



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

Notes on the quarterly report – 31 March 2011

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

A1. Basis of Preparation

The condensed interim financial statements for the 1st quarter ended 31 March 2011 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 2010. 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 2010.

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 2010, 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 2011.

FRSs, Amendments to FRSs and Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Improvements to FRSs (2010)	

The initial application of the abovementioned standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group except for the following:

- (i) FRS 3 (revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.



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

Notes on the quarterly report – 31 March 2011

- (ii) FRS 127 (revised) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (revised) prospectively and therefore, there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for its future transactions or arrangements.

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2010 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 2011. 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 31 March 2011.

A6. Changes in Accounting Estimates

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

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 period for three months ended 31 March 2011, the company had bought back a total of 217,000 STC Shares of its issued share capital from the open market at an average cost of RM 1.03 per share. The total consideration paid for the share buy-back of STC shares during the financial period for three months ended 31 March 2011, including transaction costs was RM 223,146 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 2011, the number of treasury shares held was 7,486,900 STC Shares.

A8. Dividend Paid

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



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

Notes on the quarterly report – 31 March 2011

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 2011				
REVENUE				
External Sales	36,332	16,489	-	52,821
Inter-segment sales	-	-	-	-
Total Revenue	<u>36,332</u>	<u>16,489</u>	<u>-</u>	<u>52,821</u>
RESULTS				
Segment results	7,149	150	-	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				(173)
Total comprehensive income for the period				<u>5,148</u>

	Transformer, Industrial lighting & related products RM’000	Process equipment RM’000	Eliminations RM’000	Consolidated RM’000
Three Months Ended 31 March 2010				
REVENUE				
External Sales	33,015	6,352	-	39,367
Inter-segment sales	-	-	-	-
Total Revenue	<u>33,015</u>	<u>6,352</u>	<u>-</u>	<u>39,367</u>
RESULTS				
Segment results	7,735	(262)	-	7,473
Unallocated corporate expenses				(250)
Finance Cost				(32)
Interest income				<u>-</u>
Profit before taxation				7,191
Taxation				<u>(1,941)</u>
Net profit for the period				5,250
Other comprehensive income				(557)
Total comprehensive income for the period				<u>4,693</u>



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

Notes on the quarterly report – 31 March 2011

A9. Segment Information (Continued)

Geographical Segments Revenue & Results

	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
Three Months Ended 31 March 2011				
REVENUE				
External Sales	45,484	7,337	-	52,821
Inter-segment sales	379	3,124	(3,503)	-
Total Revenue	45,863	10,461	(3,503)	52,821
RESULTS				
Segment results	7,135	164	-	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
	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
Three Months Ended 31 March 2010				
REVENUE				
External Sales	32,879	6,488	-	39,367
Inter-segment sales	-	2,783	(2,783)	-
Total Revenue	32,879	9,271	(2,783)	39,367
RESULTS				
Segment results	7,030	443	-	7,473
Unallocated corporate expenses				(250)
Finance Cost				(32)
Interest income				-
Profit before taxation				7,191
Taxation				(1,941)
Net profit for the period				5,250
Other comprehensive income				(557)
Total comprehensive income for the period				4,693

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 2010.



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

Notes on the quarterly report – 31 March 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	17,270

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

Save as disclosed below, there are no material events subsequent to 31 March 2011 that has not been reflected in the financial statements.

On 18 April 2011, the Company had subscribed for 6,000 ordinary shares of RM1.00 each representing 60% of the enlarged issued and paid-up share capital of EOS Lighting Sdn Bhd (formerly known as Beyond Essence Sdn Bhd (Company No: 927394-U) for a total cash consideration of RM6,000.

The Company is principally engaged in manufacturing of lighting equipment as well as to support the Group’s expansion plan.

A13. Changes in the composition of the Group

There were no changes in the composition of the Group during the 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



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

Notes on the quarterly report – 31 March 2011

PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

The Group recorded revenue of RM 52.82 million for the current quarter ended 31 March 2011 as compared to RM 39.37 million in the previous year corresponding quarter, showing an increase of 34.18%. 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 MI) of RM 5.25 million for the current quarter ended 31 March 2011 representing a slight increase of 0.87% as compared to previous year corresponding quarter ended 31 March 2010 of RM 5.20 million.

B2. Variation of results against preceding quarter

The Group recorded a profit before tax (PBT) of RM 7.05 million for the current quarter ended 31 March 2011, representing a decrease of 30.70% as compared to preceding quarter ended 31 December 2010 of RM 10.17 million was mainly due to the decrease of sales in all segments and lower profit margin in process equipment segment.

B3. Prospects

Generally, the Malaysian economy boosted by the favorable regional economics outlook with strong domestic demand is projected to grow by 6% in 2011.

In respect of the transformer and industrial lighting segment, 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 in expanding its in house LED manufacturing division to enhance and strengthen its customers' base.

As to the process equipment segment, the Group expects to further expand its market presence in the fabrication of process equipment and it has also been concentrating its effort in the oil and gas industry in view of the good prospects in this industry. The Board is confident of making inroads into this industry which is expected to contribute positively to the Group in this financial year.

Barring any unforeseen circumstances, the Group aims to record satisfactory financial performance in 2011.



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

Notes on the quarterly report – 31 March 2011

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 and Year-to -date ended	
	31-Mar-2011	31-Mar-2010
	RM'000	RM'000
Income tax	1,698	1,838
Deferred tax	28	103
Total	<u>1,726</u>	<u>1,941</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. 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. 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.



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

Notes on the quarterly report – 31 March 2011

B9. Group Borrowings

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

<u>Secured</u>	Payable within 12 months RM'000	Payable after 12 Months RM'000
Bank Borrowings	20,805	9,619
Hire Purchase Payables	415	557
Total Borrowings	21,220	10,176

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
Forward Foreign Currency Contract		
Bank Buy (Less than 1 year) SGD 277,000	661,178	663,332

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. There are no transaction costs at the inception of these contracts. The Group is exposed to minimal cash flow risk in view of its healthy cash position.

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.



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

Notes on the quarterly report – 31 March 2011

B12. Proposed Dividends

In respect of financial year ending 31 December 2011, the Board of Directors had on 15 April 2011 declared

- (i) an interim tax exempt cash dividend of 1 sen per ordinary share (2010: 3.5 sen per ordinary share); and
- (ii) the distribution of share dividend on the basis of 100 treasury shares listed and quoted on the Main Market of Bursa Securities for every 4,000 ordinary shares of RM 0.50 each held in the Company, fractions of treasury share to be disregarded. These are computed based on the issued and paid-up capital as at 15 April 2011, excluding treasury shares held by the Company, of 112,513,100 ordinary share of RM 0.50 each,

which to be paid and distributed to shareholders on 9 June 2011. The entitlement to the interim dividend will be determined on the basis of Record of Depositors on 11 May 2011.

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 31 March 2011 are computed as follow:-

	1st Quarter and Year-to-date ended	
	31-Mar-2011	31-Mar-2010
Profit attributable to owners of the parent (RM'000)		
	5,247	5,201
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)		
	112,658	119,527
Basic earning per share (sen)	4.66	4.35

(b) Diluted

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

B14. 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.



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

Notes on the quarterly report – 31 March 2011

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 2011, into realised and unrealised profits is as follows:

	As at End of Current Quarter 31-Mar-2011 RM'000	As at End of Preceding Quarter 31-Dec-2010 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	185,884	179,874
- Unrealised	<u>(6,642)</u>	<u>(6,485)</u>
	179,242	173,389
Total share of accumulated profit from jointly controlled entities :		
- Realised	1	13
- Unrealised	<u>-</u>	<u>-</u>
	179,243	173,402
Less : Consolidation adjustments	(81,998)	(81,403)
Total group retained profits	<u><u>97,245</u></u>	<u><u>91,999</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
23 May 2011