



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

Notes on the quarterly report – 30 June 2010

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

A1. Basis of preparation

The condensed interim financial statements for the 2nd quarter ended 30 June 2010 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 2009. 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 2009.

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 2009, 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 2010.

FRSs, Amendments to FRSs and Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentations of Financial Statements (Revised 2009)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Statement of Cash Flows
Amendments to FRS 108	Accounting policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events after Reporting Period
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 123	Borrowing Costs



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A2. Changes in Accounting Policies (cont’d)

Amendments to FRS 127	Consolidated and Separate Financial Statements: Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 128	Investments in Associates
Amendments to FRS 131	Interest in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2-Group and Treasury Share Transactions

Other than the application FRS 8, FRS 101, Amendment to FRS 117, and Amendment to FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretations do not have any material impact on the financial position and results of the Group.

(a) FRS 8 : Operating Segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group’s segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any material impact on the financial position and results of the Group.

(b) FRS 101(revised) : Presentation of Financial Statements

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard. This standard does not have any material impact on the financial position and results of the Group.

(c) Amendments to FRS 117(revised) : Leases

Amendments to FRS 117 remove the classification of leases of land and of buildings, and instead, require assessment of classification based on the risks and rewards of the lease itself. The reassessment of land elements of unexpired leases shall be made retrospectively in accordance with FRS 108. Therefore, the Group has reclassified the prepaid lease payments for land as land held in accordance with FRS116. This amendment shall be presented on the statement of financial position as at the beginning of the earliest comparative period in accordance with FRS 101.



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	As Previously Reported	Effects on adoption of FRS117	As Restated
	RM'000	RM'000	RM'000
Property, plant & equipment	57,390	5,479	62,869
Prepaid lease payments	5,479	(5,479)	-

(d) FRS 139 : Financial Instruments : Recognition and Measurement

Forward foreign currency exchange contracts of the Group have been measured at fair value and the changes in the fair value are recognized in the income statement.

In accordance with the transitional provision of FRS 139, the above changes are applied prospectively and the comparative as at 31 December 2009 are not restated.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2009 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 June 2010. 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 30 June 2010.

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

(a) Initial Public Offering (“IPO”)

In conjunction with the flotation exercise of Seremban Engineering Berhad (“SEB”), our Company, being the holding company of SEB, made a restricted offer for sale of 8,072,000 shares, representing 10.09% of the enlarged issued and paid-up share capital of SEB (“Offer Shares”). The allocation of Offer Shares reserved for Entitled Shareholders on the basis of 1 ordinary SEB share of RM0.50 each (“SEB Share”) for every 15 existing STC Shares of RM0.50 each (“STC Share”) for a total of 8,000,000 shares and 72,000 shares reserved for Bumiputera investors approved by the Ministry of International Trade and Industry (“MITI”) by way of private placement.

Besides, SEB had undertake a public issue of 19,928,000 new SEB Shares, representing 24.91% of enlarged issued and paid-up share capital of SEB, comprises

- 9,928,000 new SEB Shares issued pursuant to the public issue (“Issue Shares”) reserved for investors approved by MITI.
- 3,500,000 Issue Shares to the eligible Directors and employees of STC Group, SEB Group (“Success Group”) and persons who have contributed to the Success Group;- and
- 6,500,000 Issue Shares to Malaysian Public.

Subsequently, all shares have been successfully allotted and placed out pursuant to the announcements dated 2 April 2010, 3 May 2010 and, on 10 May 2010, the entire enlarged issued and paid-up share capital of SEB was admitted to the Official List of Bursa Malaysia Securities Berhad (“Bursa Securities”) and listed in the Main Market of Bursa Securities.

(b) Share buy-back and treasury shares sold

During the 2nd quarter ended 30 June 2010, the company had bought back a total of 6,265,700 STC Shares of its issued share capital from the open market at an average cost of RM 1.19 per share. The total consideration paid for the share buy-back of STC shares during the 2nd quarter ended 30 June 2010, including transaction costs was RM 7,468,107.91 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 June 2010, the number of treasury shares held was 6,376,100 STC Shares.

Save as disclosed above, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

A8. Dividend Paid

During the financial period ended 30 June 2010, an interim tax-exempt dividend of 7% per ordinary share in respect of the current financial year amounting to RM4,153,354.03 was paid on 16 June 2010.



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A9. Segment information

Business Segments Revenue & Results

	Transformer, Industrial lighting & related products RM'000	Process equipment RM'000	Eliminations RM'000	Consolidated RM'000
Six Months Ended				
30 June 2010				
REVENUE				
External Sales	71,659	16,232	-	87,891
Inter-segment sales	-	-	-	-
Total Revenue	<u>71,659</u>	<u>16,232</u>	<u>-</u>	<u>87,891</u>
RESULTS				
Segment results	16,477	684	-	17,161
Unallocated corporate expenses				(335)
Finance Cost				(62)
Interest income				<u>32</u>
Profit before taxation				16,796
Taxation				<u>(4,107)</u>
Net profit for the period				12,689
Other comprehensive income				(408)
Total comprehensive income for the period				<u>12,281</u>

	Transformer, Industrial lighting & related products RM'000	Process equipment RM'000	Eliminations RM'000	Consolidated RM'000
Six Months Ended				
30 June 2009				
REVENUE				
External Sales	61,392	36,002	-	97,394
Inter-segment sales	-	-	-	-
Total Revenue	<u>61,392</u>	<u>36,002</u>	<u>-</u>	<u>97,394</u>
RESULTS				
Segment results	11,950	6,016	(33)	17,933
Unallocated corporate expenses				(271)
Finance Cost				(133)
Interest income				<u>1</u>
Profit before taxation				17,530
Taxation				<u>(4,331)</u>
Net profit for the period				13,199
Other comprehensive income				62
Total comprehensive income for the period				<u>13,261</u>



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A9. Segment information (Continued)

Geographical Segments Revenue & Results

	Malaysia RM'000	Australia RM'000	Kenya RM'000	China RM'000	Eliminations RM'000	Consolidated RM'000
Six Months Ended						
30 June 2010						
REVENUE						
External Sales	71,735	-	-	16,156	-	87,891
Inter-segment sales	359	-	-	6,925	(7,284)	-
Total Revenue	<u>72,094</u>	-	-	<u>23,081</u>	<u>(7,284)</u>	<u>87,891</u>
RESULTS						
	16,232	(81)	(12)	1,022	-	17,161
Unallocated corporate expenses						(335)
Finance Cost						(62)
Interest income						<u>32</u>
Profit before taxation						<u>16,796</u>
Taxation						<u>(4,107)</u>
Net profit for the period						<u>12,689</u>
Other comprehensive income						(408)
Total comprehensive income for the period						<u>12,281</u>
	Malaysia RM'000	China RM'000	Eliminations RM'000	Consolidated RM'000		
Six Months Ended						
30 June 2009						
REVENUE						
External Sales	86,446	10,948	-	97,394		
Inter-segment sales	-	8,365	(8,365)	-		
Total Revenue	<u>86,446</u>	<u>19,313</u>	<u>(8,365)</u>	<u>97,394</u>		
RESULTS						
	16,715	1,218	-	17,933		
Unallocated corporate expenses					(271)	
Finance Cost					(133)	
Interest income					<u>1</u>	
Profit before taxation					<u>17,530</u>	
Taxation					<u>(4,331)</u>	
Net profit for the period					<u>13,199</u>	
Other comprehensive income					62	
Total comprehensive income for the period					<u>13,261</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 2009.



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A11. Capital Commitments

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

	RM’000
Approved and contracted for:	
Purchase of property, plant and equipment	6,958

A12. Material events subsequent to the end of the interim period

There are no material events subsequent to 30 June 2010 that has not been reflected in the financial statements

A13. Changes in the composition of the Group

Listing of Seremban Engineering Berhad (SEB)

The entire enlarged issued and paid-up share capital of SEB was admitted to the Official List of Bursa Securities and the SEB Shares were listed and quoted on the Main Market of Bursa Securities on 10 May 2010.

With the listing of SEB on the Main Market of Bursa Securities on 10 May 2010, SEB changed from a wholly owned subsidiary of STC to become a 65% owned subsidiary of STC.

Incorporation of Subsidiary in Australia

The Company had on 5 May 2010 incorporated a wholly owned subsidiary, SE Oceania Pty Limited (“SEO”) in Australia with an issued share capital of AUD\$10,000.00 comprising 10,000 ordinary shares of AUD\$1.00 each.

Incorporation of JV Company in Kenya

The Company had on 8 June 2010 incorporated a 51% owned subsidiary in the Republic of Kenya pursuant to the Shareholders Agreement entered into on the same date, with Nikkon Lighting & Trading Co. Kenya Limited and AG Horizons Limited. The JV Company is known as “Nikkon Success Kenya Limited” with registered share capital of Kshs 1,200,000 divided into 12,000 ordinary shares of Kshs 100.00 each with a premium of Kshs 9,900 on each ordinary share

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 48.5 million for the current quarter ended 30 June 2010 as compared to RM 51.9 million in the previous year corresponding quarter, showing a decrease of 6.6% mainly due to decrease in sales for process equipment segment which was partly offset by favorable results from both transformer & industrial lightings segment.

Net profit attributable to owners of the parent (PAT) of RM 6.9 million for the current quarter ended 30 June 2010 representing a slight increase of 1.5% as compared to previous year corresponding quarter ended 30 June 2009 of RM 6.8 million mainly due to increase in sales of transformer and industrial lightings segment.

The Group recorded revenue of RM 87.9 million for the six months financial period ended 30 June 2010 as compared to RM 97.4 million in the previous year corresponding financial period ended 30 June 2009, showing a decrease of 9.8% mainly due to decrease in sales from process equipment segment.

PAT of RM 12.1 million for the six months financial period ended 30 June 2010 representing a decrease of 6.2% as compared to previous year corresponding financial period ended 30 June 2009 of RM 12.9 million mainly due to decrease in sales for process equipment segment which was partly offset by favorable results from both transformer & industrial lightings 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 achieved profit before tax (PBT) of RM 9.6 million for the current quarter ended 30 June 2010, representing an increase of 33.3% as compared to preceding quarter ended 31 March 2010 of RM 7.2 million. This favorable result was contributed by all the business segments.

B3. Prospects 2010

The Group expects the outlook for global economy to remain challenging. To this effect, the Group will intensify its marketing effort in aggressively expanding and penetrating into new markets while widening its range of products. In addition, the Group will also strengthen its effort to increase operational efficiency, productivity, products and services improvement to deliver satisfactory performance in 2010.



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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

	2nd Quarter ended		Six months ended	
	30-Jun 2010 RM'000	30-Jun 2009 RM'000	30-Jun 2010 RM'000	30-Jun 2009 RM'000
Income tax	2,252	2,272	4,091	4,376
Deferred tax	(87)	55	16	(45)
Total	<u>2,165</u>	<u>2,327</u>	<u>4,107</u>	<u>4,331</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 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 in the current quarter and financial year to date.

B8. (a) Corporate Proposals

Saved as disclosed in A13, there were no changes in the composition of the Group during the current quarter under review.

(b) Utilization of proceeds

As at the date of this report, the total gross proceeds of RM 6,861,200 was raised from the Offer for sales of 8,072,000 SEB ordinary shares of RM 0.50 each at an offer price of RM 0.85 in conjunction with SEB listing on the Main Market of Bursa Securities on 10 May 2010. The proceeds had been fully utilized according to its proposed usage for payment of all expenses relating to the Offer Shares and working capital to subsidiary companies.



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B9. 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	8,733	4,577
Hire purchase payables	481	714
Total Borrowing	<u>9,214</u>	<u>5,291</u>

All the borrowings are denominated in Ringgit Malaysia.

B10. Off balance sheet financial instrument

Structured foreign exchange contracts entered into by subsidiary companies and outstanding as at date of this report as follows:

Type of Derivatives	Contract Value	Fair Value
Bank Buy (Less than 1 year)		
SGD	396,480	390,818
EUR	219,447	220,013
Bank Sell (Less than 1 year)		
EUR	96,411	95,078

The derivatives have been recorded on the Consolidated Statement of Financial Position for this reporting period in compliance with FRS 139.

The above instrument is executed with credit worthy financial institutions in Malaysia and as such credit and counterparties risks are minimal.

B11. 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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B12. Proposed Dividends

There were no dividends proposed during the quarter under review.

B13. 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 June 2010 are computed as follow:-

	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2010	2009	2010	2009
Profit attributable to owners of the parent (RM'000)	6,868	6,837	12,066	12,902
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	118,690	119,360	118,690	119,360
Basic earning per share (sen)	5.79	5.73	10.17	10.81

(b) Diluted

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

By order of the Board

Tan Ah Bah @ Tan Ah Ping
Managing Director
23 August 2010