



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

Notes on the quarterly report – 31 March 2012

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

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2012, 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. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS1”) has been applied.

The explanatory notes attached to these condensed consolidated 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 the Group since the year ended 31 December 2011.

The date of transition to the MFRS framework is on 1 January 2011. At that transaction date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS1. The transition from FRS to MFRS has not had a material financial impact on the financial statements of the Group and of the Company other than arising from the changes in accounting policies described in Note A2 below.

A2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

Property, Plant and Equipment

Under FRSs, the Group measured its Property, Plant and Equipment other than freehold land and buildings at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at valuation less impairment losses recognized after date of revaluation. Freehold land is not depreciated. Freehold buildings are stated at revalued amount less accumulated depreciation and impairment losses recognized after the date of the revaluation. Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the revalued amounts of land and buildings as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM 291,135 (31 March 2011: RM 291,135 ; 31 December 2011: RM 291,135) was transferred to retained earnings on date of transition to MFRS.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided as below:-



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

(i) Reconciliation of equity as at 1 January 2011

	FRS as at 01.01.2011 RM'000	Adjustment RM'000	MFRS as at 01.01.2011 RM'000
Other Reserves	291	(291)	-
Retained earnings	91,998	291	92,289

(ii) Reconciliation of equity as at 31 March 2011

	FRS as at 01.03.2011 RM'000	Adjustment RM'000	MFRS as at 01.03.2011 RM'000
Other Reserves	291	(291)	-
Retained earnings	97,245	291	97,536

(iii) Reconciliation of equity as at 31 December 2011

	FRS as at 31.12.2011 RM'000	Adjustment RM'000	MFRS as at 31.12.2011 RM'000
Other Reserves	291	(291)	-
Retained earnings	112,024	291	112,315

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2011 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 2012.

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 2012.

A6. Changes in Accounting Estimates

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



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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 March 2012, the Company:

- Repurchased 91,700 of its issued share capital from the open market at an average cost of RM 0.92 per share. The total consideration paid for the share buy-back of STC shares during the financial period ended 31 March 2012, including transaction costs was RM 84,460 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.

As at 31 March 2012, the number of treasury shares held was 5,037,477 STC Shares.

A8. Dividend Paid

During the financial period for three months ended 31 March 2011, no dividend has been paid.

A9. Segment Information

Business Segments Revenue & Results

	Transformer, Industrial lighting & related products RM'000	Process equipment RM'000	Eliminations RM'000	Consolidated RM'000
Year Ended 31 March 2012				
REVENUE				
External Sales	43,160	21,281	-	64,441
Inter-segment sales	148	-	(148)	-
Total Revenue	<u>43,308</u>	<u>21,281</u>	<u>(148)</u>	<u>64,441</u>
RESULTS				
Segment results	7,673	2,566	(744)	9,495
Unallocated corporate expenses				(239)
Finance Cost				(755)
Interest income				113
Profit before taxation				<u>8,614</u>
Taxation				(2,016)
Net profit for the period				<u>6,598</u>
Other comprehensive income				(977)
Total comprehensive income for the period				<u><u>5,621</u></u>



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A9. Segment Information - (Cont’d)

Business Segments Revenue & Results - (Cont’d)

	Transformer, Industrial lighting & related products	Process equipment	Eliminations	Consolidated
	RM’000	RM’000	RM’000	RM’000
Year Ended 31 March 2011				
REVENUE				
External Sales	36,332	16,489	-	52,821
Inter-segment sales	-	-	-	-
Total Revenue	36,332	16,489	-	52,821
RESULTS				
Segment results	7,149	150	-	7,299
Unallocated corporate expenses				(223)
Finance Cost				(30)
Interest income				1
Profit before taxation				7,047
Taxation				(1,726)
Net profit for the period				5,321
Other comprehensive income				(173)
Total comprehensive income for the period				5,148

Geographical Segments Revenue & Results

	Malaysia RM’000	Overseas RM’000	Consolidated RM’000
Year Ended 31 March 2012			
REVENUE			
External Sales	53,379	15,950	69,329
Inter-segment sales	(897)	(3,991)	(4,888)
Total Revenue	52,482	11,959	64,441
RESULTS			
Segment results	8,536	960	9,496
Unallocated corporate expenses			(239)
Finance Cost			(755)
Interest income			113
Profit before taxation			8,615
Taxation			(2,017)
Net profit for the period			6,598
Other comprehensive income			(977)
Total comprehensive income for the period			5,621



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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 March 2011			
REVENUE			
External Sales	45,862	10,461	56,323
Inter-segment sales	(379)	(3,123)	(3,502)
Total Revenue	<u>45,483</u>	<u>7,338</u>	<u>52,821</u>
RESULTS			
Segment results	7,135	164	7,299
Unallocated corporate expenses			(223)
Finance Cost			(30)
Interest income			<u>1</u>
Profit before taxation			7,047
Taxation			<u>(1,726)</u>
Net profit for the period			5,321
Other comprehensive income			<u>(173)</u>
Total comprehensive income for the period			<u>5,148</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 2011.

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	757



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

There was no material events subsequent to the end of the current quarter under review.

A13. Changes in the composition of the Group

Save as disclosed below, there was no changes in the composition of the Group during the current quarter under review.

- Reference is made to announcements made 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 in relation to the proposed acquisition of the entire equity interests in ASB comprising 500,000 ordinary shares of RM1.00 each in ASB for a cash consideration of RM6,438,000.00 as per the terms and conditions as stipulated in the Share Sale Agreement. The acquisition was completed on 21 February 2012 and became a 100% owned subsidiary of the Company.

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 a revenue of RM 64.44 million for the current quarter ended 31 March 2012 as compared to RM 52.82 million in the previous year corresponding quarter, showing an increase of 22.0%. The results were achieved on the back of higher revenue derived from all segments.

Net profit attributable to owners of the parent (PAT after NCI) of RM 5.62 million for the current quarter ended 31 March 2012 representing an increase of 7.05% as compared to previous year’s corresponding quarter ended 31 March 2011 of RM 5.25 million were mainly due to better performance derived from all segments, especially from process equipment segment.

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 8.61 million for the current quarter ended 31 March 2012, representing an increase of RM 0.64 million (8.03%) as compared to preceding quarter ended 31 December 2011 of RM 7.97 million due to better performance in all segments, especially from process equipment segments.

B3. Prospects

In 2012, the global and regional economic outlook is expected to be more challenging and uncertain, especially Euro Zone crisis.

The transformer and industrial lighting segment is expected to remain challenging arising direct or indirect due to Euro Zone crisis. The Group will continue to step up its effort in expanding and exploring both existing and new markets by leveraging on its one stop manufacturing facilities, extensive customer networking and superior quality of products and services.

As to the process equipment segment, the demand and enquiries are still encouraging. The group expects market to remain competitive with industry players aggressively bidding for projects. The Board is optimistic in achieving better result in view of the improved and increasing activities mainly in the palm oil refineries. The Oil and Gas sector is also expected to contribute positively in the coming quarters.

Barring any unforeseen circumstances, the Group aims to achieve comparable financial performance in 2012.



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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

	1st Quarter ended	
	31-Mar 2012 RM'000	31-Mar 2011 RM'000
Income tax	2,520	1,698
Deferred tax	(503)	28
Total	<u>2,017</u>	<u>1,726</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 Boxon Industries Hardware (M) Sdn Bhd (“BIH”)

On 23 March 2012, the Company entered into a sale & purchase agreement with the shareholders of BIH, to acquire 35.29% equity interests comprising of 900,000 ordinary shares of RM1.00 in BIH for a cash consideration of RM 900,000. The acquisition was completed on 2 April 2012.

On 2 April 2012, the Company subscribed an additional new 1,575,000 ordinary shares of RM1.00 each allotted by BIH. Consequently, BIH became a 60% owned subsidiary of the Company.

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	38,579	27,034
Hire Purchase Payables	404	632
Bank Overdraft	38	-
Total Borrowings	<u>39,021</u>	<u>27,666</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

In respect of financial year ending 2012, the Board of Directors had declared an interim tax exempt dividend of RM0.03 per share on 120,000,000 ordinary shares amounting to RM 3,600,000 on 8th May 2012.

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 March 2012 are computed as follow:-

	1st Quarter Ended	
	31-Mar-2012	31-Mar-2011
Profit attributable to owners of the parent (RM'000)	5,621	5,246
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	115,045	112,658
Basic earning per share (sen)	4.89	4.66

(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

	1st Quarter ended	
	31-Mar 2012 RM'000	31-Mar 2011 RM'000
Other Income	397	356
Depreciation	1,614	1,219
Allowance for Doubtful Debts	-	208
Bad Debts Written Off	3	-
(Gain)/loss on foreign exchange	74	3



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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 March 2012, into realised and unrealised profits is as follows:

	As at End of Current Quarter 31-Mar-2012 RM'000	As at End of Preceding Quarter 31-Dec-2011 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	215,050	203,417
- Unrealised	<u>(6,387)</u>	<u>(6,655)</u>
	208,663	196,762
Total share of accumulated profit from jointly controlled entities :		
- Realised	5	-
- Unrealised	<u>-</u>	<u>(14)</u>
	208,668	196,748
Less : Consolidation adjustments	(90,732)	(84,601)
Total group retained profits	<u><u>117,936</u></u>	<u><u>112,147</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
21 May 2012