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

Notes on the quarterly report – 30 June 2011

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 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.

A2. Changes in Accounting Policies – (Cont'd)

FRSs, Amendments to FRSs and Interpretations - (Cont'd)

(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 losses 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 30 June 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 30 June 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 six months ended 30 June 2011, the Company:

- Repurchased 242,000 of its issued share capital from the open market at an average cost of RM 1.02 per share. The total consideration paid for the share buy-back of STC shares during the financial period for six months ended 30 June 2011, including transaction costs was RM 248,893 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.
- Distributed 2,812,723 treasury shares as share dividend to its shareholder.

As at 30 June 2011, the number of treasury shares held was 4,699,177 STC Shares.

A8. Dividend Paid

During the financial period for six months ended 30 June 2011, the following dividends were declared and paid on 9 June 2011.

- tax exempt interim cash dividend of 2% or 1 sen per ordinary share amounting RM1,125,131.00

- total of 2,812,723 treasury share amounting to RM3,342,247.73 was distributed as share dividend to shareholder of the Company on the basis of 100 treasury shares listed and quoted on the Main Market of Bursa Securities for every 4,000 ordinary shares of RM0.50 each held in the Company, fractions of treasury share to be disregarded.

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 2011				
REVENUE				
External Sales	79,340	35,165	-	114,505
Inter-segment sales	-	-	-	-
Total Revenue	79,340	35,165	-	114,505
RESULTS				
Segment results	15,774	1,468	-	17,242
Unallocated corporate expenses				(432)
Finance Cost				(59)
Interest income				1
Profit before taxation				16,752
Taxation				(4,055)
Net profit for the period				12,697
Other comprehensive income				(165)
Total comprehensive income for the period				12,532

A9. Segment Information - (Cont'd)

Business Segments Revenue & Results - (Cont'd)

	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	71,659	16,232	-	87,891
RESULTS				
Segment results	16,477	684	-	17,161
Unallocated corporate expenses				(335)
Finance Cost				(62)
Interest income				32
Profit before taxation				16,796
Taxation				(4,107)
Net profit for the period				12,689
Other comprehensive income				(408)
Total comprehensive income for the period				12,281

Geographical Segments Revenue & Results

	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
Six Months Ended 30 June 2011				
REVENUE				
External Sales	94,870	19,635	-	114,505
Inter-segment sales	784	6,818	(7,602)	-
Total Revenue	95,654	26,453	(7,602)	114,505
RESULTS				
Segment results	16,542	700	-	17,242
Unallocated corporate expenses				(432)
Finance Cost				(59)
Interest income				1
Profit before taxation				16,752
Taxation				(4,055)
Net profit for the period				12,697
Other comprehensive income				(165)
Total comprehensive income for the period				12,532

A9. Segment Information - (Cont'd)

Geographical Segments Revenue & Results - (Cont'd)

	Malaysia RM'000	Overseas 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	72,094	23,081	(7,284)	87,891
RESULTS				
Segment results	16,232	929	-	17,161
Unallocated corporate expenses				(335)
Finance Cost				(62)
Interest income				32
Profit before taxation				16,796
Taxation				(4,107)
Net profit for the period				12,689
Other comprehensive income				(408)
Total comprehensive income for the period				12,281

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.

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	13,370

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

Save as disclosed below, there are no material events subsequent to 30 June 2011 that has not been reflected in the financial statements.

Incorporation of Nikkon Holding Pte. Ltd.

The Company had on, 15 July 2011, incorporated a wholly owned subsidiary, Nikkon Holding Pte. Ltd. ("NHPL") in Singapore. NHPL has an issued and paid-up share capital of SGD$1,000.00 (equivalent to RM 2,470.00*) comprising 1,000 ordinary shares of SGD$1.00 each. NHPL will be principally engaged in investment holding activity. Subsequently, NHPL has increased its issued and paid-up share capital to SGD$300,000.00 on 16 August 2011.

NHPL had on 2 August 2011 accepted an option to purchase a leasehold property in Singapore at the address 7 Kaki Bukit Road, #03-15, Singapore 415937, measuring 318 square meters for a total consideration of SGD$1,125,000.00 (excluded Goods and Service Tax). The purchase shall be completed on or before the 13 day of October 2011.

Subscription of shares in Nikkon LED Sdn. Bhd.

The Company had on, 5 August 2011, subscribed for 800 ordinary shares of RM1.00 each representing 80% of the issued and paid-up share capital of Nikkon LED Sdn Bhd (Company No: 955920-T) ("Nikkon LED") for a total cash consideration of RM800.00. Nikkon LED was incorporated in Malaysia under the Companies Act, 1965 on 5 August 2011. The intended principal activity of Nikkon LED is the manufacturing of LED lighting.

A13. Changes in the composition of the Group

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.

Save as disclosed above, 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

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

B1. Review of performance

The Group recorded revenue of RM 61.68 million for the current quarter ended 30 June 2011 as compared to RM 48.53 million in the previous year corresponding quarter, showing an increase of 27.11%. 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 6.75 million for the current quarter ended 30 June 2011 representing a decrease of 1.70% as compared to previous year corresponding quarter ended 30 June 2010 of RM 6.87 million were mainly due to lower profit margin recorded in process equipment segment.

The Group recorded a revenue of RM 114.51 million for the financial period six months ended 30 June 2011 as compared to RM 87.89 million in the previous year corresponding six months ended 30 June 2010, showing an increase of 30.28%. The results were achieved on the back of higher revenue derived from all segments, mainly from process equipment segment.

PAT after MI was approximately RM 12.00 million for the financial period six months ended 30 June 2011, slight decrease of approximately RM 0.07 million (0.57%) as compared to preceding year corresponding periods of RM 12.07 million were mainly due to lower profit margin recorded in 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 9.71 million for the current quarter ended 30 June 2011, representing an increase of 37.72% as compared to preceding quarter ended 31 March 2011 of RM 7.05 million was mainly due to the increase of sales in all segments.

B3. Prospects

While the transformer and industrial lighting segment is expected to remain challenging with the uncertainties surrounding the world economy, 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. The Group is also aggressively streamlining its in house LED manufacturing division to intensify its penetration into broader customers' base.

As to the process equipment segment, the Group has been making inroads into the oil and gas industry as well as continuously intensifying its effort in strengthening and expanding its customers' base 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.

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 2011 RM'000	30-Jun 2010 RM'000	30-Jun 2011 RM'000	30-Jun 2010 RM'000
Income tax	2,300	2,252	3,997	4,091
Deferred tax	30	(87)	58	16
Total	2,330	2,165	4,055	4,107

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

Acquisition of Aruanmota Sdn. Bhd. ("ASB")
The Company had on 21 June 2011 accepted an offer from the vendors of ASB ("the Vendors"), to acquire the entire equity interests in ASB comprising 500,000 ordinary shares of RM1.00 each in ASB ("Sale Shares") for a cash consideration of RM6,438,000.00 ("Proposed Acquisition") as per the terms and conditions as stipulated in the Vendors' letter of offer for Sale Shares dated 20 June 2011 ("the First Offer Letter"). Further to the announcement made, the Vendors had on 11 August 2011 issued a new letter of offer ("Substituted Offer Letter) to substitute the First Offer Letter. The Company had on even date received and accepted the Substituted Offer Letter. The decision to acquire the entire equity interest in ASB is subject to the due diligence being conducted. In the event that the due diligence is satisfactory, a Share Sales Agreement will be entered upon between STC and the Vendors of the entire equity interests in ASB.

The Proposed Acquisition is in line with STC Group's business expansion plans in manufacturing of electrical apparatus and industrial lighting.

Save as disclosed above, 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.

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
Secured		
Bank Borrowings	19,379	8,800
Hire Purchase Payables	412	566
Total Borrowings	19,791	9,366

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:

	Amount in original currency	Average contract rate	Contract Value	Rate as at 30-Jun 2011	Changes in fair value
Less than 1 year	SGD213,000	2.386	RM508,218	2.457	(RM15,123)
Less than 1 year	USD185,000	3.000	RM555,000	3.038	(RM6,956)

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.

B12. Proposed Dividends

There were no dividends proposed during the quarter under review save as disclosed in Note A8.

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 2011 are computed as follow:-

	2nd Quarter Ended		Six Months Ended	
	30-Jun-2011	30-Jun-2010	30-Jun-2011	30-Jun-2010
Profit attributable to owners of the parent (RM'000)	6,751	6,868	11,997	12,066
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	112,912	118,690	112,912	118,690
Basic earning per share (sen)	5.98	5.79	10.63	10.17

(b) Diluted

No diluted earnings 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. 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 June 2011, into realised and unrealised profits is as follows:

	As at End of Current Quarter 30-Jun-2011 RM'000	As at End of Preceding Quarter 31-Mar-2011 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	188,514	185,884
- Unrealised	(6,691)	(6,642)
	181,823	179,242
Total share of accumulated profit from jointly controlled entities :		
- Realised	-	1
- Unrealised	-	-
	181,823	179,243
Less : Consolidation adjustments	(82,294)	(81,998)
Total group retained profits	99,529	97,245

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
22 August 2011