



Notes on the quarterly report – 30 September 2007

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

A1. Basis of preparation

The condensed interim financial statements for the 3rd quarter ended 30 September 2007 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 2006.

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 2006.

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 2006 except for the adoption of Amendment to FRS 119 Employee Benefits (Amended "FRS 119") issued by MASB that is effective for the Group's annual reporting date, 31 December 2007. The adoption of Amended FRS 119 does not have significant financial impact on the financial results of the Group.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2006 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 2007. However, the Process Equipment's business operation results is very much depends on the timing of completion of each project.



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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 2007.

A6. Changes in accounting estimates

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

A7. Issuances and repayment of debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review.

A8. Dividend

During the financial period ended 30 September 2007, an interim tax-exempt dividend of 5% in respect of the current financial year amounting to RM 3 million was paid on 15 August 2007.

A9. Segment information

The Group is principally engaged in the manufacturing and trading of electrical industrial equipment and process equipment.



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A9. Segment information (Continued)

Business Segments

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter 30-Sep-07 RM'000	Preceding Year Corresponding Quarter 30-Sep-06 RM'000	Current Year To Date 30-Sep-07 RM'000	Preceding Year Corresponding Period 30-Sep-06 RM'000
Revenue				
- Transformer, lighting & related products	25,005	20,100	69,000	59,547
- Process equipment	11,514	-	32,921	-
	<u>36,519</u>	<u>20,100</u>	<u>101,921</u>	<u>59,547</u>
Profit after tax and Minority interest				
- Transformer, lighting & related products	3,424	2,459	10,051	8,404
- Process equipment	959	-	2,454	-
	<u>4,383</u>	<u>2,459</u>	<u>12,505</u>	<u>8,404</u>

Geographical Segment

The Group operates principally in Malaysia, therefore geographical segment is analysed based on geographical location of its customers. The analysis of segment results is not presented because it is not practicable to allocate operating expenses as the basis for making these allocations is arbitrary. Segment revenue from external customers by geographical area based on the geographical location of its customers is shown as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter 30-Sep-07 RM'000	Preceding Year Corresponding Quarter 30-Sep-06 RM'000	Current Year To Date 30-Sep-07 RM'000	Preceding Year Corresponding Period 30-Sep-06 RM'000
Revenue				
- Local	25,659	15,759	72,843	48,397
- Export	10,860	4,341	29,078	11,150
	<u>36,519</u>	<u>20,100</u>	<u>101,921</u>	<u>59,547</u>



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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 valuations 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 2006.

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 save as disclosed in Note A8 and B8.

A12. Changes in the composition of the Group

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

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.



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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 approximately RM 36.5 million and RM 101.9 million respectively for the current quarter and financial year-to-date under review as compared to RM 20.1 million and RM 59.5 million in the previous corresponding quarter and period ended 30 September 2006, a strong increase of approximately 81.7% and 71.2% respectively. This substantial increase was mainly due to higher sales volume from both local and export sales with Seremban Engineering Sdn Bhd (SESB) contributes approximately RM 11.5 million and RM 32.9 million respectively.

Profit after tax (PAT) improved to approximately RM 4.4 million and RM 12.5 million for the current quarter and financial year-to-date, increased by approximately 78.2% and 48.8% respectively as compared to previous corresponding quarter and period ended 30 September 2006 of RM 2.5 million and RM 8.4 million. This was achieved on the back of higher sales volume from transformer and industrial lighting segment coupled with SESB's profits contribution of approximately RM 1 million and RM 2.5 million respectively.

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 6.5 million for the 3rd quarter ended 30 September 2007 shows a decrease of RM 2.2 million as compared to the PBT of RM 8.7 million for the preceding quarter ended 30 June 2007 mainly due to decrease in sales recorded from process equipment segment coupled with increase mainly in marketing and promotional expenses.

B3. Prospects 2007

We expect the outlook for the manufacturing of transformers, industrial lightings and process equipment to continue to remain competitive. Nevertheless, the Group will continue in intensifying its effort to focus on strengthening its existing markets as well as expanding its new markets, both locally and overseas. Furthermore, SESB has shown significant contribution to the Group. In fact, the Group has already surpassed 2006 full year performance with its nine months' result. Hence, barring any unforeseen circumstances, the Board is confident that the Group is on track to achieve its target of double-digit profit growth for the year 2007, exceeding the growth rate achieved last 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 2007	30-Sep 2006	30-Sep 2007	30-Sep 2006
	RM'000	RM'000	RM'000	RM'000
Income tax	1,395	934	5,098	3,096
Deferred tax	84	67	135	81
Total	1,479	1,001	5,233	3,177

The effective tax rate for the current quarter and financial under review was lower than the statutory tax rate of 27% due to the utilization of reinvestment 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:

	3rd Quarter ended 30 September 2007 RM'000
At cost	5
At book value	2
At market value	4



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B8. 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	18,647	2,687
Hire purchase payables	<u>227</u>	<u>647</u>
Total Borrowing	<u>18,874</u>	<u>3,334</u>

All the borrowings are denominated in Ringgit Malaysia.

B9. 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.

B10. 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 1,104,700 to the Defendant. SESB is now seeking damages of RM 1,454,700 together with interest against the Defendant. The matter is now at an interlocutory stage and no dates have been fixed by the court as of to-date. The solicitors are of the view that SESB's chances of success on the matter to be fair.

B11. Dividend

During the financial period ended 30 September 2007, an interim tax-exempt dividend of 5% in respect of the current financial year amounting to RM 3 million was paid on 15 August 2007.



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B12. 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 30 September 2007 are computed as follow:-

	3rd Quarter ended		9 months ended	
	30 Sep	30 Sep	30 Sep	30 Sep
	2007	2006	2007	2006
Net Profit attributable to equity holders of the parent (RM'000)	4,383	2,459	12,505	8,404
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	118,625	112,000	118,625	112,000
Basic earning per share (sen)	3.69	2.20	10.54	7.50

(b) Diluted

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

By order of the Board

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Tan Ah Bah @ Tan Ah Ping
Managing Director
29 November 2007