



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

Notes on the quarterly report – 31 March 2013

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 2013, 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 and should be read in conjunction with the Group’s Audited Financial Statements for the year ended 31 December 2012.. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

A2. Changes in Accounting Policies

The Significant accounting policies and the methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statement for the financial year ended 31 December 2012.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2013 did not have significant impact on the unaudited condensed consolidated financial statements upon their initial application.

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for financial periods beginning on or after
MFRS 10	Consolidated Financial Statement	1 January 2013
MFRS 11	Joint Agreements	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (as amended in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investment in Associated and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS1	First-time Adoption of MFRS – Government Loans	1 January 2013
Amendments to MFRS1	First-time Adoption of MFRS – (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
Amendments to MFRS 7	Disclosures- Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS10	Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS11	Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS12	Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS116	Property, Plant and Equipment – (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
Amendments to MFRS132	Financial Instruments: Presentation (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
Amendments to MFRS134	Interim Financial Reporting: (Annual Improvement 2009 – 2011 Cycle)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013



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

MFRS and Amendments to MFRS that are applicable to the Group but not yet effective

The Group did not early adopt the following standards that have been issued by the Malaysian Accounting Standards Board as these are effective for financial period beginning on or after 1 January 2014:

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for financial periods beginning on or after
Amendments to MFRS132	Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities	1 January 2014
MFRS 9	Financial Instruments (2009)	1 January 2015
MFRS 9	Financial Instruments (2010)	1 January 2015
Amendments to MFRS7	Financial Instruments: Disclosure – Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2012 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 2013.

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 2013.

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 3 months ended 31 March 2013, the Company:

- Repurchased 16,000 of its issued share capital from the open market at an average cost of RM 1.00 per share. The total consideration paid for the share buy-back of STC shares during the financial period 3 months ended 31 March 2013, including transaction costs was RM 16,048 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 2013, the number of treasury shares held was 5,672,177 STC shares with an average cost of RM 1.14 per share.

A8. Dividend Paid

During the financial period 3 months ended 31 March 2013, 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
Three Months Ended 31 March 2013				
REVENUE				
External Sales	44,771	20,520	-	65,291
Inter-segment sales	-	-	-	-
Total Revenue	<u>44,771</u>	<u>20,520</u>	<u>-</u>	<u>65,291</u>
RESULTS				
Segment results	11,195	2,003	(3,487)	9,711
Share of loss in associate companies	-	(42)	-	(42)
Unallocated corporate expenses				(179)
Finance cost				(1,018)
Interest income				<u>39</u>
Profit before taxation				8,511
Taxation				<u>(2,117)</u>
Net profit for the period				6,394
Other comprehensive income				247
Total comprehensive income for the period				<u>6,641</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
Three Months Ended 31 March 2012				
REVENUE				
External Sales	43,160	21,281	-	64,441
Inter-segment sales	148	-	(148)	-
Total Revenue	43,308	21,281	(148)	64,441
RESULTS				
Segment results	7,674	2,562	(744)	9,492
Share of profit from associate companies	-	4	-	4
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				264
Total comprehensive income for the period				6,862

Geographical Segments Revenue & Results

	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
Three Months Ended 31 March 2013				
REVENUE				
External Sales	55,754	14,105	-	69,859
Inter-segment sales	(1,795)	(2,773)	-	(4,568)
Total Revenue	53,959	11,332	-	65,291
RESULTS				
Segment results	9,488	223	-	9,711
Share of loss from associate companies	(42)	-	-	(42)
Unallocated corporate expenses				(179)
Finance cost				(1,018)
Interest income				39
Profit before taxation				8,511
Taxation				(2,117)
Net profit for the period				6,394
Other comprehensive income				247
Total comprehensive income for the period				6,641



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A9. Segment Information - (Cont’d)

Geographical Segments Revenue & Results - (Cont’d)

	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
Three Months Ended 31 March 2012				
REVENUE				
External Sales	53,379	15,950	-	69,329
Inter-segment sales	(897)	(3,991)	-	(4,888)
Total Revenue	<u>52,482</u>	<u>11,959</u>	-	<u>64,441</u>
RESULTS				
Segment results	8,532	960	-	9,492
Share of profit from associate companies	4	-	-	4
Unallocated corporate expenses				(239)
Finance cost				(755)
Interest income				113
Profit before taxation				<u>8,615</u>
Taxation				(2,017)
Net profit for the period				<u>6,598</u>
Other comprehensive income				264
Total comprehensive income for the period				<u>6,862</u>

A10. Valuation of Property, Plant & Equipment

There were no revaluations of property plant and equipment. All property, plant and equipment were stated at cost less accumulated depreciation.

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	11,133

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.

A13. Changes in the composition of the Group

There was no change 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 65.29 million for the current quarter ended 31 March 2013 as compared to RM 64.44 million in the previous year corresponding quarter, showing an increase of 1.3%.

Net profit attributable to owners of the parent (PAT after NCI) of RM 5.91 million for the current quarter ended 31 March 2013 representing an increase of 5.2% as compared to previous year's corresponding quarter ended 31 March 2012 of RM 5.62 million mainly due to better performance derived from transformer and industrial lighting 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 8.51 million for the current quarter ended 31 March 2013, representing a decrease of RM 1.47 million (14.75%) as compared to preceding quarter ended 31 December 2012 of RM 9.98 million was mainly due to decrease of sales from all segments.

B3. Prospects

The group expects challenging and stiff competition in the domestic and regional market in respect of the transformer and industrial lighting segment. Nevertheless, the group is leveraging on its strong track record, extensive customer networking and wider range of products in expanding and penetrating both existing and new markets. The group also steps up its effort to enhance its competitiveness, cost effectiveness and productivity in its operations.

The process equipment segment is expected to remain challenging. The group is still optimistic in securing more new projects in view of encouraging enquiries from other industries such as oil and gas, power plant and petrochemical.

Barring any unforeseen circumstances, the Group aims to achieve comparable financial performance in 2013.

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	
	31-Mar 2013 RM'000	31-Mar 2012 RM'000
Income tax	2,355	2,520
Deferred tax	(238)	(503)
Total	<u>2,117</u>	<u>2,017</u>

The effective tax rate for the current quarter and financial year under review was maintained at the statutory tax rate of 25%.

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 12 months RM'000	Payable after 12 Months RM'000
<u>Secured</u>		
Bank Borrowings	40,682	41,361
Hire Purchase Payables	1,019	1,721
Bank Overdraft	1,527	-
Total Borrowings	<u>43,228</u>	<u>43,082</u>

Details of the borrowings denominated in each currency are as follows.

	Amount RM'000
Malaysian Ringgit	83,830
Singaporean Dollar	2,263
Indonesian Rupiah	217
Total Borrowings	<u>86,310</u>



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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 2013, the Board of Directors had declared an interim tax exempt dividend of RM0.03 per share (Previous corresponding period: RM 0.03 per share) on 116,522,223 ordinary shares amounting to RM 3,495,667 on 22 April 2013.

The entitlement to the interim dividend will be determined based on the shareholders registered in the record of depositors as at 22 May 2013 and the date of payment will be on 7 June 2013.

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 2013 are computed as follow:-

	1st Quarter Ended	
	31-Mar-2013	31-Mar-2012
Profit attributable to owners of the parent (RM'000)	5,913	5,621
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	112,704	115,045
Basic earning per share (sen)	5.25	4.89

(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 2013 RM'000	31-Mar 2012 RM'000
Other income	(277)	(397)
Depreciation	1,746	1,614
Reversal of impairment loss of trade receivables	525	-
Bad debts written off	-	3
Write down of inventories	-	377
(Gain)/loss on disposal of properties, plant & equipment	(74)	-
(Gain)/loss on foreign exchange	(154)	74



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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 2013, into realised and unrealised profits is as follows:

	As at End of Current Quarter 31-Mar-2013 RM'000	As at End of Preceding Quarter 31-Dec-2012 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	239,891	233,990
- Unrealised	(4,959)	(5,366)
	<u>234,932</u>	<u>228,624</u>
Total share of accumulated profit from jointly controlled entities :		
- Realised	(42)	(17)
- Unrealised		
	<u>234,890</u>	<u>228,607</u>
Less : Consolidation adjustments	(93,064)	(92,694)
Total group retained profits	<u><u>141,826</u></u>	<u><u>135,913</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
27 May 2013