

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the Third (3rd) Quarter Ended 31 December 2017

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 31.12.2017 RM'000	Preceding Quarter Ended 31.12.2016 RM'000	Current Year-to-date Ended 31.12.2017 RM'000	Preceding Year-to-date Ended 31.12.2016 RM'000
Revenue	5,868	22,993	26,646	79,515
Cost of sales	(5,219)	(21,932)	(25,081)	(77,814)
Gross profit	649	1,061	1,565	1,701
Other income	86	1,279	497	2,660
Distribution costs	(77)	(22)	(140)	(65)
Administrative and other expenses	(2,281)	(2,814)	(8,857)	(11,166)
Loss from operations	(1,623)	(496)	(6,935)	(6,870)
Finance costs	(16)	(94)	(50)	(304)
Loss before taxation	(1,639)	(590)	(6,985)	(7,174)
Taxation	(5)	(2)	(5)	(227)
Loss for the period	(1,644)	(592)	(6,990)	(7,401)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(1,644)	(592)	(6,990)	(7,401)
Loss attributable to:				
Owners of the Parent	(1,643)	(592)	(6,989)	(7,401)
Non-controlling interests	1	-	1	-
	(1,644)	(592)	(6,990)	(7,401)
Total comprehensive income attributable to:				
Owners of the Parent	(1,643)	(592)	(6,989)	(7,401)
Non-controlling interests	1	-	1	-
	(1,644)	(592)	(6,990)	(7,401)
Loss per share attributable to the owners of the Company (sen):-				
Basic loss per share (sen)	(0.01)	(0.01)	(0.01)	(0.01)
Diluted loss per share (sen)	N/A	N/A	N/A	N/A

The condensed consolidated Statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 31 December 2017**

	(Unaudited)	(Audited)
	As at 31.12.2017	As at 31.03.2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,761	8,450
Intangible assets	3,597	664
Investment properties	2,536	2,584
Goodwill arising from consolidation	1,037	1,037
Deferred tax assets	711	711
	<u>15,642</u>	<u>13,446</u>
Current assets		
Inventories	1,029	1,148
Receivables, deposits and prepayments	29,344	33,637
Tax recoverable	450	797
Cash and cash equivalents	4,121	8,512
	<u>34,944</u>	<u>44,094</u>
Assets held for sale	1,470	1,470
TOTAL ASSETS	<u>36,414</u>	<u>45,564</u>
	<u>52,056</u>	<u>59,010</u>
EQUITY AND LIABILITIES		
Share capital	39,581	38,531
Esos reserve	2,100	-
Warrant reserve	8,401	8,401
Other reserves	1,460	1,460
Accumulated losses	(6,681)	308
Equity attributable to owners of the Parent	44,861	48,700
Non-controlling interests	(9)	(8)
TOTAL EQUITY	<u>44,852</u>	<u>48,692</u>
Non-current liabilities		
Borrowings	249	465
Deferred tax liabilities	711	711
	<u>960</u>	<u>1,176</u>
Current liabilities		
Trade and other payables	5,361	8,308
Borrowings	879	830
Provision for taxation	4	4
	<u>6,244</u>	<u>9,142</u>
TOTAL LIABILITIES	<u>7,204</u>	<u>10,318</u>
TOTAL EQUITY AND LIABILITIES	<u>52,056</u>	<u>59,010</u>
Net assets per share attributable to the owners of the parent(RM)	0.08	0.16

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the Third (3rd) Quarter Ended 31 December 2017****(The figures have not been audited)**

	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 31 March 2017	38,531	-	8,401	1,460	308	(8)	48,692
Issuance of shares	1,050	-	-	-	-	-	1,050
Shares options granted Under ESOS	-	2,100	-	-	-	-	2,100
Total comprehensive income for the financial year	-	-	-	-	(6,989)	(1)	(6,990)
At 31 December 2017	39,581	2,100	8,401	1,460	(6,681)	(9)	44,852

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the Third (3rd) Quarter Ended 31 December 2017****(The figures have not been audited)**

	Attributable to owners of the Parent							Total Equity
	Share Capital	Share Premium	ESOS Reserve	Warrant Reserve	Other Reserve	Retained Earnings	Non-controlling interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2016	98,918	4,842	1,240	8,401	305	Earnings RM'000 (41,207)	(6)	72,493
Adjustments for Effect of Companies Act 2016	4,842	(4,842)	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	(33,914)	(2)	(33,916)
Transaction with Owner								
Shares par value Reduction	(74,189)	-	-	-	-	74,189	-	-
Disposal of subsidiary Companies	-	-	-	-	1,155	-	-	1,155
Shares options granted Under ESOS	-	-	3,840	-	-	-	-	3,840
Cancellation of ESOS	-	-	(1,240)	-	-	1,240	-	-
Realisation of ESOS Reserve	3,840	-	(3,840)	-	-	-	-	-
Exercise ESOS	5,120	-	-	-	-	-	-	5,120
At 31 March 2017	38,531	-	-	8,401	1,460	308	(8)	48,692

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the Third (3rd) Quarter Ended 31 December 2017****(The figures have not been audited)**

	Cumulative quarter	
	Current Year-to-date RM'000	(Audited) As at 31.03.2017 RM'000
Cash flow from operating activities		
Loss before taxation	(6,985)	(33,815)
Adjustments for:-		
Amortisation of intangible assets	567	1,048
Bad debts written off	-	437
Depreciation of property, plant and equipment	1,779	5,589
Depreciation of investment properties	48	68
Deposits written off	-	124
Gain on disposal of property, plant and equipment	-	(2,009)
Gain on disposal of investment properties	-	(114)
Impairment loss on goodwill	-	1,571
Intangible assets written off	-	1,210
Finance costs	50	348
Interest income	(38)	(91)
Inventories written off	-	1,243
Loss on disposal of subsidiary companies	-	4,267
Property, plant and equipment written off	84	13,151
Share options granted under ESOS	2,100	3,840
Unrealized gain on foreign exchange	-	-
Operating loss before working capital changes	(2,395)	(3,133)
Changes in working capital:		
Inventories	119	300
Receivables, deposits and prepayments	4,293	(2,689)
Payables and accruals	(2,947)	(1,793)
	(1,465)	(4,182)
Cash used in operations	(930)	(7,315)
Interest paid	(50)	(348)
Tax paid	387	(158)
Tax refund	(45)	109
	292	(397)
Net cash used in operating activities	(638)	(7,712)
Cash flows from investing activities		
Interest received	38	91
Purchase of property, plant and equipment (Note a)	(4,674)	(829)
Purchase of intangible asset	-	-
Purchase of investment properties	-	(1,873)
Proceeds from disposal of property, plant and equipment	-	8,343
Proceed from disposal of investment properties	-	2,253
Net cash inflow from disposal of subsidiary companies	-	1,176
Net cash (used in) / from investing activities	(4,636)	9,161

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Third (3rd) Quarter Ended 31 December 2017

(The figures have not been audited)

	Cumulative quarter	
	Current	(Audited)
	Year-to-date	As at 31.03.2017
	RM'000	RM'000
Cash flows from financing activities		
Issuance of share capital	1,050	5,120
(Decreased) / increased of fixed deposits pledged	(128)	87
Repayment of finance lease payables	(181)	(249)
Net repayment of bankers acceptance	-	(5,360)
Net repayment of term loans	-	(818)
Net cash flows from / (used in) financing activities	741	(1,220)
Net (decrease) / increase in cash and cash equivalents	(4,533)	229
Cash and cash equivalents at the beginning of the financial year	7,601	7,372
Effect of foreign exchange rate changes	-	-
Cash and cash equivalents at the end of the financial year (Note b)	3,068	7,601
 (a) Purchase of property, plant and equipment:		
- financed by hire purchase arrangements	-	-
- financed by cash	-	2,702
	-	2,702
 (b) Analysis of cash and cash equivalents:		
Cash and bank balances	1,208	7,009
Fixed deposits with licensed banks	452	1,179
Short-term funds	2,461	324
	4,121	8,512
Less: Bank overdrafts	(601)	(587)
	3,520	7,925
Less: Fixed deposit pledged to a licensed bank	(452)	(324)
	3,068	7,601

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

STERLING PROGRESS BERHAD

(Company No. 679361-D)

Tel No: 04-5082000 Fax No: 04-5082002 Email: sales@tejari.com.my

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

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 year ended 31 March 2017 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 year ended 31 March 2017.

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 year ended 31 March 2017.

The significant accounting policies adopted are consistent with those of the audited financial statements financial year ended 31 March 2017.

3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements of the Group for the financial year ended 31 March 2017 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.

**Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS)
134- Interim Financial Reporting (Continued)****8. Dividends Paid**

No dividend has been paid during the current quarter.

9. Segmental Information

Sales revenue by division to external parties for the quarter ended 31 December 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	943	4,561	364	5,868
Gross Profit /(Loss)	466	(30)	213	649
Loss before taxation	(232)	(1,045)	(362)	(1,639)

Sales revenue by division to external parties for the quarter ended 31 December 2016 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	995	21,391	607	22,993
Gross Profit /(Loss)	526	216	319	1,061
Loss before taxation	(144)	(689)	243	(590)

10. Changes of Composition of the Group

There were no changes to the composition of the Group as at and for the quarter ended 31 December 2017.

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 year ended 31 March 2017.

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

12. Contingent Assets or Liabilities

Details of contingent liabilities as at 23 February 2018 (the latest practicable date which is not earlier than 7 days from the issue of this quarterly report) are as follows:

	As at 31.12.2017 RM'000	As at 31.03.2017 RM'000
Corporate guarantees extended to financial institutions for banking facilities granted to subsidiary companies and suppliers	<u>10,000</u>	<u>10,000</u>

There are no contingent assets since the last annual balance sheet as at 31 March 2017.

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 February 2018, being the latest practicable date not earlier than seven (7) days from the date of issue of this quarterly report except that:

(i) on 15 January 2018, 22 January 2018 and 26 January 2018, the Board had announced that 8.5 million ESOS shares, 3 million ESOS and 23.5 million shares were exercised respectively; and

(ii) the Company had changed its financial year end to 30 June and the next set of its financial statements will be made up from 01 April 2017 to 30 June 2018 covering a period of 15 months. Thereafter, the financial year end of the Company shall end on 30 June for each subsequent year.

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 (1 st Quarter)		Change		Cumulative Period		Change	
	Current Year Quarter 31/12//2017 RM'000	Preceding Year corresponding Quarter 31/12/2016 RM'000	Percentage	%	Current Year Quarter 31/12/2017 RM'000	Preceding Year corresponding Quarter 31/12/2016 RM'000	Percentage	%
Revenue	5,868	22,993	(17,125)	(74.48%)	26,646	79,515	(52,869)	(66.49%)
Operating Loss	(1,623)	(496)	(2,119)	(427.22%)	(6,935)	(6,870)	(13,805)	(200.95%)
Loss before interest and tax	(1,623)	(496)	(2,119)	(427.22%)	(6,935)	(7,174)	(14,109)	(196.67%)
Loss before tax	(1,639)	(590)	(2,229)	(377.80%)	(6,985)	(7,401)	(14,386)	(194.38%)
Loss after tax	(1,644)	(592)	(2,236)	(377.70%)	(6,990)	(7,401)	(14,391)	(194.45%)
Loss Attributable to Ordinary Equity Holders of the Parent	(1,643)	(592)	(2,235)	(377.53%)	(6,985)	(7,401)	(14,386)	(194.38%)

For the current quarter ended 31 December 2017 (“Q3 2017”), the Group recorded revenue of RM5.9 million as compared to the revenue for the preceding year's corresponding quarter 31 December 2016 (“Q3 2016”) of RM23 million. The decrease was mainly due to lower revenue recorded for the sales of notebooks and smartphones.

The Group recorded a higher pre tax loss of RM1.6 million for Q3 2017 as compared to RM0.6 million in the preceding year. The increase was mainly due to lower volume of sales of notebooks and smartphones.

STERLING PROGRESS BERHAD

(Company No. 679361-D)

Tel No: 04-5082000 Fax No: 04-5082002 Email: sales@tejari.com.my**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	
	31/12/2017	30/9/2017		
	RM'000	RM'000	RM'000	%
Revenue	5,868	5,903	(35)	(0.59%)
Operating Loss	(1,623)	(2,458)	(4,081)	(166.03%)
Loss before interest and tax	(1,623)	(2,458)	(4,081)	(166.03%)
Loss before tax	(1,639)	(3,474)	(5,113)	(147.18%)
Loss after tax	(1,644)	(3,474)	(5,118)	(147.32%)
Loss Attributable to Ordinary Equity Holders of the Parent	(1,643)	(3,474)	(5,117)	(147.29%)

The decrease in revenue was mainly due to lower revenue recorded for the sales of notebooks and smartphones. The lower LBT is due to previous quarter there was ESOS expenses for ESOS granted during the quarter.

3. Commentary on Prospects

The Group believes that the Malaysian retail sector will face a challenging year ahead in 2017 in view of the anticipated reduction in consumer spending. In light of this, 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current tax	(5)	(2)	(5)	(227)
Deferred tax	-	-	-	-
Tax expense	(5)	(2)	(5)	(227)

The effective tax rate of the Group for the current quarter under review is higher than the statutory tax rate of 24% mainly due to taxable income incurred for one of its subsidiary.

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 31 March 2017.

8. Status of Corporate Exercises

There are no pending corporate exercises.

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

8. Borrowings and Debt Securities

The Group's borrowings as at 31 December 2017 are as follows:-

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total Outstanding RM'000
<u>Secured</u>			
Bank overdraft	601	-	601
Finance lease	278	249	527
Total	<u>879</u>	<u>249</u>	<u>1,128</u>

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 31 December 2017.

9. Derivative Financial Instruments

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

10. Changes in Material Litigation

Since the last annual balance sheet date, there was no pending material litigation at 23 February 2018 (the latest practicable date which is not earlier than 7 days from the issue of this quarterly report).

11. Dividend

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

12. 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.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad (Continued)**14. Basic earnings per Share (continued)**

	Current Quarter Ended		Cumulative Quarter Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Loss for the quarter	(1,644)	(592)	(6,990)	(7,401)
Weighted average number of ordinary shares of RM0.10 in issue	395,818	395,818	385,318	385,318
Basic earnings per share (sen)	(0.01)	(0.01)	(0.01)	(0.01)

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.

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 31 December 2017, into realised and unrealised (accumulated losses)/profits, pursuant to the directive, is as follows:

	As at 31.12.2017 RM'000	As at 31.03.2017 RM'000
Total (accumulated losses) retained profits of the Group:		
- Realised	(6,681)	308
- Unrealised	-	-
	<u>(6,681)</u>	<u>308</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 28 February 2018.