

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the Quarter Ended 30 Sep 2018

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 30.09.2018 RM'000	Preceding Quarter Ended 30.06.2017 RM'000	Current Year-to-date Ended 30.09.2018 RM'000	Preceding Year-to-date Ended 30.06.2017 RM'000
Revenue	23,224	14,875	23,224	14,875
Cost of sales	(19,983)	(14,573)	(19,983)	(14,573)
Gross profit	3,241	302	3,241	302
Other income	291	158	291	158
Distribution costs	(12)	(29)	(12)	(29)
Administrative and other expenses*	(2,194)	(2,285)	(2,194)	(2,285)
Profit/ (loss) from operations	1,326	(1,854)	1,326	(1,854)
Finance costs	(16)	(18)	(16)	(18)
Profit/ (Loss) before taxation	1,310	(1,872)	1,310	(1,872)
Taxation	-	-	-	-
Profit/ (Loss) for the period	1,310	(1,872)	1,310	(1,872)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	1,310	(1,872)	1,310	(1,872)
Profit/ (Loss) attributable to:				
Owners of the Parent	1,310	(1,872)	1,310	(1,872)
Non-controlling interests	57	-	57	-
	1,367	(1,872)	1,367	(1,872)
Total comprehensive income attributable to:				
Owners of the Parent	1,310	(1,872)	1,310	(1,872)
Non-controlling interests	57	-	57	-
	1,367	(1,872)	1,367	(1,872)
Profit/ (Loss) per share attributable to the owners of the Company (sen):-				
Basic loss per share (sen)	0.43	(0.67)	0.43	(0.67)
Diluted loss per share (sen)	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 Sep 2018**

	As at 30.09.2018	(Audited) As at 30.06.2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,678	5,794
Intangible assets	4	9
Investment properties	430	433
Goodwill arising from consolidation	1,096	1,096
Trade receivables	14,678	14,258
	<u>20,888</u>	<u>21,590</u>
Current assets		
Inventories	442	245
Receivables, deposits and prepayments	37,910	24,726
Tax recoverable	435	488
Cash and cash equivalents	6,391	9,277
	<u>48,532</u>	<u>34,736</u>
Assets held for sale	255	1,726
TOTAL ASSETS	<u>45,434</u>	<u>36,462</u>
	<u>66,322</u>	<u>58,052</u>
EQUITY AND LIABILITIES		
Share capital	46,931	46,931
Warrant reserve	8,401	8,401
Other reserves	1,460	1,460
Accumulated losses	(7,111)	(8,511)
Equity attributable to owners of the parent	<u>49,682</u>	<u>48,281</u>
Non-controlling interests	(258)	(202)
TOTAL EQUITY	<u>49,424</u>	<u>48,079</u>
Non-current liabilities		
Borrowings	375	326
	<u>833</u>	<u>326</u>
Current liabilities		
Trade and other payables	15,857	8,921
Amount due to a Director	51	51
Borrowings	560	621
Provision for taxation	55	54
	<u>16,523</u>	<u>9,647</u>
TOTAL LIABILITIES	<u>16,898</u>	<u>9,973</u>
TOTAL EQUITY AND LIABILITIES	<u>66,322</u>	<u>58,052</u>
Net assets per share attributable to the owners of the parent(RM)	0.16	0.16

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the Quarter Ended 30 Sep 2018**

	Attributable to owners of the Parent					Non-controlling interests	Total Equity
	Share Capital	ESOS Reserve	Warrant Reserve	Other Reserve	Retained Earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 June 2018	46,931	-	8,401	1,460	(8,511)	(202)	48,079
Exercise of ESOS	-	-	-	-	-	-	-
Shares options granted Under ESOS	-	-	-	-	-	-	-
Realization Of ESOS	-	-	-	-	-	-	-
Acquisition/Disposal of Additional Interest From Non-Controlling Interest	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	1,367	(57)	1,310
At 30 Sep 2018	46,931	-	8,401	1,460	(7,111)	(259)	49,389

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the Quarter Ended 30 Sep 2018**

	Attributable to owners of the Parent					Non-controlling interests	Total Equity
	Share Capital	ESOS Reserve	Warrant Reserve	Other Reserve	Retained Earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2017	38,531	-	8,401	1,460	308	(8)	48,692
Exercise of ESOS	6,300	-	-	-	-	-	6,300
Shares options granted Under ESOS	-	2,100	-	-	-	-	2,100
Realization Of ESOS	2,100	(2,100)	-	-	-	-	-
Acquisition/Disposal of Additional Interest From Non-Controlling Interest	-	-	-	-	-	(47)	(47)
Total comprehensive income for the financial year	-	-	-	-	(8,819)	(147)	(8,966)
At 30 June 2018	46,931	-	8,401	1,460	(8,511)	(202)	48,079

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the Quarter Ended 30 Sep 2018****(The figures have not been audited)**

	Current Year-to-date RM'000	(Audited) As at 30.06.2018 RM'000
Cash flow from operating activities		
Profit/ (loss) before taxation	1,310	(8,905)
Adjustments for:-		
Amortisation of intangible assets	4	630
Bad debts written off	-	37
Depreciation of property, plant and equipment	313	2,542
Depreciation of investment properties	3	68
Deposits written off	-	187
Gain on disposal of property, plant and equipment	(42)	(3)
Gain on disposal of investment properties	-	(33)
Impairment loss on property, plant and equipment	-	45
Impairment loss on intangible assets	-	19
Gain on winding up of a subsidiary company	-	(36)
Intangible assets written off	-	6
Finance costs	-	82
Fair value adjustment on trade receivables	-	2,542
Interest income	2	(65)
Inventories written off	-	386
(Gain)/Loss on disposal of subsidiary companies	-	(11)
Property, plant and equipment written off	-	808
Share options granted under ESOS	-	2,100
Operating profit / (loss) before working capital changes	1,590	399
Changes in working capital:		
Inventories	(197)	517
Receivables, deposits and prepayments	(13,521)	(7,479)
Payables and accruals	6,971	(468)
	(6,747)	(7,430)
Cash used in operations	(5,158)	(7,031)
Interest paid	(16)	(82)
Tax paid	55	(89)
Tax refund	(2)	387
	54	216
Net cash used in operating activities	(5,120)	(6,815)

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Quarter Ended 30 Sep 2018

	Current Year-to-date RM'000	Cumulative quarter (Audited) As at 30.06.2018 RM'000
Cash flows from investing activities		
Net movement of amount due to a Director	-	1
Interest received	14	65
Purchase of property, plant and equipment (Note a)	(29)	(1,936)
Proceeds from disposal of property, plant and equipment	2,262	1,838
Proceed from disposal of investment properties	-	1,860
Net cash outflows from acquisition of subsidiary companies	-	62
Net cash (used in) / from investing activities	2,246	1,890
Cash flows from financing activities		
Issuance of share capital	-	6,300
(Decreased) / increased of fixed deposits pledged	(2)	(13)
Repayment of finance lease payables	(35)	(527)
Net cash flows from / (used in) financing activities	(37)	5,760
Net (decrease) / increase in cash and cash equivalents	(2,910)	835
Cash and cash equivalents at the beginning of the financial year	8,436	7,601
Cash and cash equivalents at the end of the financial year (Note b)	5,526	8,436
 (a) Purchase of property, plant and equipment:		
- financed by cash	29	1,936
	29	1,936
 (b) Analysis of cash and cash equivalents:		
Cash and bank balances	4,819	7,716
Fixed deposits with licensed banks	1,233	1,224
Short-term funds	339	337
	6,391	9,277
Less: Bank overdrafts	(526)	(504)
	5,865	8,773
Less: Fixed deposit pledged to a licensed bank	(339)	(337)
	5,526	8,436

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

**Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS)
134- Interim Financial Reporting (Continued)**

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial statements should be read in conjunction with the audited financial statements of Sterling Progress Berhad (“Sterling Group” or “Company”) on a consolidated basis with its subsidiaries (“Sterling Group” or “Group”) for the financial period 30 June 2018 and the explanatory notes attached to the interim financial statements, which provide an explanation of events and transactions that are significant to understand the changes in the financial position and performance of the Group since the financial period 30 June 2018.

2. Changes In Accounting Policies

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those applied in the latest audited annual financial statements for the financial period 30 June 2018.

The significant accounting policies adopted are consistent with those of the audited financial statements financial period 30 June 2018.

3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements of the Group for the financial period 30 June 2018 was not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group is subjected to the cyclical effects of the global and Malaysian technology industry.

5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter.

6. Material Changes in Estimates

There were no changes in estimates of amounts which have a material effect for the current quarter results under review.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and other repayments of debt and equity securities during the current quarter.

8. Dividends Paid

No dividend has been paid during the current quarter

**Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS)
134- Interim Financial Reporting (Continued)**

9. Segmental Information

Sales revenue by division to external parties for the quarter ended 30 Sept 2018 are as follows:-

	<u>Hydraulic</u>	<u>ICT</u>	<u>Other Operating</u> <u>Segment</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
External sales	1,214	17,310	4,884	23,224
Gross profit / (loss)	929	2,001	312	3,242
Profit/ (loss) before taxation	320	1,662	(614)	1,368

Sales revenue by division to external parties for the quarter ended 30 June 2017 are as follows:-

	<u>Hydraulic</u>	<u>ICT</u>	<u>Other Operating</u> <u>Segment</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
External sales	1,338	13,198	339	14,875
Gross profit / (loss)	781	(616)	137	302
Profit/ (Loss) before taxation	85	(1,358)	(599)	(1,872)

10. Changes of Composition of the Group

There were no changes to the composition of the Group as at and for the quarter ended 30 Sep 2018.

11. Valuation of Property, Plant and Equipment

The Group did not revalue any of its assets from the previous audited financial statements for the financial period 30 June 2018.

12. Contingent Assets or Liabilities

There are no contingent assets and liabilities since the previous audited financial statement for the financial period 30 June 2018.

**Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS)
134- Interim Financial Reporting (Continued)**

13. Capital Commitments

There were no capital commitments for the current quarter under review.

14. Material Events Subsequent to the End of the Interim Reporting Period

There were no material events subsequent to the end of the current quarter under review up to 23 November 2018, being the latest practicable date not earlier than seven (7) days from the date of issue of this quarterly report.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad (Continued)**1. Review of Performance****Current Year Quarter versus Preceding Period Corresponding Quarter**

	Individual Period		Change		Cumulative Period		Change	
	Current Year Quarter 30/09//2018 RM'000	Preceding Year corresponding Quarter 30/06/2017 RM'000	Percentage	%	Current Year Quarter 30/09/2018 RM'000	Preceding Year corresponding Quarter 30/06//2017 RM'000	Percentage	%
Revenue	23,244	14,875	8,369	(56.26%)	23,244	14,875	8,369	56.26%
Operating profit/ (loss)	1,310	(1,854)	3,164	(170.66%)	1,310	(1,854)	3,164	(170.66%)
Profit/ (loss) before interest and tax	1,310	(1,854)	3,164	(170.66%)	1,310	(1,854)	3,164	(170.66%)
Profit/ (loss) before tax	1,310	(1,872)	3,182	(169.98%)	1,310	(1,872)	3,182	(169.98%)
Profit / (loss) after tax	1,310	(1,872)	3,182	(169.98%)	1,310	(1,872)	3,182	(169.98%)
Profit/ (loss) Attributable to Ordinary Equity Holders of the Parent	1,367	(1,872)	3,239	(173.02%)	1,367	(1,872)	3,239	(173.02%)

For the current quarter ended 30 September 2018, the Group recorded revenue of RM23.2 million as compared to the revenue for the preceding year's corresponding quarter 30 June 2017 ("Q1 2017") of RM14.9 million. The increase was mainly due to higher revenue recorded for the sales of smartphones and sales from event/concerts.

The Group recorded a higher pre tax profit of RM1.3 million as compared to pre tax loss of RM1.9 million in the preceding year mainly due to profit income from the retail management and sales of smartphones.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad (Continued)**2. Variation of Results against Preceding Quarter**

	Current Quarter	Immediate Preceding Quarter	Change	
	30/09/2018	30/06/2018		
	RM'000	RM'000	RM'000	%
Revenue	23,244	9,571	13,673	142.86%
Operating profit/ (loss)	1,310	(2,643)	3,953	(149.56%)
Profit/ (loss) before interest and tax	1,310	(2,643)	3,953	(149.56%)
Profit/ (loss) before tax	1,310	(2,659)	3,969	(149.27%)
Profit/ (loss) after tax	1,310	(2,719)	4,029	(148.18%)
Profit/ (loss) attributable to ordinary equity holders of the parent	1,367	(2,574)	3,941	(153.11%)

The increase in revenue was mainly due to higher revenue recorded for the sales of smartphones and sales from event/concerts. The profit recorded this quarter was due to profit income from the retail management and sales of smartphone.

3. Commentary on Prospects

The Group believes that the Malaysian retail sector will face a challenging year ahead in 2018. However, in light of the abolishment of GST from 1 June 2018 onwards, the group believes that this will stimulate retail spending for the remaining of the year. In addition, the Group will continue to explore any new business opportunities, in addition to growing and expanding its retail management business.

4. Actual Profit against Profit Forecast

There was no profit forecast or guarantee made public for the financial period under review.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad (Continued)

5. Income Tax Expense

	Current Quarter Ended		Cumulative Quarter Ended	
	30.09.2018	30.06.2017	30.09.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Tax expense	-	-	-	-

The effective tax rate of the Group for the current quarter under review is lower than the statutory tax rate 24% mainly due to available unabsorbed losses for its subsidiary companies.

6. Sales of Unquoted Investments and Properties

There were no disposals of unquoted investment and properties during the current quarter under review.

7. Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter under review. The Group did not hold any investments in quoted securities as at 30 June 2018.

8. Status of Corporate Exercises

On 13 November 2018, the Board of Directors of SPB announced a proposed private placement of new ordinary shares in SPB, representing not more than 10% of the enlarged number of issued shares of SPB.

9. Borrowings and Debt Securities

The Group's borrowings as at 30 Sept 2018 are as follows:-

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total Outstanding RM'000
<u>Secured</u>			
Bank overdraft	504	-	504
Finance lease	34	375	409
Total	538	375	913

The banker's acceptance are secured by fixed deposits of a subsidiary company and jointly and severally guaranteed by all the directors of the subsidiary company.

The finance lease are secured by the assets of the Group under finance lease arrangements.

The term loan are secured and covered by the fixed deposit with licensed bank.

The Group's borrowings and other facilities are denoted in local currency. The Group does not have any foreign borrowings and debt securities as at 30 September 2018.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad (Continued)

10. Derivative Financial Instruments

There were no derivative financial instruments as at 23 November 2018 (the latest practicable date which is not earlier than 7 days from the issue of this quarterly report).

11. Changes in Material Litigation

There is no material litigation at 30 September 2018 (the latest practicable date which is up to date of the meeting).

12. Dividend

No dividend has been proposed for the financial year under review.

13. Basic earnings per Share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

14. Basic earnings per Share (continued)

	Current Quarter Ended		Cumulative Quarter Ended	
	30.09.2018	30.06.2017	30.09.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Profit/ (loss) for the quarter	1,368	(1,872)	1,368	(1,872)
Weighted average number of ordinary shares of RM0.10 in issue	321,295	279,294	321,295	279,294
Basic earnings per share (sen)	0.43	(0.67)	0.43	(0.67)

The fully diluted earnings per share is not disclosed as the effects on the assumed exercise of the share options under Warrants is anti-dilutive.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad (Continued)

15. Disclosure of Realised and Unrealised Profits or Accumulated losses

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Ace Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Malaysian Institute of Accountants further issued guidance on the disclosure and the format required.

The breakdown of the (accumulated losses)/retained profits of the Group as at 30 September 2018 into realised and unrealised (accumulated losses)/profits, pursuant to the directive, is as follows:

	As at 30.09.2018 RM'000	As at 30.06.2018 RM'000
Total (accumulated losses) retained profits of the Group:		
- Realised	(7,111)	(8,511)
- Unrealised	-	-
	<u>(7,111)</u>	<u>(8,511)</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 Disclosure 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.

16. Authorisation for Issue

These unaudited interim financial statements were authorised for release by the Company in accordance with a resolution of the Directors dated 29 November 2018.