



Notes on the quarterly report – 31 March 2017

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 31 March 2017, 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 and should be read in conjunction with the Group’s audited financial statements for the year ended 30 June 2016. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

A2. Changes in Accounting Policies

The significant accounting policies and the methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended (“FYE”) 30 June 2016.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on or after 1 January 2016 did not have significant impact on the unaudited condensed consolidated financial statements upon their initial application.

MFRSs, Amendments to MFRSs and IC Interpretation

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities – Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture – Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements Annual Improvements to MFRSs 2012 – 2014 Cycle



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The Group did not early adopt the following standards that have been issued by MASB as these are not yet effective for the current financial period: -

MFRSs, Amendments to MFRSs and IC Interpretation	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	1 January 2018
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	

* Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

The above mentioned accounting standards and interpretations (including the consequential amendments) do not have any financial impact on the Group’s financial statements upon their initial application.



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A3. Qualification of Annual Financial Statements

The latest audited consolidated financial statements of STC for the FYE 30 June 2016 was not subject to any qualification.

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 (“FPE”) 31 March 2017. However, the process equipment’s business operation result is depend on the status of work in progress and 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 FPE 31 March 2017.

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 FPE 31 March 2017, the Company repurchased 921,100 of its issued share capital from the open market at an average cost of RM1.88 per ordinary share of RM0.50 in STC (“STC Share(s)”). The total consideration paid for the share buy-back of STC Shares during the nine months ended 31 March 2017, including transaction costs was RM1,733,711.28 and was financed by internally generated funds. The STC 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 2017, the number of treasury shares held was 5,876,577 STC Shares at an average cost of RM1.39 per STC Share.

A8. Dividend Paid

In respect of financial year ending 2017, the Board of Directors had declared an interim dividend of 10% equivalent to RM 0.05 per ordinary share, tax exempt under single-tier system on 114,124,423 ordinary shares on 15 December 2016 amounting to RM5,706,221.15. The net Dividend payable amounting to RM560,872.15 (after less the amount opted for dividend reinvestment scheme (“DRS”).

The entitlement to the interim dividend was determined based on the shareholders registered in the record of depositors as at 3 January 2017 and the dividend has been paid on 31 January 2017.



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The Shareholders of STC were given an option to reinvest the Interim Dividend in the new STC shares which has been fixed at RM1.91 per STC share. The Issue Price represented a discount of RM0.2027 or approximately 9.59% to the theoretical ex-dividend volume weighted average market price of approximately RM2.1127, which was arrived after taking into consideration the 5-day VWAP up to and including 14 December 2016.

STC has on 31 January 2017, issued and allotted 2,693,900 new STC shares pursuant to the DRS and the DRS had been completed on 2 February 2017, following the listing and quotation of the abovementioned STC shares.



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A9. Segment Information

Business Segments Revenue & Results

	Transformer, industrial lighting and related products RM’000	Process equipment RM’000	Eliminations RM’000	Consolidated RM’000
Quarter Ended 31 March 2017				
REVENUE				
External Sales	71,012	20,340	-	91,352
Inter-segment sales	8	-	(8)	-
Total Revenue	71,020	20,340	(8)	91,352
RESULTS				
Segment results				13,813
Share of loss from associate companies				-
Unallocated corporate expenses				(238)
Interest expenses				(858)
Interest income				111
Profit before taxation				12,828
Taxation				(2,784)
Net profit for the period				10,044
Other comprehensive income				508
Total comprehensive income for the period				10,552

Nine Months Ended 31 March 2017

REVENUE				
External Sales	237,871	65,805	-	303,676
Inter-segment sales	10	-	(10)	-
Total Revenue	237,881	65,805	(10)	303,676
RESULTS				
Segment results				60,997
Share of loss from associate companies				(2)
Unallocated corporate expenses				(756)
Interest expenses				(3,042)
Interest income				166
Profit before taxation				57,363
Taxation				(13,958)
Net profit for the period				43,405
Other comprehensive income				338
Total comprehensive income for the period				43,743



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Quarter Ended 31 March 2016	Transformer, Industrial lighting & related products RM’000	Process equipment RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	75,754	20,579	-	96,333
Inter-segment sales	1	-	(1)	-
Total Revenue	<u>75,755</u>	<u>20,579</u>	<u>(1)</u>	<u>96,333</u>
RESULTS				
Segment results				13,002
Share of loss in associate companies				(3)
Unallocated corporate expenses				(199)
Interest expenses				(1,231)
Interest income				55
Profit before taxation				<u>11,624</u>
Taxation				<u>(2,604)</u>
Net profit for the period				9,020
Other comprehensive income				950
Total comprehensive income for the period				<u>9,970</u>



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A9. Segment Information - (Cont’d)

Geographical Segments Revenue & Results

Quarter Ended 31 March 2017	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	61,155	30,197	-	91,352
Inter-segment sales	9,966	6,856	(16,822)	-
Total Revenue	<u>71,121</u>	<u>37,053</u>	<u>(16,822)</u>	<u>91,352</u>
RESULTS				
Segment results				13,813
Share of loss from associate companies				-
Unallocated corporate expenses				(238)
Interest expenses				(858)
Interest income				111
Profit before taxation				<u>12,828</u>
Taxation				(2,784)
Net profit for the period				<u>10,044</u>
Other comprehensive income				508
Total comprehensive income for the period				<u>10,552</u>

Nine Months Ended 31 March 2017

REVENUE				
External Sales	208,310	95,366	-	303,676
Inter-segment sales	26,068	24,060	(50,128)	-
Total Revenue	<u>234,378</u>	<u>119,426</u>	<u>(50,128)</u>	<u>303,676</u>
RESULTS				
Segment results				60,997
Share of loss from associate companies				(2)
Unallocated corporate expenses				(756)
Interest expenses				(3,042)
Interest income				166
Profit before taxation				<u>57,363</u>
Taxation				(13,958)
Net profit for the period				<u>43,405</u>
Other comprehensive income				338
Total comprehensive income for the period				<u>43,743</u>



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Quarter Ended 31 March 2016	Malaysia RM’000	Overseas RM’000	Eliminations RM’000	Consolidated RM’000
REVENUE				
External Sales	65,511	30,822	-	96,333
Inter-segment sales	3,736	5,331	(9,067)	-
Total Revenue	<u>69,247</u>	<u>36,153</u>	<u>(9,067)</u>	<u>96,333</u>
RESULTS				
Segment results				13,002
Share of loss from associate companies				(3)
Unallocated corporate expenses				(199)
Interest expenses				(1,231)
Interest income				<u>55</u>
Profit before taxation				<u>11,624</u>
Taxation				<u>(2,604)</u>
Net profit for the period				<u>9,020</u>
Other comprehensive income				<u>950</u>
Total comprehensive income for the period				<u>9,970</u>



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A10. Valuation of Property, Plant & Equipment

There were no revaluations of property plant and equipment. All property, plant and equipment were stated at cost less accumulated depreciation.

A11. Capital Commitments

Capital commitment not provided for in the interim report as at 31 March 2017 was RM 636,000.

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

There were no material events subsequent to the end of the interim reporting period other than the corporate exercise as disclosed in Note B6.

A13. Changes in the composition of the Group

Nikkon Industrial Lighting Sdn. Bhd.(“NILSB”) ceased to be a wholly owned subsidiary of STC on 23 February 2017 after disposal of 23,752 ordinary shares in NILSB, representing 95% of the total issued and paid up share capital of NILSB for a cash consideration of RM 2.

STC had on 9 March 2017 completed the acquisition of additional 480,000 shares of kshs 100 each in Nikkon Success Kenya (“NSK”) for a cash consideration of RM 1,388,758 , representing 40% of the issued and paid up share capital of NSK (“Acquisition”). Following the Acquisition , STC holds 91% equity interest in NSK.

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 a revenue of RM91.35 million for the current quarter ended 31 March 2017 as compared to RM96.33 million in the previous year corresponding quarter, showing a decrease of RM4.98 million or 5.2% due to decrease in sales from transformer and lighting segment.

Profit after tax and non-controlling interest (“PATNCI”) of RM8.94 million for the current quarter ended 31 March 2017 representing an increase of RM0.86 million or 10.7% as compared to previous year’s corresponding quarter ended 31 March 2016 of RM8.08 million due to improvement of results in process equipment segment despite decrease in sales from transformer and lighting segment

The improvement of results in process equipment segment mainly due to better project management and cost control and partial recovery of its impaired debts.

The Group recorded a revenue of RM303.68 million and PATNCI of RM 36.65 million for the nine months period ended 31 March 2017. The results were mainly due to contribution from transformer and lighting segment.

Pursuant to the change of financial year end from 31 December 2015 to 30 June 2016, no comparative figures are presented.

B2. Variation of results against preceding quarter

The Group recorded a profit before tax (“PBT”) of RM12.83 million for the current quarter ended 31 March 2017, representing a decrease of RM12.42 million or 49.2% as compared to the preceding quarter ended 31 December 2016 PBT of RM25.25 million mainly due to decrease in sales from transformer and lighting segment .

B3. Prospects

The Group expects stiff competition in the domestic and regional market in respect of the transformer and industrial lighting segment. Nevertheless, 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 to enhance its competitiveness and productivity in its operations.

In the process equipment segment, despite challenging economic outlook, the company is stepping up its efforts to focus on its core business in fabrication of pressure vessels and process equipment for oil and fats industries, chemical, downstream petrochemical, water treatment and power plants. In addition, with the marketing strategy in broadening the customer base and products especially in steel structure and piping works coupled with strengthening project management and cost control, the company aim to streamline its operations to generate positive results in this coming financial year end.

Barring any unforeseen circumstances, the Group expects to achieve satisfactory financial performance in 2017.



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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

	3 Months Ended		9 Months Ended	
	31-Mar-2017	31-Mar-2016	31-Mar-2017	31-Mar-2016
	RM'000	RM'000	RM'000	RM'000
Income tax	2,642	3,884	12,967	N/A
Deferred tax	142	(1,280)	991	N/A
Total	<u>2,784</u>	<u>2,604</u>	<u>13,958</u>	<u>N/A</u>

The effective tax rate for the current quarter is slightly lower than the statutory tax rate.

B6. Status of Corporate Proposals

There are no corporate proposals pending during the quarter under review.

B7. Group Borrowings

The Group's borrowings as at 31 March 2017 were as follows:

<u>Secured</u>	Payable within	Payable after 12
	12 months	Months
	RM'000	RM'000
Bank Borrowings	42,499	25,027
Hire Purchase Payables	1,017	1,345
Bank Overdraft	-	-
Total Borrowings	<u>43,516</u>	<u>26,372</u>

Details of the borrowings denominated in each currency are as follows.

	RM'000
Malaysian Ringgit	63,606
United States Dollar	2,228
Singaporean Dollar	4,001
Indonesian Rupiah	53
Total Borrowings	<u>69,888</u>



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B8. Changes in material litigation

There were no material litigation pending or changes to the status of material litigations since the last annual balance sheet date up to the date of this report.

B9. Proposed Dividends

There were no dividend 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 six months period ended 31 March 2017 are computed as follow:-

	3 Months Ended		9 Months Ended	
	31-Mar	31-Mar	31-Mar	31-Mar
	2017	2016	2017	2016
Profit attributable to owners of the parent (RM'000)	8,943	8,079	36,651	N/A
Weighted average number of STC Shares in issue ('000)	114,852	115,779	114,852	N/A
Basic earning per STC Share (sen)	7.79	6.98	31.91	N/A

(b) Diluted

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



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B11. Notes to the Statement of Comprehensive Income

	3 Months ended		9 Months Ended	
	31-Mar 2017 RM'000	31-Mar 2016 RM'000	31-Mar 2017 RM'000	31-Mar 2016 RM'000
Other income	(969)	(2,539)	(1,789)	N/A
Loss / (Gain) on disposal of properties, plant & equipment	27	7	(396)	N/A
Loss/(Gain) on foreign currency exchange	2,417	1,047	(1,586)	N/A
Fixed deposit interest income	(111)	(55)	(166)	N/A
Reversal of impairment losses on trade receivables	(1,232)	-	(4,354)	N/A
Depreciation	2,345	2,221	6,721	N/A



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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 Securities 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 31 March 2017, into realised and unrealised profits is as follows:

	As at End of Current Quarter 31-Mar-2017	As at End of Preceding Quarter 31-Dec-2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	258,443	253,069
- Unrealised	<u>2,827</u>	<u>4,014</u>
	261,270	257,083
Total share of accumulated loss from jointly controlled entities :		
- Realised	<u>(283)</u>	<u>(283)</u>
	260,987	256,800
Less : Consolidation adjustments	<u>(31,100)</u>	<u>(30,586)</u>
Total group retained profits	<u>229,887</u>	<u>226,214</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
29 May 2017