90 million for the current quarter ended 31 December 2011 representing a decrease of 11.3% as compared to previous year corresponding quarter ended 31 December 2010 of RM 6.65 million were mainly due to lower profit margin recorded in all segments.

The Group recorded revenue of RM 255.26 million for the financial year ended 31 December 2011 as compared to RM 207.47 million in the previous year corresponding financial year ended 31 December 2010, showing an increase of 23.0%. The results were achieved on the back of higher revenue derived from all segments, mainly from process equipment segment.

PAT after MI was approximately RM 24.62 million for the financial year ended 31 December 2011, showing a slight increase of RM0.62 million, representing an increase of 2.6% as compared to preceding year corresponding periods of RM 24.00 million.

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 recorded a profit before tax (PBT) of RM 8.19 million for the current quarter ended 31 December 2011, representing a decrease of RM 1.42 million (14.8%) as compared to preceding quarter ended 30 Sept 2011 of RM 9.62 million due to lower profit margin recorded in all segments, mainly from lighting & transformer segment.

B3. Prospects

While the transformer and industrial lighting segment is expected to remain challenging with the uncertainties surrounding the world economy, the Group is aggressively intensify its in house LED manufacturing division to penetrate into broader customers' base.

As to the process equipment segment, although the demand and enquiries for the process equipment industries are very encouraging, stiff and competitive pricing strategies adopted by the industry players may affect the company's profit margin. Nevertheless, the Board is optimistic that going forward, the Group can achieve better result with increasing activities in the Oil and Gas sector which is expected to contribute positively in the coming year.

Barring any unforeseen circumstances, the Group aims to record comparable financial performance in the coming year.



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B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense

	4th Quarter ended		Year ended	
	31-Dec 2011 RM'000	31-Dec 2010 RM'000	31-Dec 2011 RM'000	31-Dec 2010 RM'000
Income tax	1,472	2,127	8,048	8,002
Deferred tax	82	368	(7)	458
Total	<u>1,554</u>	<u>2,495</u>	<u>8,041</u>	<u>8,460</u>

The effective tax rate for the current quarter and financial year under review was slightly lower than the statutory tax rate of 25% mainly due to the utilization of reinvestment allowances by subsidiary companies of the Group.

B6. Status of Corporate Proposals

Acquisition of Aruanmota Sdn. Bhd. (“ASB”)

Subsequent to the announcements dated on 21 June 2011, 22 June 2011, 24 June 2011, 27 June 2011, 11 August 2011, 7 September 2011, 20 September 2011 and 23 September 2011, the Board of Directors had on 21 February 2012 announced that all the conditions precedent as stated in the Share Sale Agreement had been fully satisfied. Accordingly, the transfer of the entire shares of ASB to STC was completed on 21 February 2012. Upon completion of transfer, ASB became the wholly owned subsidiary of STC.

B7. 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	22,049	26,919
Hire Purchase Payables	432	613
Bank Overdraft	300	-
Total Borrowings	<u>22,781</u>	<u>27,532</u>

All the borrowings are denominated in Ringgit Malaysia.



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B8. Changes in material litigation

The Group is not engaged in any material litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Group.

B9. Proposed Dividends

There were no dividends proposed during the quarter under review save as disclosed in Note A8.

B10. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity owners of the parent by the weighted average number of ordinary shares in issue during the financial quarter ended 31 December 2011 are computed as follow:-

	4th Quarter Ended		Year Ended	
	31-Dec-2011	31-Dec-2010	31-Dec-2011	31-Dec-2010
Profit attributable to owners of the parent (RM'000)	5,897	6,649	24,619	24,003
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	114,008	115,811	114,008	115,811
Basic earning per share (sen)	5.17	5.74	21.59	20.73

(b) Diluted

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



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B11. Notes to the Statement of Comprehensive Income

	4th Quarter ended		Year ended	
	31-Dec 2011 RM'000	31-Dec 2010 RM'000	31-Dec 2011 RM'000	31-Dec 2010 RM'000
Other Income	55	64	603	388
Depreciation	1,493	1,297	5,240	4,430
Allowance for Doubtful Debts	344	679	411	851
Bad Debts Written Off	3	-	3	-
Provision for Inventories	884	319	884	319
(Gain)/loss on disposal of properties, plant & equipment	-	(49)	(164)	(235)
(Gain)/loss on disposal of Quoted / Unquoted Shares	-	-	-	(802)
(Gain)/loss on foreign exchange	9	(51)	(282)	(191)



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B12. Realised and unrealised profit / losses disclosure

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Securities”) had issued directives to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose a breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of presentation.

Pursuant to the directive, the breakdown of the retained profits of the Group as at 31 December 2011, into realised and unrealised profits is as follows:

	As at End of Current Quarter 31-Dec-2011 RM'000	As at End of Preceding Quarter 30-Sep-2011 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	203,417	197,287
- Unrealised	(6,655)	(6,670)
	<u>196,762</u>	<u>190,617</u>
Total share of accumulated profit from jointly controlled entities :		
- Realised	-	-
- Unrealised	(14)	1
	<u>196,748</u>	<u>190,618</u>
Less : Consolidation adjustments	(84,601)	(84,364)
	<u><u>112,147</u></u>	<u><u>106,254</u></u>

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements”, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

By order of the Board

Tan Ah Bah @ Tan Ah Ping
Managing Director
23 February 2012