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

Notes on the quarterly report – 30 June 2012

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 30 June 2012, 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. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS1") has been applied.

The explanatory notes attached to these condensed consolidated 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 the Group since the year ended 31December 2011.

The date of transition to the MFRS framework is on 1 January 2011. At that transaction date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS1. The transition from FRS to MFRS has not had a material financial impact on the financial statements of the Group and of the Company other than arising from the changes in accounting policies described in Note A2 below.

A2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

Property, Plant and Equipment

Under FRSs, the Group measured its Property, Plant and Equipment other than freehold land and buildings at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at valuation less impairment losses recognized after date of revaluation. Freehold land is not depreciated. Freehold buildings are stated at revalued amount less accumulated depreciation and impairment losses recognized after the date of the revaluation. Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regards the revalued amounts of land and buildings as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM 291,135 (30 June 2011: RM 291,135 ; 31 December 2011: RM 291,135) was transferred to retained earnings on date of transition to MFRS.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided as below:-

Notes on the quarterly report – 30 June 2012

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

(i) Reconciliation of equity as at 1 January 2011

	FRS as at 01.01.2011 RM'000	Adjustment RM'000	MFRS as at 01.01.2011 RM'000
Other Reserves	291	(291)	-
Retained earnings	91,998	291	92,289

(ii) Reconciliation of equity as at 30 June 2011

	FRS as at 01.06.2011 RM'000	Adjustment RM'000	MFRS as at 01.06.2012 RM'000
Other Reserves	291	(291)	-
Retained earnings	97,245	291	97,536

(iii) Reconciliation of equity as at 31 December 2011

	FRS as at 31.12.2011 RM'000	Adjustment RM'000	MFRS as at 31.12.2011 RM'000
Other Reserves	291	(291)	-
Retained earnings	112,024	291	112,315

A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the financial year ended 31 December 2011 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 2012.

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 2012.

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

During the financial period ended 30 June 2012, the Company:

- Repurchased 455,700 of its issued share capital from the open market at an average cost of RM 0.94 per share. The total consideration paid for the share buy-back of STC shares during the financial period ended 30 June 2012, including transaction costs was RM 423,630 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 2012, the number of treasury shares held was 5,401,477 STC Shares.

A8. Dividend Paid

During the financial period for six months ended 30 June 2012, a tax exempt interim dividend of 3 sen per ordinary share amounting RM3,442,848.69 were declared and paid on 8 June 2012.

A9. Segment Information

<u>Business Segments Revenue & Results</u>

	Transformer, Industrial lighting & related products RM'000	Process equipment RM'000	Eliminations RM'000	Consolidated RM'000
Year Ended 30 June 2012				
REVENUE				
External Sales	96,369	48,142	-	144,511
Inter-segment sales	148	-	(148)	-
Total Revenue	96,517	48,142	(148)	144,511
RESULTS				
Segment results	20,380	4,694	(4,524)	20,550
Unallocated corporate expenses				(367)
Finance Cost				(1,485)
Interest income				421
Profit before taxation				19,119
Taxation				(4,956)
Net profit for the period				14,163
Other comprehensive income				475
Total comprehensive income for the period				14,638

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
Year 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	16,600	1,469	-	18,069
Unallocated corporate expenses				(432)
Finance Cost				(1,080)
Interest income				195
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

Geographical Segments Revenue & Results

	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
Year Ended 30 June 2012				
REVENUE				
External Sales	118,053	26,459	-	144,512
Inter-segment sales	2,668	9,135	(11,803)	-
Total Revenue	120,721	35,594	(11,803)	144,512
RESULTS				
Segment results	18,692	1,857		20,549
Unallocated corporate expenses				(367)
Finance Cost				(1,484)
Interest income				421
Profit before taxation				19,119
Taxation				(4,956)
Net profit for the period				14,163
Other comprehensive income				475
Total comprehensive income for the period				14,638

A9. Segment Information - (Cont'd)

Geographical Segments Revenue & Results - (Cont'd)

	Malaysia RM'000	Overseas RM'000	Eliminations RM'000	Consolidated RM'000
Year 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	17,369	700		18,069
Unallocated corporate expenses				(432)
Finance Cost				(1,080)
Interest income				195
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

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 2011.

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 and investment	7,998

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

Save as disclosed below, there was no changes in the composition of the Group during the current quarter under review.

Acquisition in Boxon Industries Hardware (M) Sdn Bhd ("BIH")

On 23 March 2012, the Company entered into a sale & purchase agreement with the shareholders of BIH, to acquire 35.29% equity interests comprising of 900,000 ordinary shares of RM1.00 in BIH for a cash consideration of RM 900,000. The acquisition was completed on 2 April 2012.

On 2 April 2012, the Company subscribed an additional new 1,575,000 ordinary shares of RM1.00 each allotted by BIH. Consequently, BIH became a 60% owned subsidiary of the Company.

Equity Investment by BIH in Pt. Boxon Nikkon Jayaindo. ("BNJ")

Subsequently, BIH, had on 22 May 2012 completed incorporation of BNJ. BIH has subscribed for a total of 180,000 ordinary shares of USD 1.00 each in BNJ, representing an equity interest of 60% share in the issued and paid-up share capital of BNJ for a total cash consideration of USD 180,000.00 (equivalent to RM 554,688)

In relation thereto, BNJ became a 60% owned subsidiary of BIH.

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 80.07 million for the current quarter ended 30 June 2012 as compared to RM 61.68 million in the previous year corresponding quarter, showing an increase of 29.8%. The results were achieved on the back of higher revenue derived from all segments.

Net profit attributable to owners of the parent (PAT after NCI) of RM 6.62 million for the current quarter ended 30 June 2012 representing a decrease of 1.9% as compared to previous year's corresponding quarter ended 30 June 2011 of RM 6.75 million mainly due to slight decrease in profit margin in transformer and industrial lighting segment.

The Group recorded revenue of RM 144.51 million for the six months ended 30 June 2012 as compared to RM 114.51 million in the previous year corresponding six months ended 30 June 2011, showing an increase of 26.2%. The results were achieved on the back of higher revenue derived from all segments.

PAT after NCI was approximately RM 12.24 million for the six months ended 30 June 2012, showing a slight increase of RM0.24 million, representing an increase of 2.0% as compared to preceding year corresponding periods of RM 12.00 million.

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 10.5 million for the current quarter ended 30 June 2012, representing an increase of RM 1.89 million (21.8%) as compared to preceding quarter ended 31 March 2012 of RM 8.62 million due to better performance in transformer and industrial lighting segment.

B3. Prospects

In 2012, the global and regional economic outlook is expected to be more challenging and uncertain, especially Euro Zone crisis.

The transformer and industrial lighting segment is expected to remain challenging arising direct or indirect due to Euro Zone crisis. 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.

As to the process equipment segment, the group expects market to remain competitive and is optimistic in achieving better result in view of the improved and increasing activities mainly in the palm oil refineries and Oil and Gas sector.

Barring any unforeseen circumstances, the Group aims to achieve comparable financial performance in 2012.

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 2012 RM'000	**30-Jun 2011 RM'000**	**30-Jun 2012 RM'000**	**30-Jun 2011 RM'000**
Income tax	2,698	2,300	5,218	3,997
Deferred tax	241	30	(262)	58
Total	2,939	2,330	4,956	4,055

The effective tax rate for the current quarter and financial year under review was slightly higher than the statutory tax rate of 25% mainly due to not allowable expenses add back by subsidiary companies of the Group.

B6. Status of Corporate Proposals

There was no corporate proposal announced 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	46,942	27,819
Hire Purchase Payables	1,104	885
Bank Overdraft	1,361	-
Total Borrowings	49,407	28,704

All the borrowings are denominated in Ringgit Malaysia.

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

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

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 30 June 2012 are computed as follow:-

	2nd Quarter Ended		**Six Months Ended**	
	30-Jun-2012	**30-Jun-2011**	**30-Jun-2012**	**30-Jun-2011**
Profit attributable to owners of the parent (RM'000)	6,615	6,751	12,237	11,997
Weighted average number of ordinary shares RM0.50 each in STC in issue ('000)	114,926	112,912	114,926	112,912
Basic earning per share (sen)	5.76	5.98	10.65	10.63

(b) Diluted

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

B11. Notes to the Statement of Comprehensive Income

	2nd Quarter ended		**Six Months Ended**	
	30-Jun 2012 RM'000	**30-Jun 2011 RM'000**	**30-Jun 2012 RM'000**	**30-Jun 2011 RM'000**
Other Income	297	305	694	657
Depreciation	1,609	1,265	3,223	2,485
Allowance for Doubtful Debts	55	219	55	10
Bad Debts Written Off	-	-	-	-
Provision for Inventories	-	-	-	-
(Gain)/loss on disposal of properties, plant & equipment	(23)	(124)	(23)	(125)
(Gain)/loss on foreign exchange	41	(43)	115	(46)

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 30 June 2012, into realised and unrealised profits is as follows:

	As at End of Current Quarter 30-Jun-2012 RM'000	As at End of Preceding Quarter 31-Mar-2012 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	219,211	215,050
- Unrealised	(6,111)	(6,387)
	213,100	208,663
Total share of accumulated profit from jointly controlled entities :		
- Realised	(21)	5
- Unrealised	-	-
	213,079	208,668
Less : Consolidation adjustments	(92,305)	(90,732)
Total group retained profits	120,774	117,936

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 August 2012