



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

**Notes on the quarterly report – 30 September 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 30 September 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 transition 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 (30 September 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

|                   | <b>FRS as at<br/>01.01.2011<br/>RM'000</b> | <b>Adjustment<br/>RM'000</b> | <b>MFRS as at<br/>01.01.2011<br/>RM'000</b> |
|-------------------|--|------------------------------|---|
| Other Reserves    | 291  | (291)                        | -   |
| Retained earnings | 91,999                                     | 291                          | 92,290                                      |

(ii) Reconciliation of equity as at 30 September 2011

|                   | <b>FRS as at<br/>30.09.2011<br/>RM'000</b> | <b>Adjustment<br/>RM'000</b> | <b>MFRS as at<br/>30.09.2011<br/>RM'000</b> |
|-------------------|--|------------------------------|---|
| Other Reserves    | 291  | (291)                        | -   |
| Retained earnings | 106,254                                    | 291                          | 106,545                                     |

(iii) Reconciliation of equity as at 31 December 2011

|                   | <b>FRS as at<br/>31.12.2011<br/>RM'000</b> | <b>Adjustment<br/>RM'000</b> | <b>MFRS as at<br/>31.12.2011<br/>RM'000</b> |
|-------------------|--|------------------------------|---|
| 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 30 September 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 30 September 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

During the financial period ended 30 September 2012, the Company:

- Repurchased 687,400 of its issued share capital from the open market at an average cost of RM 0.94 per share. The total consideration paid for the share buy-back of STC shares during the financial period ended 30 September 2012, including transaction costs was RM 647,251 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 30 September 2012, the number of treasury shares held was 5,633,177 STC Shares.

**A8. Dividend Paid**

During the financial period for nine months ended 30 September 2012, a tax exempt interim dividend of 3 sen per ordinary share amounting RM3,442,848.69 were declared and paid on 8 June 2012.

**A9. Segment Information**

**Business Segments Revenue & Results**

|   | <b>Transformer,<br/>Industrial<br/>lighting &amp;<br/>related products<br/>RM'000</b> | <b>Process<br/>equipment<br/>RM'000</b> | <b>Eliminations<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|---|---|---|--------------------------------|--------------------------------|
| <b>Year Ended 30 September 2012</b>       |   |   |                                |                                |
| <b>REVENUE</b>                            |   |   |                                |                                |
| External Sales                            | 145,666   | 78,698                                  | -                              | 224,364                        |
| Inter-segment sales                       | 148   | -                                       | -                              | 148                            |
| Total Revenue                             | <u>145,814</u>  | <u>78,698</u>                           | <u>-</u>                       | <u>224,512</u>                 |
| <b>RESULTS</b>                            |   |   |                                |                                |
| Segment results                           | 30,078  | 8,125                                   | (4,707)                        | 33,496                         |
| Unallocated corporate expenses            |   |   |                                | (549)                          |
| Finance Cost                              |   |   |                                | (2,437)                        |
| Interest income                           |   |   |                                | 236                            |
| Profit before taxation                    |   |   |                                | <u>30,746</u>                  |
| Taxation                                  |   |   |                                | (7,284)                        |
| Net profit for the period                 |   |   |                                | <u>23,462</u>                  |
| Other comprehensive income                |   |   |                                | (200)                          |
| Total comprehensive income for the period |   |   |                                | <u>23,262</u>                  |



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**A9. Segment Information - (Cont’d)**

**Business Segments Revenue & Results - (Cont’d)**

|   | Transformer,<br>Industrial<br>lighting &<br>related products | Process<br>equipment | Eliminations | Consolidated   |
|---|--|----------------------|--------------|----------------|
|   | RM’000   | RM’000               | RM’000       | RM’000         |
| <b>Year Ended 30 September 2011</b>       |  |                      |              |                |
| <b>REVENUE</b>                            |  |                      |              |                |
| External Sales                            | 123,964  | 54,406               | -            | 178,370        |
| Inter-segment sales                       | -  | -                    | -            | -              |
| <b>Total Revenue</b>                      | <b>123,964</b>   | <b>54,406</b>        | <b>-</b>     | <b>178,370</b> |
| <b>RESULTS</b>                            |  |                      |              |                |
| Segment results                           | 23,884   | 3,065                | -            | 26,949         |
| Unallocated corporate expenses            |  |                      |              | (494)          |
| Finance Cost                              |  |                      |              | (89)           |
| Interest income                           |  |                      |              | 2              |
| Profit before taxation                    |  |                      |              | 26,368         |
| Taxation                                  |  |                      |              | (6,486)        |
| Net profit for the period                 |  |                      |              | 19,882         |
| Other comprehensive income                |  |                      |              | 206            |
| Total comprehensive income for the period |  |                      |              | 20,088         |

**Geographical Segments Revenue & Results**

|   | Malaysia       | Overseas      | Eliminations | Consolidated   |
|---|----------------|---------------|--------------|----------------|
|   | RM’000         | RM’000        | RM’000       | RM’000         |
| <b>Year Ended 30 September 2012</b>       |                |               |              |                |
| <b>REVENUE</b>                            |                |               |              |                |
| External Sales                            | 192,449        | 50,104        | -            | 242,553        |
| Inter-segment sales                       | (4,492)        | (13,549)      | -            | (18,041)       |
| <b>Total Revenue</b>                      | <b>187,957</b> | <b>36,555</b> | <b>-</b>     | <b>224,512</b> |
| <b>RESULTS</b>                            |                |               |              |                |
| Segment results                           | 31,043         | 2,453         |              | 33,496         |
| Unallocated corporate expenses            |                |               |              | (549)          |
| Finance Cost                              |                |               |              | (2,437)        |
| Interest income                           |                |               |              | 236            |
| Profit before taxation                    |                |               |              | 30,746         |
| Taxation                                  |                |               |              | (7,284)        |
| Net profit for the period                 |                |               |              | 23,462         |
| Other comprehensive income                |                |               |              | (200)          |
| Total comprehensive income for the period |                |               |              | 23,262         |



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**A9. Segment Information - (Cont’d)**

**Geographical Segments Revenue & Results - (Cont’d)**

|   | Malaysia<br>RM’000 | Overseas<br>RM’000 | Eliminations<br>RM’000 | Consolidated<br>RM’000 |
|---|--------------------|--------------------|------------------------|------------------------|
| <b>Year Ended 30 September 2011</b>       |                    |                    |                        |                        |
| <b>REVENUE</b>                            |                    |                    |                        |                        |
| External Sales                            | 146,683            | 31,687             | -                      | 178,370                |
| Inter-segment sales                       | 2,033              | 12,282             | (14,315)               | -                      |
| Total Revenue                             | <u>148,716</u>     | <u>43,969</u>      | <u>(14,315)</u>        | <u>178,370</u>         |
| <b>RESULTS</b>                            |                    |                    |                        |                        |
| Segment results                           | 26,169             | 780                |                        | 26,949                 |
| Unallocated corporate expenses            |                    |                    |                        | (494)                  |
| Finance Cost                              |                    |                    |                        | (89)                   |
| Interest income                           |                    |                    |                        | 2                      |
| Profit before taxation                    |                    |                    |                        | <u>26,368</u>          |
| Taxation                                  |                    |                    |                        | (6,486)                |
| Net profit for the period                 |                    |                    |                        | <u>19,882</u>          |
| Other comprehensive income                |                    |                    |                        | 206                    |
| Total comprehensive income for the period |                    |                    |                        | <u>20,088</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:                             | <b>RM’000</b> |
| Purchase of property, plant and equipment and investment | 6,131         |

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

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



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**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 a revenue of RM 80.00 million for the current quarter ended 30 September 2012 as compared to RM 63.87 million in the previous year corresponding quarter, showing an increase of 25.3%. 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 NCI) of RM 8.47 million for the current quarter ended 30 September 2012 representing an increase of 25.9% as compared to previous year's corresponding quarter ended 30 September 2011 of RM 6.73 million mainly due to better performance derived from all segments.

The Group recorded revenue of RM 224.51 million for the nine months ended 30 September 2012 as compared to RM 178.37 million in the previous year corresponding nine months ended 30 September 2011, showing an increase of 25.9%. The results were achieved on the back of higher revenue derived from all segments.

PAT after NCI was approximately RM 20.46 million for the nine months ended 30 September 2012, showing a slight increase of RM1.74 million, representing an increase of 9.3% as compared to preceding year corresponding periods of RM 18.72 million mainly due to better performance derived 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 11.87 million for the current quarter ended 30 September 2012, representing an increase of RM 1.37 million (13.03%) as compared to preceding quarter ended 30 June 2012 of RM 10.50 million due to better performance in process equipment segment.

**B3. Prospects**

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 for the transformer and industrial lighting segment.

While the process equipment segment is expected to remain competitive in view of the challenging global economic condition, the Board is optimistic in achieving a better performance for this financial 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**

|              | 3rd Quarter ended        |                          | Nine Months Ended        |                          |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|
|              | 30-Sep<br>2012<br>RM'000 | 30-Sep<br>2011<br>RM'000 | 30-Sep<br>2012<br>RM'000 | 30-Sep<br>2011<br>RM'000 |
| Income tax   | 2,357                    | 2,579                    | 7,574                    | 6,576                    |
| Deferred tax | (28)                     | (148)                    | (290)                    | (90)                     |
| Total        | <u>2,329</u>             | <u>2,431</u>             | <u>7,284</u>             | <u>6,486</u>             |

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

**B6. Status of Corporate Proposals**

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.

**B7. Group Borrowings**

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

|                        | Payable within<br>12 months<br>RM'000 | Payable after 12<br>Months<br>RM'000 |
|------------------------|---------------------------------------|--------------------------------------|
| <u>Secured</u>         |                                       |                                      |
| Bank Borrowings        | 47,916                                | 29,215                               |
| Hire Purchase Payables | 858                                   | 1,269                                |
| Bank Overdraft         | 963                                   | -                                    |
| Total Borrowings       | <u>49,737</u>                         | <u>30,484</u>                        |

All the borrowings are denominated in Ringgit Malaysia.

**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.





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**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 30 September 2012 are computed as follow:-

|   | <b>3rd Quarter Ended</b> |                    | <b>Nine Months Ended</b> |                    |
|---|--------------------------|--------------------|--------------------------|--------------------|
|   | <b>30-Sep-2012</b>       | <b>30-Sep-2011</b> | <b>30-Sep-2012</b>       | <b>30-Sep-2011</b> |
| Profit attributable to owners of the parent (RM'000)                          | 8,466                    | 6,725              | 20,457                   | 18,722             |
| Weighted average number of ordinary shares RM0.50 each in STC in issue ('000) | 114,748                  | 113,656            | 114,748                  | 113,656            |
| Basic earning per share (sen)   | 7.38                     | 5.92               | 17.83                    | 16.47              |

**(b) Diluted**

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

**B11. Notes to the Statement of Comprehensive Income**

|  | <b>3rd Quarter ended</b> |                        | <b>Nine Months Ended</b> |                        |
|--|--------------------------|------------------------|--------------------------|------------------------|
|  | <b>30-Sep<br/>2012</b>   | <b>30-Sep<br/>2011</b> | <b>30-Sep<br/>2012</b>   | <b>30-Sep<br/>2011</b> |
|  | <b>RM'000</b>            | <b>RM'000</b>          | <b>RM'000</b>            | <b>RM'000</b>          |
| Other Income   | 204                      | 305                    | 650                      | 657                    |
| Depreciation   | 1,699                    | 1,265                  | 4,935                    | 2,485                  |
| Allowance for Doubtful Debts                             | 180                      | 219                    | 206                      | 10                     |
| Bad Debts Written Off                                    | -                        | -                      | -                        | -                      |
| Provision for Inventories                                | 80                       | -                      | 456                      | -                      |
| (Gain)/loss on disposal of properties, plant & equipment | (105)                    | (124)                  | (128)                    | (125)                  |
| (Gain)/loss on foreign exchange                          | (272)                    | (43)                   | (157)                    | (46)                   |



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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 30 September 2012, into realised and unrealised profits is as follows:

|  | <b>As at End of<br/>Current<br/>Quarter<br/>30-Sep-2012<br/>RM'000</b> | <b>As at End of<br/>Preceding<br/>Quarter<br/>30-Jun-2012<br/>RM'000</b> |
|--|--|--|
| Total retained profits of the Company and its subsidiaries :         |  |  |
| - Realised   | 229,939  | 219,211  |
| - Unrealised   | (6,399)  | (6,111)  |
|  | <u>223,540</u>   | <u>213,100</u>   |
| Total share of accumulated profit from jointly controlled entities : |  |  |
| - Realised   | (43)   | (21)   |
| - Unrealised   | -  | -  |
|  | <u>223,497</u>   | <u>213,079</u>   |
| Less : Consolidation adjustments                                     | (94,503)   | (92,305)   |
| Total group retained profits   | <u><u>128,994</u></u>  | <u><u>120,774</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  
26 November 2012