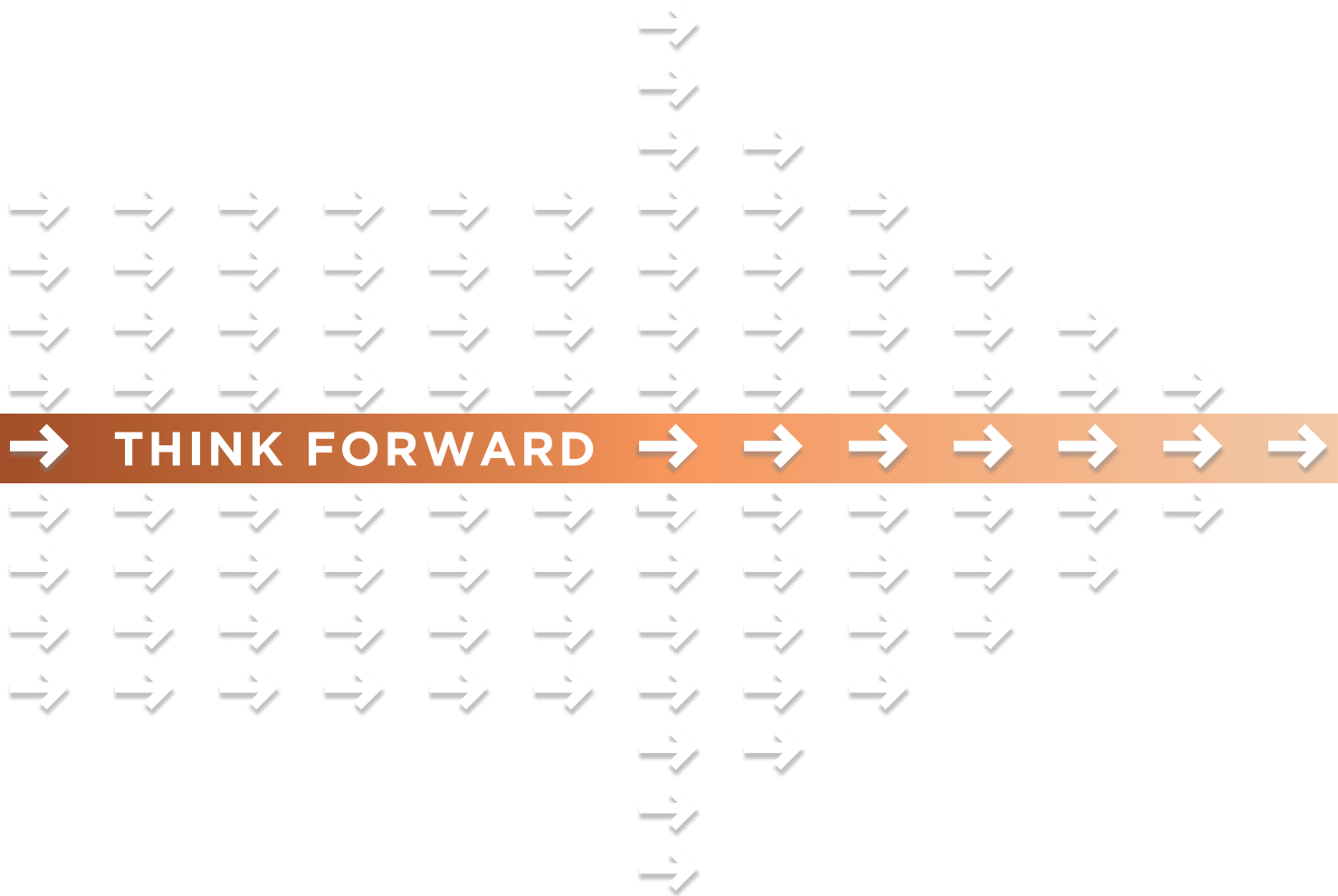




**STERLING
PROGRESS**

STERLING PROGRESS BERHAD (679361-D)



ANNUAL REPORT 2018

CORE VALUES



COMMITMENT TO CLIENTS

We are committed to collaborate and work closely with clients to build long-term partnerships. We meet your needs by creating personalized and strategic business plans.



SPIRIT OF COLLABORATION

We believe everyone brings value to the team and can achieve great things together. As such, we welcome forming sincere and lasting partnerships with other businesses to reach higher.



CURIOUS AND INNOVATIVE

We continuously seek ways to improve our strategies to provide businesses with competitive and current solutions.



ETHICS

We believe in being open, honest and respectful at all times with our clients and the people we work with.



OUR MISSION

Ultimately transform and liven up the current business model to empower the defined industry ecosystem!

OUR VISION

To be the leading Innovative Management Solutions company in South East Asia that delivers forward thinking integrated topology to shape optimization of SME businesses.



COVER RATIONALE

Sterling Progress Berhad aims to be the trendsetters in the market. The theme of our annual report this year “Think Forward” strongly encompasses our belief to strategically think forward to bring in new ideas and creative solutions for our clients. To remain a trendsetter, Sterling proactively looks forward into the future to identify opportunities and trends. With new direction and more precise strategic business retail chain, we believe we can grow even stronger in the upcoming years.

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COMPANY PROFILE

The company has undergone yet another transformation and has set its sights on becoming an innovative management solutions company.



Sterling Progress Berhad, formerly known as 1 Utopia Berhad, changed its name in January 2016 as part of its transformation to venture into the ICT industry. 1 Utopia was established in 1984 and was incorporated as a private limited company in 25 January 2005. Sterling Progress then converted into public company on 21 December 2005 and is currently listed on the Ace Market of Bursa Malaysia.

The company has undergone yet another transformation and has set its sights on becoming an innovative management solutions company.





Sterling Progress Berhad is continuously looking for new ways to diversify and expand its strategic business ecosystem.

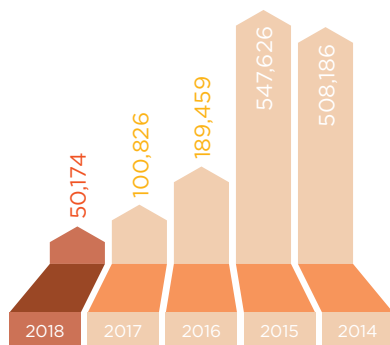
The company acquired Macpiepro Sdn Bhd in 2018 as a new venture into the event and artist management industry, which currently extends the company's strategic business ecosystem into four core segments in retail space management, financial solutions, ICT product supply and distribution, and event management.

Ever thinking forward, Sterling Progress Berhad is continuously looking for new ways to diversify and expand its strategic business ecosystem to provide budding SMEs with the best innovative management solutions.

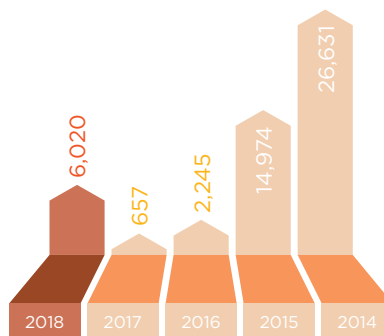
FINANCIAL HIGHLIGHTS

	AUDITED				
	2018	2017	2016	2015	2014
Number of Shares ('000)	321,295	279,295	989,180	989,180	737,460
Revenue (RM'000)	50,174	100,826	189,459	547,626	508,186
Gross Profit (RM'000)	6,020	657	2,245	14,974	26,631
Gross Profit Margin (%)	12%	0.65%	1.18%	2.73%	5.24%
(Loss)/Profit Before Tax (RM'000)	(8,905)	(33,815)	(35,266)	(13,567)	2,343
(Loss)/Profit After Tax (RM'000)	(8,966)	(33,916)	(33,906)	(13,184)	1,110
(Loss)/Profit After Tax Margin (%)	-17.87%	-33.64%	-17.90%	-2.41%	0.22%
Net (Loss)/Earning per Share (Sen)	(2.79)	(12.14)	(3.43)	(1.33)	0.15
Current Ratio	3.78	4.98	2.48	1.91	1.95

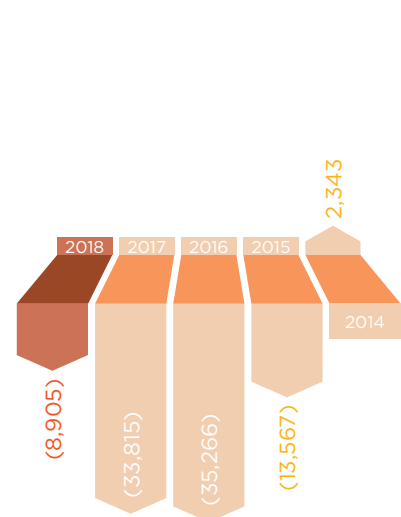
REVENUE (RM'000)



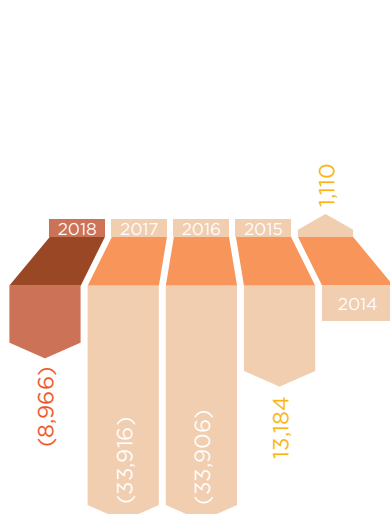
GROSS PROFIT (RM'000)



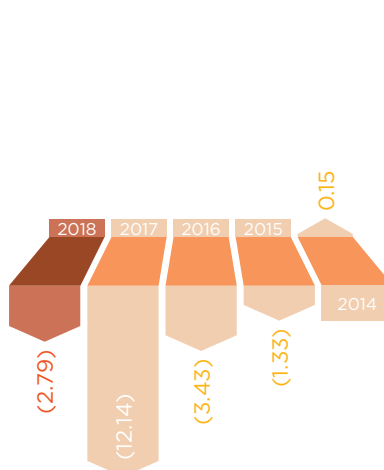
(LOSS)/PROFIT BEFORE TAX (RM'000)



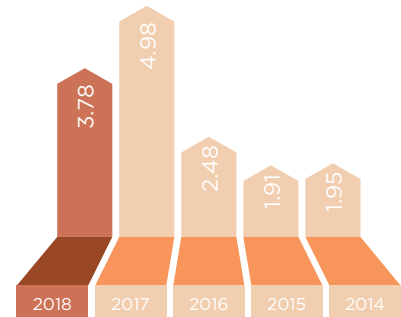
(LOSS)/PROFIT AFTER TAX (RM'000)



NET (LOSS)/EARNING PER SHARE (SEN)



CURRENT RATIO



CORPORATE INFORMATION

BOARD OF DIRECTORS

LIM PENG TONG

Non-Executive Independent Director
Chairman of the Board
(Appointed on 29 January 2018)

NG CHEE HENG

Executive Director
(Appointed on 22 February 2018)

LEONG SENG WUI

Chief Executive Officer, Executive Director

KENNY KHOW CHUAN WAH

Finance Director, Executive Director

LIONEL VERNON YONG NGUON KEE

Non-Executive Independent Director

CHONG CHING WAI

Non-Executive Independent Director
(Appointed on 22 February 2018)

MEMBERS OF AUDIT &

RISK MANAGEMENT COMMITTEE

LIONEL VERNON YONG NGUON KEE
(Chairman)

LIM PENG TONG

(Appointed on 29 January 2018)

CHONG CHING WAI

(Appointed on 27 August 2018)

MEMBERS OF NOMINATING COMMITTEE

LIONEL VERNON YONG NGUON KEE
(Chairman)

LIM PENG TONG

(Appointed on 29 January 2018)

CHONG CHING WAI

(Appointed on 27 August 2018)

MEMBERS OF REMUNERATION COMMITTEE

CHONG CHING WAI
(Chairman) (Appointed on 27 August 2018)

LIONEL VERNON YONG NGUON KEE

LIM PENG TONG

(Appointed on 29 January 2018)

MEMBERS OF ESOS COMMITTEE

LIM PENG TONG (Chairman)
KENNY KHOW CHUAN WAH
LIM BEE WAN

COMPANY SECRETARIES

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)

PRINCIPAL BANKER

MALAYAN BANKING BERHAD

REGISTERED OFFICE

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah, 10050 Penang
Tel : 04-2108 833
Fax : 04-2108 831

CORPORATE OFFICE

Unit 23-01, Q Sentral, Jalan Stesen, Sentral 2,
KL Sentral 50470 KL.
Tel : 03-2116 3605
Fax : 03-2116 3737

WEBSITE

www.spberhad.com

SOLICITORS

Messrs. Peter Ling & Van Geyzel

AUDITORS

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

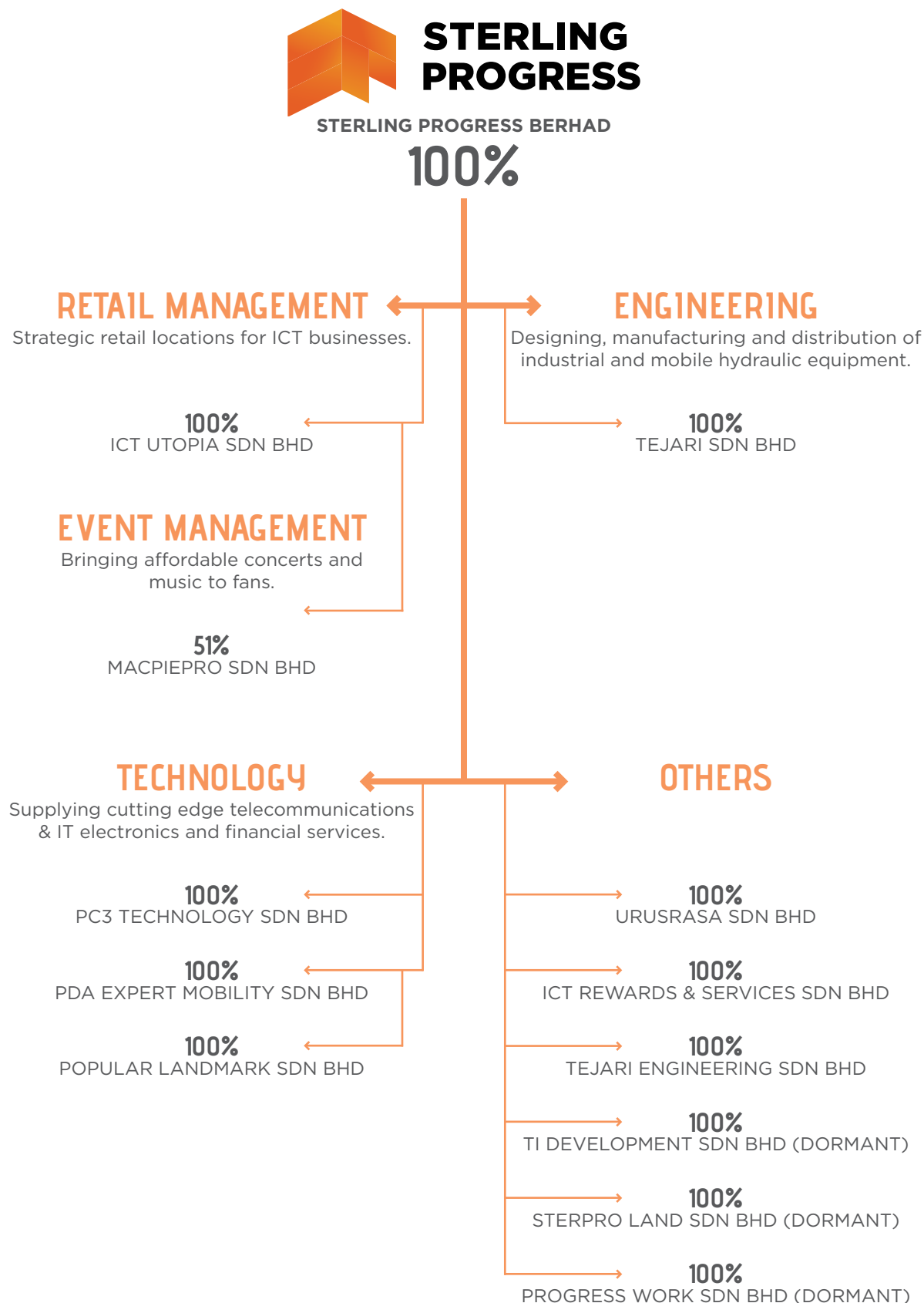
STOCK EXCHANGE LISTING

ACE MARKET OF BURSA MALAYSIA
SECURITIES BERHAD
Stock Name : STERPRO
Stock Code : 0140

SHARE REGISTRAR

AGRITEUM SHARE REGISTRATION
SERVICES SDN. BHD.
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-2282 321
Fax : 04-2272 391

CORPORATE STRUCTURE



MANAGEMENT DISCUSSION AND ANALYSIS

YEAR IN REVIEW

This year, Sterling Progress has embraced new changes by welcoming new members to the Board of Directors. The combined expertise of the new and old board members with backgrounds ranging from law, finance and mobile and digital backgrounds will contribute to the future growth of the company.

Sterling Progress also recently acquired Macpiepro as a move to diversify its business model. This resulted in adding event management as its fourth segment in Sterling Progress' strategic business ecosystem. With the expertise in four areas, the company is well-equipped to provide budding SMEs with a competitive edge.

The company has successfully provided a comprehensive range of ICT products such as laptops, smartphones and wearables from more than 30 leading brands ranging from Asus, Lenovo, Samsung and IBM.

After the success in organizing three K-Wave Music Festivals, Macpiepro is entrusted to organize both iKon and WINNER world tour concerts that are taking place in October 2018. K-Wave 2 drew in more than 13,000 fans at Stadium Merdeka in January 2018 and K-Wave 3 was the company's third sold-out concert. Macpiepro also aims to sign more artists and influencers in 2018 in order to extend the Sterling Progress's business model.

VISION

The Group promises to continue delivering quality ICT products at an affordable cost while upholding our commitment to create sustainable growth and value to our stakeholders. With Macpiepro, the Group also look forward to bring more state-of-the-art concerts and music festivals to the audience at affordable prices so everyone at any age can enjoy music. The Group strives to continuously think forward to improve the financial performance and services of the company.

ANALYSIS OF FINANCIAL RESULTS

The Group has clocked a revenue of RM50.2 million for the financial period ended 30 June 2018 as compared to RM100.8 million in financial year ended 31 March 2017, recording a decrease of 50%. This was mainly due to the divestment of loss making subsidiary companies as part of the Group's exercise to focus on profit making companies and divisions.

Ultimately, the Group has recorded profit in the 4th and the extended quarter ever since diversifying the business model to focus on profit-making companies. The Group experienced a huge improvement and recorded a lower pre-tax loss of RM8.9 million for the financial period ended 30 June 2018 as compared to RM33.8 million in the preceding year.

The pre-tax loss of RM8.9 million was mainly attributed to the impairment of property, plant and equipment for outlets that have ceased business, divestment of subsidiary companies and Employee Share Option Scheme ("ESOS") expenses for ESOS granted during the previous financial year.



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

RESULTS OF OPERATIONS

Revenues were generated through the respective segments as follows:

	2018 Revenue	2017 Revenue
Hydraulic	5,160	4,555
ICT	43,458	93,952
Others	1,556	2,319

Our ICT division remains our largest contributor of revenue with RM43.5 million translating to a reduction of 54% compared to the Group's revenue for this segment in our previous financial year. Such decrease can be mainly attributed to the slowdown in sales of notebooks and smartphones. We recorded a pre-tax loss of RM4.9 million compared to RM22.3 million in the preceding year. The decrease was mainly attributed to intangible assets written off and property, plant and equipment written off which was made in the previous financial year.

The second segment of the Group's revenue is hydraulics division. It recorded a revenue increase of 13% as compared to the previous financial year. For this segment, we recorded a pre-tax loss of RM1.1 million as compared to RM1.3 million in the preceding year.

Overall, the Group has taken a huge milestone to improve its financial performance to reduce overall net loss in financial period ended 30 June 2018 as compared to financial year ended 31 March 2017 and seen a positive growth in the last quarter result.

ASSETS AND LIABILITIES

Total assets have remained unchanged at RM58.1 million. Total liabilities has increased slightly by RM0.4 million or 3.8% due to higher payables.

RISK MANAGEMENT

The Group believes its ability to compete depends upon many factors both within and outside its control, including product and service differentiation, product distribution channels, customer service sales, pricing and marketing efforts. The ICT retail industry in Malaysia is highly fragmented and is very competitive therefore, it is essential for us to be ahead of market trends to enable us to offer products that are highly in demand and also to attract repeat sales and loyal customers. The company will progress further moving towards the cloud space by adopting wide e-distribution and e-space management.

As for our new venture into the event and artist management industry, it's expected to have a direct positive impact on the Group's performance. After taking into account the prospect of the event management industry moving forward and the current efforts undertaken by the Group, the Board is of the view that the new business is expected to be positive but there will also be risk factors inherent to that sector.

DIVIDEND POLICY

As of now, the Group's focus is to create and enhance shareholder's value in the long run. As such, we plan to re-invest our earnings to grow our business organically or inorganically. Currently, the Group does not adopt any dividend policy in the short term but will take into account distributing excess profits once we have stable earnings, after taking into consideration our working capital requirements and planned capital expenditure in future.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

MOVING FORWARD

The Malaysian economic growth will continue to be supported by domestic demand, primarily from the private sector. Exports will complement the economic growth with steady demand and stable commodity prices. PIKOM (The National IT Association) has forecasted a growth rate of 4.8 to 5% in 2018 and 4.5 to 4.8% in 2019.

The Malaysian Government has been driving the Economic Transformation Program (ETP) to turn Malaysia into a high income economy country by the year 2020 and soon, more initiatives and policies will be tabled and unveiled for the new 2050 National Transformation (TN50) roadmap, where its general goal is for Malaysia to become a top 20 country in the world by the year 2050. Thus, the country is geared towards improving the overall economy and socio-cultural well-being which will uplift the standard of living among the citizen. This will also result in higher income ratio which will increase the consumers' spending. It will then create a domino effect on the retail industry which includes ICT, hence, we still see a glimpse of hope in our business and we will continue to keep a stronghold in this industry.

However, as time progresses, the Board is mindful of the need to be able to keep up and evolve. While the Group will continue to focus on its core business, we are relentlessly finding ways to be innovative and still remain relevant. At the same time, the Group also aims provide end to end business solutions to meet the fast paced SMEs requirements.

For our event management segment, the Group intends to organize one concert per quarter at least and also aim to sign more artistes and influencers in 2019 to diversify its strategic business ecosystem.

Meanwhile, the Group will continue to explore other opportunities or if appropriate, implement necessary changes which may include expanding our businesses into a new industry or even engage in strategic partnerships to bring more value to our stakeholders.

The Group has a clear long-term strategy which is grounded on our purpose, vision, mission and values. We hope it is this foundation that will help us to successfully shape the future of the company. By 2020 and beyond, we want the Group to generate continuous profitable growth, to become more customer-focused, more innovative and more agile.





STERLING PROGRESS STRIVES TO CONTINUOUSLY THINK FORWARD.

We are committed to work together and bring forward our various expertise to ensure Sterling Progress produces innovative ideas to meet the ever-changing demands of the industry.

Standing (from left to right):

Alex Chong Ching Wai

Lionel Vernon Yong Nguon Kee

Kenny Khaw Chuan Wah

Sitting (from left to right):

Ng Chee Heng

Lim Peng Tong

Leong Seng Wui

BOARD OF DIRECTORS' MESSAGE

LIM Peng Tong (60, Male)

Malaysian

Non-Executive Independent Director
Chairman of the Board
(Chartered Banker)

“The company has added event management that complements and forms the four core segments in Sterling's retail business ecosystem.”

Dear investors and shareholders,

It is a fresh start to the year for Sterling Progress and for me serving as the company's new Chairman. The Board and I are looking forward to work closely with the new executive director Sean Ng to strengthen the company's existing business model.

With the addition of a new board member, the company has added event management that complements and forms the four core segments in Sterling's retail business ecosystem. The company is also planning to extend the business model by moving towards a wider online distribution network which will benefit both Sterling and its clients.

Sterling Progress has taken the steps to improve its financial performance and have seen a positive growth in the last quarters.

Thanks for your continuous support throughout the years.



BOARD OF DIRECTORS' MESSAGE

cont'd

NG Chee Heng (37, Male)

Malaysian

Executive Director
(Entrepreneur)

“I believe we will liven up Sterling Progress again with our strong business philosophy, core values and vision.”

Dear distinguished investors and shareholders,
“It’s time for us to Think Forward and Live it Up!”

I am honoured and humbled to serve as the new Executive Director of Sterling Progress. The company has an unlimited potential to grow as shown through its tremendous transformation over the past 2 years. To continue progressing forward, it’s time for us to reinvent, strengthen and extend the company’s business models.

I believe we will liven up Sterling Progress again with our strong business philosophy, core values and vision. Sterling Progress’s current strategic business ecosystem that’s comprised of four segments (retail space management, financial solution, ICT product supply and distribution along with a newly acquired event management company) will definitely grow better and stronger with a successful future ahead if we continue joining forces.

Our business model is well poised to serve the SME industries as we have tailored our end-to-end business solutions to meet the fast paced SMEs requirements that are still underserved. The company will progress further by moving towards the cloud space by adopting wide e-distribution and e-space management.

Sterling Progress has managed to recover from the third to fourth quarters and it is expected to improve with the prudent strategic forward planning. I would like to thank all of you for the continuous support for the company throughout the years and I look forward in working together to accomplish the company goals.



BOARD OF DIRECTORS' MESSAGE

cont'd



“

The company is already looking to move towards the online cloud space to reach a wider market.

”

LEONG Seng Wui (38, Male)

Malaysian

Chief Executive Officer, Executive Director
(Entrepreneur)

Dear investors and shareholders,

Sterling Progress is going back to the basics to focus on strengthening its business ecosystem. The company is already looking to move towards the online cloud space to reach a wider market.

To get right on track, Sterling Progress has welcomed those with expertise in finance and technology background joining the ranks of our Board of Directors and investors. Their invaluable expertise will help bring in innovative ideas that'll aid in diversifying the company's strategies and realigning the business model.

Once again, I thank you for your continued support and I look forward to work with all of you for many more years to come.

BOARD OF DIRECTORS' MESSAGE

cont'd

“

The company is stronger with a Board of Directors and investors from various backgrounds who are bringing their diverse expertise to the table.

”



KENNY KHOO Chuan Wah (43, Male)

Malaysian

Finance Director, Executive Director
(Chartered Accountant)

Dear investors and shareholders,

The company is stronger with a Board of Directors from various backgrounds who are bringing their diverse expertise to the table.

We started as a traditional retail player but we are now moving to an online business which will make the organization more lean and streamlined.

Sterling Progress has experienced some challenges but is already seeing improvement in its third to fourth quarters. With Ng Chee Heng's expertise and our strategic business ecosystem, I have confidence that the company will maintain a continuous growth and profit.

Many thanks again for staying with Sterling Progress through thick and thin. I look forward for the company to grow stronger and maintain a consistent profit growth together.

BOARD OF DIRECTORS' MESSAGE

cont'd



“

Sterling Progress has a resilient and robust team that is able to cope with changes.

”

LIONEL VERNON YONG Nguon Kee (48, Male)

Malaysian

Non-Executive Independent Director
(Chartered Accountant)

Dear investors and shareholders,

Sterling Progress has a resilient and robust team that is able to cope with changes. The company has seen a positive improvement after taking the necessary steps to improve its financial performance.

The focus now is to strengthen the existing business model thus, it is a good decision to venture into the online business sector. The company still has to ensure it has the right items to sell and deliver to make the lives of customers easier and more convenient to remain competitive in the market.

Sterling Progress could only continue with your support and I would like to thank all of you for staying with us throughout the years.

BOARD OF DIRECTORS' MESSAGE

cont'd

“

The online space is one of the great opportunities we can explore in our pursuit for success.

”



ALEX CHONG Ching Wai (38, Male)

Malaysian

Non-Executive Independent Director
(Lawyer)

Dear investors and shareholders,

Online technology has developed and evolved at such a tremendous pace that we are now using apps to perform the most basic of tasks. We can hail for a ride, order food and pay groceries just with a tap on the app. Even legal firms have adopted legal tech to advance their businesses.

The online space is one of the great opportunities we can explore in our pursuit for success. As such, Sterling Progress is moving towards the online space to extend its business ecosystem. With a young and dynamic team on the Board, I am confident Sterling Progress has the expertise to succeed in its ventures.

I am truly confident that the new CEO and Executive Director will be able to lead the company to a successful future. I look forward to work together and will continue to support the company in the best way I can.

Thank you all for your continuous support and confidence.

DIRECTORS' PROFILE

Lim Peng Tong (60, Male)

Malaysian

Non-Executive Independent Director Chairman of the Board

Lim Peng Tong, aged 60, Malaysian, is an Independent Non-Executive Director of Sterling Progress and was appointed to the Board as an Independent Non-Executive Chairman on 29 January 2018.

Mr. Lim graduated with a Diploma in Banking and Financial Services in 1997 from Institute Bank-Bank Malaysia (IBBM) and is a Certified Credit Professional (CCP) since 2002, which is a professional requirement for all credit personnel in the banking industry. He is also an Associate member with IBBM which is now known as Asian Institute of Chartered Bankers (AICB).

Mr. Lim has just recently retired from Malayan Banking Berhad after serving loyally for 38 years. He held his last position as the Regional Head of Business Banking of Northern Region (Penang, Kedah and Perlis) for the last 8 years since July 2010. His main roles and responsibilities were to oversee, manage and to grow the entire Business Banking sector of the Region which mostly involves financial lendings to SMEs, commercial customers and some listed corporations. More importantly, his role was to ensure credit quality and managing the banks' asset quality to mitigate risks and optimize profitability for the bank.

With more than 38 years of extensive experience in the financial and banking industry, he is an established banker with a vast knowledge and skills in the banking field, especially in the aspects of commercial and corporate lendings activities involving marketing, credit processes, business development and relationship management, in which he had held supervisory and leadership roles for the last 34 years ever since he started his career as a clerk in 1979 with the bank. Mr. Lim has also served in various states in the country, from Melaka, Johor, Kuala Lumpur to the northern region of Penang, Kedah and Perlis.

Mr Lim is also the Independent Non Executive Director of Spring Gallery Berhad.

NG Chee Heng (37, Male)

Malaysian

Executive Director

Mr. Ng Chee Heng, aged 37, Malaysian, is an Executive Director of Sterling Progress Berhad. He was appointed to the Board on 22 February 2018.

Mr. Ng Chee Heng is the group founder and chief executive officer of SEG Capital Intelligence Sdn Bhd ("SEG"), an investment company focusing in the digital mobile technology industry. As a major investor and shareholder in a few telecommunication and mobile technology companies which deals with digital rewards platform, retail management, consumer application, supply chain management and logistics and etc, SEG plays a vital role in helping these companies expand and create its own "Blue Ocean" market under SEG's blueprint for value creation in companies they get involved in.

With more than 18 years of experience in the mobile technology business industry, Mr. Ng has profound knowledge and keen insight of the industry with an extensive network of business partners and industry players. Back in the year 2012, he developed a Malaysia renowned smart device brand together with his other co-founders and it had quickly gained prominence, market share and firm footing in the ASEAN region. In just two years, the brand had expanded to Indonesia and was making headway into other ASEAN markets. He believes in taking the hands-on approach to leading business and marketing strategies, branding management, logistics and multi-national supply chain management, operation strategies and big-data business analysis.

DIRECTORS' PROFILE

cont'd

LEONG Seng Wui (38, Male)

Malaysian

Chief Executive Officer, Executive Director

Leong Seng Wui, aged 38, Malaysian, is an Executive Director and Chief Executive Officer of Sterling Progress Berhad. He was appointed to the Board on 30 May 2014.

He has been an entrepreneur in the ICT industry for over 13 years. He started off in the ICT retail sector after he graduated in IT studies from Binary Business School and was one of the pioneer technopreneurs in Malaysia starting out on his own. In his own setup, he was focusing on the telco and mobile retailing industry. A driven individual, he was instrumental in driving his company to be awarded the prestigious Golden Bull award (top 100 SME) by Alliance Bank and Nanyang Siang Pau, the notable PIKOM ICT Retailer of the year award, Dopod Retailer of the year, O2 Retailer of the year and Dopod Top 10 Retailer of Asia Pacific under his leadership.

Thereafter, in 2009 he was asked to join and lead the distribution unit of an ICT distributor of ICT products including notebooks, netbooks, tablet and mobile/telco products to penetrate channels in Malaysia. He successfully led this company to greater expansion and market share. He can be credited with the fast expansion of this distribution company which resulted in the successful acquisition of the said company by another listed group.

After the successful acquisition of the distribution company that he helped to grow, he sought a new challenge and in 2011, he joined 1 Utopia Berhad Group as a Marketing Manager in ICT Utopia Sdn. Bhd. to grow the brand as well as to assist with the creative aspect in the event and retail management. At the same time, due to his vast experience in the ICT product market and channel aspect, he advises and assists in the ICT products segment of 1 Utopia Berhad Group.

KENNY KHOW Chuan Wah (43, Male)

Malaysian

Finance Director, Executive Director

Kenny Khaw Chuan Wah, aged 43, Malaysian, is the Finance Director of Sterling Progress Berhad. He was appointed to the Board on 3 October 2011 as an Executive Director.

He graduated from University of Technology Sydney with a degree in Accounting and Finance (Distinction). He is a member of the Malaysian Institute of Accountants and CPA Australia. He started his career as an auditor with PricewaterhouseCoopers Malaysia in 1997. He has extensive experience in auditing (Internal & External) for 13 years, including a two-year secondment from 2004-2006 at PricewaterhouseCoopers London.

Mr. Khaw was trained in a big four audit firm in the areas of corporate exercises covering IPO, demerger of a listed entity, management and integration of two major companies in Malaysia, privatisation of a major listed entity, rights issue, issuance of debt securities, as well as the sale and leaseback of key assets. His other work experience includes financial due diligence, advisory, and numerous cross-border securities offering. With his vast experience, he also conducted numerous training courses across various industries in areas of accounting and auditing issues, principles and application of accounting standards (including IFRS), and audit methodology.

Mr. Khaw joined Sterling Progress Berhad as the Chief Financial Officer in 2010 to oversee the Group's financial affairs including accounting, finance, tax and treasury.

Mr. Khaw is also the Executive Director of PanpagesBerhad and Chief Financial Officer of MMAG Holdings Berhad.

DIRECTORS' PROFILE

LIONEL VERNON YONG Nguon Kee (48, Male)

Malaysian

Non-Executive Independent Director

Mr. Lionel Vernon Yong NguonKee, aged 48, Malaysian, is an Independent Non-Executive Director of Sterling Progress Berhad. He was appointed to the Board on 21 March 2017.

Mr. Lionel Yong CIA, CA (M), FCCA, CMIIA is an internal audit practitioner with more than 20 years experience in accounting, finance and internal audit. He is a Certified Internal Auditor (USA), a Chartered Accountant (Malaysia), a member of the Malaysian Institute of Accountants and a Fellow Member of the Chartered Association of Certified Accountants (UK). His specialties include the provision of independent and objective assessments of systems of internal control as implemented by the Management to evaluate and improve the effectiveness of risk management, control and governance. He is also familiar with the requirements of carrying out investigations into corporate fraud activities and with the requirements of the governance and audit of Information Technology systems based on the COBIT Framework.

His broad range of experience and knowledge of internal controls was obtained from his time working, both locally in Malaysia and overseas, in the following industries: banking & finance, trading, printing and packaging, plantations, real estate, construction, engineering and various manufacturing operations. He has carried out risk assessment exercises for numerous companies, has been involved in the system development life cycle process in the implementation of a number of IT applications during his career, and has led investigations into a number of corporate fraud activities.

He is currently the Director of Corporate Governance, Risk Management and Internal Audit with OAC Consulting Sdn Bhd.

ALEX CHONG Ching Wai (38, Male)

Malaysian

Non-Executive Independent Director

Mr. Chong Ching Wai, aged 38, Malaysian, is an Independent Non-Executive Director of Sterling Progress Berhad. He was appointed to the Board on 22 February 2018.

Mr. Chong acquired his degree in Bachelor of Jurisprudence from University of Malaya in 2003 and obtained the Certificate of Legal Practice from Lembaga Kelayakan Profesion Undang-undang, Malaysia in 2005. He was then called to the Bar in 2006.

In 2007, Mr. Chong joined YC Pang, Chong & Gordon as a Legal Assistant and was appointed as a Partner of the firm in the following year. During his tenure as a practitioner, his main role was to advise various companies on their corporate and commercial transaction as well as property related legal issues based on his experience. Other than that, his firm is appointed as the full panel solicitors to a number of major banks in Malaysia.

Note: None of the Directors have any family relationship with any directors and/or substantial shareholders of Sterling Progress Berhad, nor any conflict of interest in any business arrangement involving the Company. They have had no convictions for any offences within the past 5 years.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Overview Statement in essence highlights the Group and Company's commitment towards adopting, upholding and complying with the best practices as set out in the Malaysian Code on Corporate Governance ("MCCG"), which was issued in April 2017 and with its disclosures pursuant to the Bursa Malaysia ACE Market listing Requirements.

The Board of Directors ("the Board") of the Company affirms its commitment in adopting and maintaining a high standard of accountability, responsibility and transparency in the Group's daily business operations and affairs. The Board Committees ensure that the best practices and principles set out in MCCG are adhered to, where possible, towards building and enhancing long term shareholders' relationship and values.

This statement gives the shareholders an overview of the corporate governance practices of the Company during the financial period ended 30 June 2018 (FPE2018) and it is to be read together with the Corporate Governance Report which is available at the Company's website (www.spberhad.com).

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Boards Leadership

- 1.1 The Group is led by an experienced and effective Board. All Board members carry an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board is responsible for the stewardship of the business and affairs of the Group and is collectively responsible for the delivery of sustainable value to its shareholders. In discharging its fiduciary duties and leadership functions, the Board has governed and set the strategic direction of the Group while exercising oversight on management. The Board ensured that it had set the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Group.

Sustainability

The Board regularly reviews the strategic direction of the Group and the progress of the Group's operations, taking into changes in the business and political environment and risk factors such as level of competition.

Directors' Time Commitment

The Directors are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively, they must not hold directorships at more than five public listed companies and must be able to commit sufficient time to the Company.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings.

Board Meetings

The Board met six (6) times during the FPE2018. The attendance of the Board members at the meetings were as follows:-

Directors	Number of meetings attended
Lionel Vernon Yong Nguon Kee	6/6
Leong Seng Wui	6/6
Kenny Khaw Chuan Wah	6/6
Lim Peng Tong	2/2
Chong Ching Wai	2/2
Ng Chee Heng	2/2

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

1.0 Boards Leadership *cont'd*

- 1.1 The Group is led by an experienced and effective Board. All Board members carry an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. *cont'd*

Directors' Training

In addition to the mandatory programmes as required by the Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") for newly appointed Director and in line with the constant changes in rules and regulations, information technology and business environment, all Directors are encouraged to attend continuous training conducted by highly competent professionals and which are relevant to the Group's operations and business.

The Nominating Committee will assess the training needs of the Directors and ensure Directors have access to continuing education programme.

During the FPE2018, members of the Board had attended the following training programmes:

Name	Description of Training
Leong Seng Wui	<ul style="list-style-type: none"> Malaysia IT Fair@Mid Valley Exhibition Center
Kenny Khoo Chuan Wah	<ul style="list-style-type: none"> Malaysia IT Fair@Mid Valley Exhibition Center
Lionel Vernon Yong Nguon Kee	<ul style="list-style-type: none"> 2017 Institute of Internal Auditors (IIA) Malaysia National Conference Trust & Integrity Conference by Malaysia Institute of Accountants (MIA) Crisis Management: What to Do When Crisis Hits by Malaysia Institute of Accountants (MIA) Audit Committee Conference 2018 by Malaysia Institute of Accountants (MIA)
Lim Peng Tong	<ul style="list-style-type: none"> MSSG Reporting & CG Guide Mandatory Accreditation Programme (MAP)
Chong Ching Wai	<ul style="list-style-type: none"> Mandatory Accreditation Programme (MAP)
Ng Chee Heng	<ul style="list-style-type: none"> Mandatory Accreditation Programme (MAP)

All the Directors have attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia Securities Berhad.

To enable the Board to discharge the responsibilities in meeting the goals and objective of the Company, the Board has, among others,

- reviewed, challenged and decided on management's proposal for the Group and monitor its implementation by key senior management;
- monitored and regularly reviewed the strategic direction of the Group and the progress of the Group's operations, taking into changes in the business and political environment, risk factors such as level of competition and to determine the business being properly managed and supports long term value creation;
- ensured there is a sound framework for internal controls and risk management;
- ensured that key senior management has the necessary skills and experience and measures in place to ensure orderly succession planning within the Group.
- ensured the integrity of the financial and non-financial reporting of the Group;
- ensured that the Company's financial statements are true and fair and conform to the relevant standards, rules and regulations.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

1.0 Boards Leadership *cont'd*

1.2 Chairman of the Board

The Independent Non-Executive Chairman responsibilities include:

- (a) provide overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions;
- (b) chair meetings of the Board in such a manner that will stimulate debate on the issues before the Board and encourage the most effective contribution from each Director. The Independent Non-Executive Chairman should ensure that the agenda and all necessary background papers are given to Directors in sufficient time to able the papers to be adequately considered before the meeting;
- (c) review the minutes of meetings of the Board before meeting, to ensure they accurately reflect the Board's deliberations, and matters arising from the minutes and on which further action is required have been addressed;
- (d) monitor Board performance as a whole;
- (e) ensure membership of the Board is appropriately skilled to meet the needs of the Company;
- (f) assist in Board discussions to address the key issues facing the Company;
- (g) initiate the establishment of Board Committees and ensuring that they achieve their objectives;
- (h) guide and promote the ongoing efficiency and development of the Board and its individual Directors;
- (i) embrace high corporate governance.

1.3 The positions of the Chairman and Executive Director/Chief Executive Officer are held by two different individuals. The Chairman is responsible for the achievement of the Group's strategic vision and also for leading the Board in its collective oversight of management while the Executive Director/Chief Executive Officer focuses on the business and day-to-day management of the Group and the implementation of the Board's decisions. The distinct and separate roles of the Chairman and Executive Director/Chief Executive Officer; with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making and are clearly defined in the Board Charter.

1.4 Company Secretaries

The Board is supported by 2 qualified company secretaries and has unrestricted access to the services of the Company Secretaries on matters relating to the companies law, rules and regulations of the regulatory authorities as well as best practices on governance. The Company Secretaries are members of professional bodies and qualified to act as company secretaries.

The Company Secretaries are responsible for proper maintenance of secretarial records, preparation of resolutions and other secretarial functions of the Company. The Company Secretaries attend all Board, Board Committees and General meetings of the Company and records the minutes of the meetings.

In addition, the Company Secretaries regularly updated the Board on the changes of the listing requirements upon receiving the circulars from Bursa Securities which are relevant to the Company and advise on corporate disclosures and compliances.

During the FPE2018, the Company Secretaries had attended various seminars and conferences to keep themselves abreast with the regulatory changes and other areas of sustainability, governance, finance and accounting.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

1.0 Boards Leadership *cont'd*

- 1.5 The Board meeting materials are circulated to Directors at least one week prior to each Board meeting to enable Board members to facilitate informed and timely decision making. All Board members reviewed and confirmed the minutes of the meetings to ensure they accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberate on a particular matter.

Board members have complete and unhindered access to the Management and Company Secretary at all times. Management personnel are invited to attend Board meetings and the Board may consult with other employees of the Group and seek additional information, where necessary. Likewise, the Directors also have access to independent professional advice whenever such services are needed to assist them in carrying out their duties at the Company's expense.

1.6 Good Business Conduct and Healthy Corporate Culture

The Directors are expected to conduct themselves with the highest ethical standards by setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Group. All Directors and employees are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Group. The Company has adopted a Code of Conduct and Ethics, which can be viewed on the Company's website <https://www.spberhad.com>.

The Company's Whistleblowing Policy encourages its employee to raise genuine concerns about positive improprieties in matters of compliance, suspected violations of the Code of Conduct and Ethics and to disclose any improper conduct or other malpractices within the Group.

The Policy is to provide communication channels for employees of the Group and agents, suppliers, consumers and related third party to raise concerns about the improper conduct within the Group and to offer protection for such persons (including the employees of the Group) who can report such allegations in person to its Human Resource Manager ("HRM") and Chief Executive Officer ("CEO") or in writing to CEO and Independent Non-Executive Chairman. The Whistleblowing Policy is published on the Company's website <https://www.spberhad.com>.

The Board Charter, Code of Conduct and Ethics and Whistleblowing Policy were received and reviewed on 17 October 2018.

2.0 Board Composition

2.1 Demarcation of Responsibilities of the Board, Board Committees and Management

The Board is guided by the Board Charter, which set out amongst the responsibilities, authorities, procedures, evaluation and structures of the Board and Board Committees as well as the relationship between the Board with its management and shareholders.

The Board Charter was last reviewed on 17 October 2018 and updated on the company website at <https://www.spberhad.com>. Notwithstanding that the Board Charter is subject to periodic review to ensure their relevance and compliance.

The Board has delegated specific responsibilities to the following Board Committees and adopted Terms of References ("TORs") setting out the matters relevant to the composition, responsibilities and administration of these Committees:

- (a) Audit & Risk Management Committee ("AC")
- (b) Nominating Committee ("NC")
- (c) Remuneration Committee ("RC")

The Board receives reports of the proceedings and deliberations of the Board Committees where the Chairman of the Board Committees report to the Board on the key issues deliberated and the outcome of the Board Committee meetings. Minutes of the Board Committees meetings are presented to the Board for notation and endorsement. The TORs of the Board Committees are reviewed as and when the need arises. The TORs are published on the Company's website at www.spberhad.com together with the Board Charter.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

2.0 Board Composition *cont'd*

2.2 Nominating Committee

The NC is responsible for ensuring that the Board has the appropriate balance composition and size, the required skills mix, experience, and other core competencies; and is also responsible for considering and recommending the appointment of new Directors to the Board. The final decision on the appointment of a candidate recommended by NC rests with the whole Board.

The existing NC comprises three (3) members, all of them are Independent Non-Executive Directors:-

Chairman:	Lionel Vernon Yong Nguon Kee	(Independent Non-Executive Director)
Members:	Lim Peng Tong	(Independent Non-Executive Director)
	Chong Ching Wai	(Independent Non-Executive Director)

Whenever there may be vacancy on the Board, be it for replacement or new creation, the NC will source it through their peers, networking and get the recommendations from the management, directors or major shareholders.

The NC meets to assess the shortlisted candidate for his/her suitability before formally considering and recommending them to the Board for appointment as a director of the Company.

In reviewing and recommending to the Board any new Director appointment, the NC considers the followings:

- (i) Candidate independence for Independent Non- Executive Director.
- (ii) Candidate's age, ethnicity, gender, knowledge and skills, experiences, integrity, professionalism and other relevant factors as may be determined by the NC which would contribute to the Board's collective skills.
- (iii) Ability to fulfil time commitment in particular for Independent Non-Executive Director.
- (iv) The composition diversity of the Board and Board Committees.

NC will annually review the required mix of skills and experience and other qualities, including core competencies which the Director should bring to the Board.

The NC ensures that all appointments of new Directors to the Board are proper and in compliance with the rules of the relevant authorities. Any appointment of additional Director will be made as and when it is deemed necessary by the existing Board with due consideration given to the mix skills, expertise and experience in the respective industry required regardless of gender diversity for an effective Board.

2.3 Board's Objectivity

The Board comprises three (3) Executive Directors and three (3) Independent Non-Executive Directors (including the Non-Executive Chairman). This Board has complied with the ACE Market Listing Requirements as half of its Board members are Independent Directors.

The Board is of the view that having at least half of the Board are Independent Non-Executive Directors who by virtue of their non-executive status do not involve in the day-to-day management of the Group's businesses, this may provide an effective check and balance in the functioning of the Board.

The Directors, with their different background and expertise, collectively bring with them a wide range of experiences such as finance, legal, corporate affairs, marketing and operations. A brief profile of each Director is set out in Board of Directors' Message section of this this Annual Report.

Pursuant to the Company's Constitution, one third (1/3) of the Directors shall retire from office, provided that all Directors shall retire at least once every three (3) years, but shall be eligible for re-election. Directors who were appointed during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointment.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

2.0 Board Composition *cont'd*

2.4 Tenure of Independent Directors

None of the Independent Directors is currently serving beyond nine (9) years. However, if the Board intends to retain an Independent Director beyond nine (9) years and twelve (12) years, the Board will justify and seek annual shareholders' approval appropriately.

The Board has not adopted a policy which limits the tenure of its Independent Directors to nine (9) years.

2.5 Diversity

The Board is judicious of the gender diversity recommendation by MCCG in order to bring a variety of diverse opinions, prospective, skills, experiences, backgrounds and orientations to its discussions and its decision making processes and constructive debates at key senior management level.

The Group is an equal opportunity employer and all appointments to the Board and employees are based on objective criteria, merit, experience and credibility on a continuing basis and, may not limited to gender, age, ethnicity and culture background.

The Board views that the workplace and Board diversity is important to facilitate the decision making process by harnessing different insights and perspectives.

The current diversity in gender, ethnicity and age of the Board and key senior management are as follows:

	Race/Ethnicity			Age Group			Gender	
	Malay	Chinese	Indian	31-40	41-50	51-60	Male	Female
Number of Directors	-	6	-	3	2	1	6	-
Key Senior Management	-	1	-	1	-	-	-	1

When the need arises, the Board would give more weightage in the appointment of female Directors to the Board and key senior management. The Board recognizes the challenges in achieving this and would want to avoid the pitfall of tokenism which is not in the best interest of the Group.

Activities carried out by NC during the FPE 2018:

The members of the NC reviewed the mix of skills, experience and competency of the Board composition.

The NC had assessed each individual director, the Board and Board Committees as a whole and the AC and its members for their performance and the effectiveness. The assessment of individual Directors was through the Director Evaluation Form under the criteria of integrity and ethics, governance, strategic perspective, adding value, judgment and decision-making, teamwork, communication and commitment. The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. The respective Director has abstained from evaluating their own performance. The NC rated the Board performance evaluation based on the consensus amongst the NC.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

3.0 Remuneration

3.1 Level and Composition of Remuneration

The RC has been entrusted by the Board to determine that the level of remuneration is sufficient to attract and retain Directors of quality required to manage the business of the Group. The RC is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted, with the Directors concerned abstaining from discussions on their individual remuneration.

The RC carried out an annual review of the Directors' remunerations packages with regards to each Director's role, responsibilities, and expertise, taking into consideration of the Company's business performance of the Group whereupon recommendations are submitted to the Board for approval. Such annual reviews shall ensure that the remuneration package of the Directors remains sufficiently attractive to attract and retain Directors of such caliber to provide the necessary skills and experience to drive the Group's long term objectives.

The RC now consists of only Independent Non-Executive Directors.

3.2 Remuneration of Directors and Key Senior Management

The Directors' remuneration for the FPE2018 is as follows:-

Company Level (RM)			
	Fees	Salary bonus and benefits in-kind	Total
Executive Directors			
Leong Seng Wui	52,500	593,612	646,112
Kenny Khoo Chuan Wah	52,500	376,172	428,672
Ng Chee Heng	17,500	27,898	45,398
Non-Executive Directors			
Lim Peng Tong	17,500	-	17,500
Lionel Vernon Yong Nguon Kee	52,500	-	52,500
Chong Ching Wai	17,500	-	17,500

The Senior Management's remuneration for the FPE2018 is as follows:-

Range of Remuneration (RM)	No. of Key Senior Management
Less than 50,000	1

The Board had disclosed the remuneration of its senior management in bands of RM50,000 but not on named basis in view of the competitive nature of the human resource market as well as to maintain confidentiality on employee remuneration matters.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

4.0 Effective and Independent Audit & Risk Management Committee

- 4.1 The AC was established to fulfill the principles of accountability, integrity and good corporate governance in assisting the Board independently in discharging its responsibilities of reviewing and monitoring the Group's financial process, audit process, statutory and regulatory compliance, code of business conduct, and other matters that the Board or the relevant authorities may specially delegate to the Committee.

The Board had set up an AC comprising of three (3) members and its term of reference is available on the Company's website (www.spberhad.com).

Please refer to the Audit & Risk Management Committee Report in this Annual Report for further details.

The Chairman of the AC is Mr. Lionel Vernon Yong Nguon Kee an Independent Non-Executive Director, while the Chairman of the Board is Mr Lim Peng Tong, also an Independent Non-Executive Director.

- 4.2 The AC conduct an annual assessment to consider the suitability, objectivity, and independence of the audit firm based on the followings:
- (i) Independence, objectivity and professional skepticism.
 - (ii) Communication and interaction.
 - (iii) Quality of skills, capabilities of audit team and sufficiency of resources.

Based on the results of the evaluation, the AC is satisfied with the performance of the external auditors and thus, recommended to the Board the re-appointment of the external auditors at the forthcoming AGM in November 2018.

Messrs. UHY has in their report on audit planning memorandum provide written assurance that they are independent throughout the conduct the audit engagement in accordance with the relevant professional and regulatory requirements

- 4.3 The AC comprises all Independent Directors and is in compliance with the ACE Market Listing Requirements.
- 4.4 The member of the AC collectively are financially literate and have the necessary skills and experience and able to understand Company's business and matter under the purview of the AC including the financial reporting process. They have continuously applied a critical and probing view on the Company's financial reporting process, transactions and other financial information, and effectively challenged management's assertions on the Company's financials to ensure the Quarterly Report and the Annual Audited Financial Statements give a true and fair view of the Company's financial position.

As stated in the Directors' training section, all the AC members have undertaken continuous professional development to keep themselves abreast with the latest development and changes to the regulatory requirements and practices to discharge their duties effectively.

None of the AC members were the former key audit partner.

5.0 Statement of Directors' Responsibility for Preparing Financial Statements

The AC, having better understanding of the financial regulations and requirements, is empowered by the Board to review the Group's financial statements to ensure conformance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

The Board is collectively responsible to ensure that the financial statements, the results and cash flows will give a comprehensive and fair view of the Group's financial position at the end of the relevant financial year.

The Directors are responsible for ensuring that proper accounting records are kept with reasonable accuracy, the disclosure of financial position of the Group, and the financial statements are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia. The Directors also have the overall responsibilities for taking such reasonable steps to safeguard the assets of the Group and to take measures to prevent and detect frauds and other irregularities.

The Board believes they have applied all appropriate accounting policies on a consistent and prudent basis, and made reasonable and necessary judgments and estimates to ensure that the financial statements for the FPE2018 provide a true and fair view of the Company's financial position and affairs.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

6.0 Risk Management and Internal Control

An Enterprise Risk Management Framework has been established to provide the overall guidelines and approach to the Group's risk management. Management is working closely with all departments to ensure the identification of emerging risks resulting from changing business environment and/or initiatives being implemented as well as evaluation of the effectiveness of controls and risk management plans.

Further details on the features of the risk management and internal control framework are disclosed in the Statement of Risk Management and Internal Control of the Annual Report 2018.

7.0 Effective Governance, Risk Management and Internal Control Framework

The establishment of the Internal Audit Function provides the Directors and the AC with an independent assessment and appraisal/review of the effectiveness and reliability of the Group's internal controls and information system.

The internal audit function includes the review, assessment and provision of reasonable assurance that the Group's internal controls are functioning as planned and able to highlight all material deviation or findings to the AC immediately. To maintain impartiality and independence, the internal auditors report directly to the AC on the overall assessment of the Group's internal control mechanism.

Internal Audit reports were issued to the AC to be tabled at the AC meetings. The reports are also issued to the respective operations management, incorporating audit recommendations and Management response with regards to any audit findings on the weaknesses in the systems and controls of the operations. The internal auditors will also follow up with Management on the implementation of the agreed audit recommendations.

The Group outsourced its internal audit function to an independent professional internal audit service provider. The role of the internal audit function, which reports directly to the AC, is to support the AC by providing it with independent and objective reports on the adequacy and effectiveness of the system of the internal control and the extent of compliance with the procedures and by recommending ways to rectify shortfall and improve the existing control environment in relation to the Group's operations. It submits its findings and recommendations to the AC and key senior management of the Group.

The Internal Audit adopts a COSO Framework and risk-based approach with focus on effective risk management practices and is guided under the International Professional Practice Framework.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

8.0 Effective Communication with Stakeholders

The Board recognizes the important of effective communication with its investors and shareholders as a key component to uphold the principles and best practices of corporate governance for the Group. As such, the need to establish corporate disclosure policies and procedures between the Company and the regulators, shareholders and stakeholders is important to build the trust and understanding between the Company and the stakeholders.

On this basis, the Board exercises close monitoring of all price sensitive information potentially required to be released to Bursa Malaysia and makes material announcements to Bursa Malaysia in a timely manner as requested. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa, the media and the Company's website.

The Board has authorized the Finance Director to co-ordinate with the Company Secretary to verify and approve all announcements before releasing to the public.

The following communication channels are mainly used by the Company to disseminate information on a timely basis to the shareholders and the investing public:

- (a) Group's corporate proposals, quarterly and annual financial results and other required announcements are available on website at <http://www.spberhad.com> and <http://www.bursamalaysia.com>;
- (b) Press release provide up-to-date information on the Group's key corporate initiatives and investments if any;

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

8.0 Effective Communication with Stakeholders

- (c) Annual General Meeting ("AGM") provides a forum to engage with Directors and key senior management to share viewpoints and acquire information on issues relevant to the Group.

The Company is not categorized as large company under the MCCG and has not adopted the integrated reporting based on a globally recognized framework.

9.0 Conduct of General Meetings

The Company's Annual General Meeting (AGM) serves as a principal forum for dialogues and interactions with shareholders and investors. The Company is serving all shareholders a notice of at least 28 days prior to the date of 13th AGM in order to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM.

Each item of special business included in the notice of AGM will be accompanied by explanatory statement to facilitate a full understanding and evaluation of issues involved. The adequate information and timely notice allow shareholders to make necessary arrangements to attend and participate in the AGM either in person, by corporate representative, by proxy or by attorney.

In compliance with the ACE Market Listing Requirements, all the resolutions set out in the notice of the forthcoming AGM shall be voted upon by poll.

All Directors attended the 12th AGM of the company held on 29 August 2017. Shareholders are provided with ample time during the Question & Answer session and the Chairman of the Board, Chairman of Board Committees and other Directors had provided meaningful responses to shareholders' questions during the AGM.

The Company provides facilities for poll voting in order to expedite the process of verification and counting of votes reduce paper work and reduce the need of physical ballot papers.

This Statement is made in accordance with the resolution of the Board dated 17 October 2018

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Statement about the State of Risk Management and Internal Control

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Board of Directors of Sterling Progress Berhad is pleased to provide the following statement on the state of risk management and internal control of the Group, which has been prepared with reference to the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("The Guidelines").

Responsibility for Risk Management and Internal Control

The Board recognises the importance of good risk management practices and sound internal control as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a good sound system of risk management and internal control, and for reviewing its adequacy and integrity of such system. In addition, the Board has also received assurance from the Managing Director and Finance Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by Management is designed to manage rather than eliminate the risk that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

The Group's risk assessment process was developed with the assistance of a professional services firm. During the financial period, Senior Management reviews the existence of new risks and assesses the relevance of the Group's existing risk profile. Significant risks that may affect the Group's business objectives have been continually monitored. Whilst the Board maintains ultimate control over risk and control issues, the management of risks in the daily business operations is delegated to management team and significant risks are identified and related mitigating responses as well as the corresponding internal controls are discussed twice a year at the Audit Committee meetings.

The Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly on major proposed transactions, changes in nature of activities and/or operating environment, or new business ventures which may entail different risks, and require risk response strategies and controls to manage those risks to a level acceptable to the Board.

The abovementioned practices serve as the on-going process adopted by the Board and management to identify, evaluate and manage significant risks faced by the Group in achieving the business objectives and strategies.

Internal Control Mechanism

The internal audit adopts a risk-based approach in developing its audit plan which addresses the core auditable areas of the Group based on their risk profile. The Group's internal audit function is outsourced to an independent professional services firm that specialises in the provision of internal audit services. The cost incurred in outsourcing the internal audit function for the financial period ended 30 June 2018 is at RM4,000.

Scheduled internal audits are carried out by the outsourced internal audit function based on the audit plan approved by the Audit Committee. The audit focuses on areas with high risk to ensure that adequate controls are in place to manage the risk of businesses. The outsourced internal audit function met and report to the Audit Committee twice a year on areas for improvement and subsequently performs follow up reviews to determine the extent of their recommendations that have been implemented.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

Internal Control Mechanism *cont'd*

Apart from risk management and internal audit, the Group also has put in place the following key elements of internal control:

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority. The Executive Directors and Chief Financial Officer lead all board papers presentation with the assistance of the respective Heads of Divisions and reports to all the Board on all pertinent issues that may affect the Group's businesses and operations;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational, financial and human resource management, which is subject to a yearly review and improvement;
- Quarterly and comprehensive information provided to management, covering financial performance for effective monitoring and decision making; and
- Regular visits to operating units by members of the Board and senior management.

A number of minor internal control weaknesses were identified during the financial period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in the Group's Annual Report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

Review of This Statement

The Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' investment and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

The External Auditors have reviewed the Statement on Risk Management and Internal Control and reported to the Board that nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control is not prepared, in all material aspects, in accordance with the disclosure required by the Guidelines for Directors of listed issuers on the Statement on Risk Management and Internal Control.

This statement is issued in accordance with a resolution of the Board of Directors dated 17 October 2018.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

MEMBERS

Name	Designation	Directorship
Lionel Vernon Yong Ngoun Kee	Chairman	Independent Non-Executive
Lim Peng Tong (Appointed on 29.01.2018)	Member	Independent Non-Executive
Chong Ching Wai (Appointed on 27.08.2018)	Member	Independent Non-Executive
Major General Dato' Mamat Ariffin Abdullah (B) (Ceased office on 29.08.2017)	Member	Independent Non-Executive
Tan Ooi Jin (Ceased office on 27.08.2018)	Member	Independent Non-Executive

TERMS OF REFERENCE

1. Appointment/Composition

- 1.1 The members of the Audit & Risk Management Committee ("AC") shall be appointed by the Board.
- 1.2 The AC shall consist of not less than 3 members, all of whom shall be non-executive directors and financially literate with majority of its members are independent directors.
- 1.3 At least 1 member of the AC :
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - He must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 1.4 No alternate director shall be appointed as a member of the AC.
- 1.5 No former key audit partner who is a director of the Company shall be appointed as a member of the AC unless he has observed a two (2) years cooling-off period before the appointment.
- 1.6 The Chairman of the AC shall be appointed by the AC members amongst their number, who is an independent director.
- 1.7 The term of office and performance of the AC and each of its members shall be reviewed annually by the Nominating Committee to determine whether the AC and its members have carried out their duties in accordance with the terms of reference.
- 1.8 The Board shall, within 3 months of a vacancy occurring in the AC which result in the number of members reduced to below 3, appoint such number of new members as may be required to make up the minimum number of 3 members.

2. Meetings

- 2.1 Meetings shall be held not less than 4 times in a year or as frequently as the Chairman shall decide or at the request of External Auditors.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

cont'd

TERMS OF REFERENCE *cont'd*

2. Meetings *cont'd*

- 2.2 The quorum of the AC meeting shall be 2 members, comprising a majority of independent directors.
- 2.3 The Company Secretary shall act as the secretary of the AC.
- 2.4 In the absence of the Chairman of the AC, the remaining members present shall elect one of their numbers who is an independent director to chair the meeting.
- 2.5 Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. The head of finance, the head of internal audit and a representative of the External Auditors should normally attend meetings. Other members of the Board or employees may attend the meeting upon invitation of the AC.
- 2.6 The Chairman of the AC should engage on a continuous basis with the senior management, the head of the internal audit and the External Auditors in order to be kept informed of matters affecting the Company.
- 2.7 The AC should meet with the External Auditors without the presence of executive Board members at least twice a year.

3. Authority

- 3.1 The AC shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:
 - (a) have authority to investigate any matter within its terms of reference;
 - (b) have the resources required to perform its duties;
 - (c) have full and unrestricted access to any information pertaining to the Company;
 - (d) have direct communication channels with External Auditors and person(s) carrying out the internal audit function or activity;
 - (e) be able to obtain independent professional or other advice; and
 - (f) be able to convene meetings with External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.
- 3.2 The head of internal audit shall report directly to the AC.

4. Functions and Responsibilities

The functions and responsibilities of the AC shall include the following:

4.1 Internal Audit

- (a) To review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- (b) To review the internal audit plan, processes and the results of the internal audit assessments, investigation undertaken and whether or not appropriate actions are taken on the recommendations of the internal audit function.
- (c) To review any appraisal or assessment of the performance of the internal audit function.
- (d) To approve any appointment or termination of the internal auditors.

4.2 External Audit

- (a) To discuss and liaise with the External Auditors to ensure the smooth implementation of the audit plan, review and forward the evaluation of the system of internal controls and audit report to the Board.
- (b) To review the assistance given by employees of the Group to the External Auditors.
- (c) To review and report the same to the Board any letter of resignation from the External Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's External Auditors are not suitable for re-appointment.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

cont'd

TERMS OF REFERENCE *cont'd*

4. Functions and Responsibilities *cont'd*

(d) To assess the suitability, objectivity and independence of the External Auditors and makes its recommendations concerning the re-appointment of the External Auditors and their remuneration to the Board.

(e) To recommend the nomination of a person or persons as External Auditors of the Company.

4.3 Financial Reporting

To review quarterly report and annual financial statements prior to the approval of the Board, focusing particularly on:

- (a) changes in or implementation of major accounting policy changes;
- (b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
- (c) compliance with accounting standards and other legal requirements.

4.4 Related Party Transactions

To review any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

4.5 Allocation of Options

To review and verify the allocation of options to employees under Company's Employees Share Option Scheme.

4.6 Listing Requirements

To report any breach of Listing Requirements, which have not been satisfactory resolved to Bursa Malaysia Securities Berhad.

4.7 Major Findings

To consider the major findings of internal investigations and management's response.

4.8 Other Matters

To consider other topics as defined by the Board.

5. Minutes

The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the AC and the Board.

6. Audit & Risk Management Committee Report

The AC shall ensure its report is prepared at the end of each financial year ("AR Report") that complies with the following:

6.1 The AC Report must be clearly set out in the Annual Report of the Company.

6.2 The AC Report shall include the following:

- (a) the composition of the AC, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
- (b) the number of AC meetings held during the financial year end and details of attendance of each member;
- (c) a summary of work of the AC in the discharge of its functions and duties for that financial year of the Company and how the AC has met its responsibilities;
- (d) a statement in relation to the allocation of options pursuant to the Company's Employees Share Scheme;
- (e) a breakdown of the options offered to and exercised (if any) by non-executive directors pursuant to the Company's Employees Share Option Scheme in respect of the financial year in tabular form; and

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

cont'd

TERMS OF REFERENCE *cont'd*

6. Audit & Risk Management Committee Report *cont'd*

6.2 The AC Report shall include the following: *cont'd*

- (f) a summary of the work of the internal audit function.

ATTENDANCE AT MEETINGS

During the financial period, the AC held six (6) meetings. The details of the attendance are as follows:-

Name of Audit & Risk Management Committee	No. of Meetings Attended
Lionel Vernon Yong Nguon Kee	6/6
Lim Peng Tong (<i>Appointed on 29.01.2018</i>)	2/2
Major General Dato' Mamat Ariffin Abdullah (B) (<i>Ceased office on 29.08.2017</i>)	3/3
Tan Ooi Jin (<i>Ceased office on 27.08.2018</i>)	6/6

SUMMARY OF ACTIVITIES OF THE AUDIT & RISK MANAGEMENT COMMITTEE FOR THE FPE 2018

The AC had carried out the following activities during the six (6) meetings during the FPE 2018 in discharging their duties and responsibilities:

- Reviewed the quarterly reports, research report and audited financial statements of the Group and recommended the same to the Board for approval and release to Bursa Malaysia and Securities Commission.
- Reviewed the internal audit plan and internal audit reports presented by the Internal Auditor. The AC together with the Board and the Internal Auditor have assessed the effectiveness of the system of internal control and has discussed in general, significant changes in business and external environment that affects the operation of the Group. The state of internal control is detailed in the statement on internal control in page 31 to 32.
- Reviewed the Audit Planning Memorandum presented by the external auditors.
- The AC met with the external auditors twice during the year without the presence of the management.
- Reviewed corporate governance report & statement, internal control statement and audit & risk management committee report and recommended the same to the Board for inclusion in the Annual Report.
- Appraised and evaluated the performance of external auditors and recommended the re-appointment to the Board of Directors of the Company.
- Review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- Review of the appraisal of performance of internal auditors.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

cont'd

SUMMARY OF ACTIVITIES OF INTERNAL AUDIT FUNCTION FOR THE FPE 2018

The Group has out-sourced its Internal Audit Function to Audex Governance Sdn Bhd whose principal responsibility is to undertake regular and systematic reviews of the system of the internal control to ensure the adequacy and effectiveness of such system, anticipate any potential risks and recommend improvements, where necessary. The Internal Audit function reports directly to the AC, and is independent of the activities it audits.

The principal roles of the Internal Audit Function are:

- To ensure that a sound internal control system is in place and the system is functioning adequately and its integrity is maintained.
- To add value and improve the Group's operations by providing independent and objective evaluation of the operations.
- To ascertain the extent of compliance with the established Group policies, procedures and statutory requirements.
- To carry out special review requested by the management or the AC.

Arising from the above activities, Internal Audit reports, incorporating the audit findings, audit recommendations and management response were issued to the AC. Follow-up audit was also conducted and the status of implementation on the agreed upon recommendations were issued to the AC

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The allocation of ESOS were verified by the AC for each financial year to ensure compliance with the allocation criteria determined by the ESOS Committee and in accordance with the By-Laws of ESOS.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposal during the financial period.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to the external auditors by the Group for the FPE 2018 are as follows:-

	Group RM'000	Company RM'000
Fees paid/payable to the external auditors		
- Audit Fees	109	36
- Non Audit Fees	5	5
	114	41

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OF TRADING NATURE

All recurrent related party transactions entered into by the Group during the FPE 2018 - Note 33 of the financial statements in page 100 of this Annual Report.

MATERIAL CONTRACTS

There were no material contracts which had been entered into by the Group involving the interest of the Directors and major shareholders, either still subsisting at the end of the FPE 2018.

EMPLOYEES SHARE OPTION SCHEME ("ESOS")

The Company has granted options under the ESOS governed by By-Laws that was approved by the shareholders at the Extraordinary General Meeting held on 27 November 2013.

The ESOS was implemented on 28 March 2014 and will expire on 28 March 2019. 42,000,000 ESOS were granted during the FPE 2018.

The information in relation to the ESOS is as follows:

	During the financial period ended 30 June 2018	Since commencement of ESOS on 28 March 2014
Total number of options or shares granted	42,000,000	74,000,000
Total number of options exercised or shares vested	42,000,000	74,000,000
Total options or shares outstanding	-	-
Granted to Directors and Chief Executive	During the financial period ended 30 June 2018	Since commencement of ESOS on 28 March 2014
Aggregate options or shares granted	-	-
Aggregate options exercised or shares vested	-	-
Aggregate options or shares outstanding	-	-

None of the ESOS options were granted to Directors and Senior Management.

SUSTAINABILITY STATEMENT

The Company is committed to adopt sustainable business practices to enable sustainable operation and business in order to achieve the Vision and Mission of the Company.

The Company aims to balance profitability with the protection of the environment and all stakeholders (investors, customers, employees, suppliers and local communities) by creating positive impact and mitigating any negative impact arising from its activities from the economic, environment and social aspects.

The Board recognizes its ultimate accountability for the integration of sustainability into the Group's business, culture and operation.

Economic

The Company has always believed in having a long-term business relationship with suppliers and customers. As such, economic sustainability is embedded in our business culture. Wherever possible, the Company uses local contractors to carry out jobs.

Environmental

The Company has a policy to reduce electricity and water usage across all branches, thus reducing its environmental footprint while reducing costs. The Company is also monitoring the use of its vehicles to optimize fuel consumption. We monitor the usage of paper products which helps the environmental and also reduces wastage and keeps our work environment tidy and safe for employees.

Social

The Company has a preference for recruiting local talent wherever possible, thus benefiting the local community and reducing employee turnover. The Human Resource Department actively engages and promote employee bonding through events such as birthday celebrations, privileges such as preferred rates and discounts at concerts and events organised by the Company, and other similar activities.

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Product Categories	Profit per Year				
	2013	2014	2015	2016	2017
General Store	\$601.82	-13.8	-855.82	17207.73	-80.82
Health & Medical	13.9	192.94	-238.34	-203.00	-13.8
Art Supply	-82.94	-895.82	-82.94	-719.74	-82.94
Kids & Baby	-689.02	-1701.73	-689.02	-75.8	-689.02
Kitchenware	-329.00	-239.00	-701.73	-182.94	-239.00
Furniture	767.73	1819.02	-13.8	-602.82	17207.73
	-239.74	-239.74	-329.00	-802.82	-239.74

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial period ended 30 June 2018.

Principal Activities

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial period.

Change in Financial Year End

The financial year end of the Company was changed from 31 March to 30 June. Accordingly, the current financial statements are prepared for fifteen months from 1 April 2017 to 30 June 2018. As a result the comparative figure stated in the statements of profit or loss and other comprehensive income, statements of changes of equity and statements of cash flows and the related notes to the financial statements are not comparable.

Financial Results

	Group RM'000	Company RM'000
Loss for the financial period	(8,966)	(35,513)
Attributable to:		
Owners of the parent	(8,819)	(35,513)
Non-controlling interests	(147)	-
	(8,966)	(35,513)

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial period other than as disclosed in the financial statements.

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial period.

Issue of Shares and Debentures

During the financial period, the Company issued of 42,000,000 new ordinary shares of RM0.15 each for a total cash consideration of RM6,300,000 arising from the exercise of employees' share options at an exercise price of RM0.15 per ordinary share.

The new ordinary shares issued during the financial period rank pari passu in all respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial period.

DIRECTORS' REPORT

cont'd

Warrants

The Warrants 2014/2019 were constituted under the Deed Poll dated 6 January 2011 as disclosed in Note 16(b) to the financial statements.

As at 30 June 2018, the total numbers of Warrants that remain unexercised were 78,754,500.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial period apart from the issue of options pursuant to the Employees Share Option Scheme ("ESOS").

At an extraordinary general meeting held on 27 November 2013, the Company's shareholders approved the establishment of an ESOS of not more than 30% of the issued share capital of the Company at the point of time throughout the duration of the scheme to eligible employees of the Group.

The salient features and other terms of the ESOS are disclosed in Note 28 to the financial statements.

As at 30 June 2018, the options offered to take up unissued ordinary shares and the exercise price are as follows:

Number of options over ordinary shares					
Date of offer	Exercise Price	At 1.4.2017	Granted	Exercised	At 30.6.2018
25 July 2017	RM0.15	-	42,000,000	(42,000,000)	-

Directors

The Directors in office since the beginning of the current financial period to the date of this report are:

Kenny Khoo Chuan Wah*	
Leong Seng Wui*	
Lionel Vernon Yong Nguon Kee	
Ng Chee Heng	(Appointed on 22 February 2018)
Chong Ching Wai	(Appointed on 22 February 2018)
Lim Peng Tong	(Appointed on 29 January 2018)
Tan Ooi Jin	(Resigned on 27 August 2018)
Low Wey Heng*	(Resigned on 29 March 2018)
Major General Dato' Mamat Ariffin Bin Abdullah (B)	(Resigned on 29 August 2017)

* Director of the Company and its subsidiary companies

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) since the beginning of the current financial year to the date of this report are:

Sin Chin Chai
Chin Boon Long
Low Wey Heng
Cheng Soon Lee

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

DIRECTORS' REPORT

cont'd

Directors' Interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial period end according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.4.2017	Bought	Sold	At 30.6.2018
Interests in the Company				
Indirect interests				
Leong Seng Wui*	65,869,014	99,645,514	(80,829,014)	84,685,514
Ng Chee Heng#	-	86,714,400	-	86,714,400
Low Wey Heng	65,869,014	14,960,000	(80,829,014)	-

* Deemed interest pursuant to Section 8 of the Companies Act, 2016 by virtue of his substantial shareholdings in Open Adventure Technologies Sdn. Bhd..

Deemed interest pursuant to Section 8 of the Companies Act, 2016 by virtue of his substantial shareholdings in SEG Capital Intelligence Sdn. Bhd..

None of the other Directors in office at the end of the financial period had any interest in the ordinary shares of the Company and of its related corporations during the financial period.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial period, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and Insurance Costs

There was no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

Other Statutory Information

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to be realised their values in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

DIRECTORS' REPORT

cont'd

Other Statutory Information *cont'd*

(b) At the date of this report, the Directors are not aware of any circumstances: *cont'd*

- (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
- (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial period.

(d) In the opinion of Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (ii) the result of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in the notes to the financial statements; and
- (iii) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

Significant Events

The significant events are disclosed in Note 37 to the financial statements.

Subsequent Events

The subsequent events are disclosed in Note 38 to the financial statements.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 7 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are disclosed in Note 24 to the financial statements.

Auditors

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 17 October 2018.

LEONG SENG WUI

KENNY KHOW CHUAN WAH

KUALA LUMPUR

STATEMENT BY DIRECTORS

Pursuant to Section 251 (2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on page 50 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of their financial performance and cash flows for the financial period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 17 October 2018.

LEONG SENG WUI

KENNY KHOW CHUAN WAH

KUALA LUMPUR

STATUTORY DECLARATION

Pursuant to Section 251 (1) of the Companies Act, 2016

I, Kenny Khow Chuan Wah (MIA Membership No: 31967), being the Director primarily responsible for the financial management of Sterling Progress Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 50 to 109 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the)
Federal Territory on 17 October 2018)

KENNY KHOW CHUAN WAH

Before me,

No. W 710
MOHAN A.S. MANIAM
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the Members of Sterling Progress Berhad (Company No: 679361-D) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sterling Progress Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on page 50 to 109.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

How we addressed the key audit matters

1. Goodwill impairment review

Under MFRS 136 *Impairment of Assets*, the Group is required to annually test goodwill for impairment. This assessment requires management to make estimates concerning the estimated future cash flows and associated discount rates and growth rates based on management's view of future business prospects. In view of the inherent uncertainty involved in forecasting and discounting future cash flows, our audit concentrated on this key judgemental area.

In respect of the assessment of cash generating units ("CGUs"): We challenged the Directors' assessment of CGUs with reference to accounting standards and considered the operating and management structure changes with reference to our understanding of the business.

We have tested Management's sensitivity analysis in relation to the key inputs to the goodwill impairment test model, as well as performing our own sensitivity analysis which included changes to volume, margin and the discount rate applied.

We have reviewed the appropriateness of the disclosures made in accordance with MFRS 136 *Impairment of Assets*.

INDEPENDENT AUDITORS' REPORT

to the Members of Sterling Progress Berhad (Company No: 679361-D) (Incorporated in Malaysia)

cont'd

Key Audit Matters *cont'd*

Key Audit Matters

How we addressed the key audit matters

2. Impairment of trade receivables

The Group has material credit exposures in its portfolio of trade receivables amounting to RM12 million as at 30 June 2018. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty, subjective assumptions and the application of significant judgement.

We have performed impairment assessments on trade receivables that were either in default or overdue as at 30 June 2018.

We obtained and evaluated the Group's credit risk policy, and tested the processes used by management to assess credit exposures.

We also examined the recoverability by checking those subsequent receipts. We also obtained confirmation from the counterparties for selected accounts.

We have reviewed the appropriateness of the disclosures made in accordance with *MFRS 136 Impairment of Assets*.

Information Other Than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

to the Members of Sterling Progress Berhad (Company No: 679361-D) (Incorporated in Malaysia)

cont'd

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosure in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

to the Members of Sterling Progress Berhad [Company No: 679361-D] [Incorporated in Malaysia]

cont'd

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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Firm Number: AF 1411
Chartered Accountants

TIO SHIN YOUNG

Approved Number: 03355/02/2020 J
Chartered Accountant

KUALA LUMPUR
17 October 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		Group		Company	
		30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Note					
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	5,794	8,450	-	-
Investment properties	5	433	2,584	-	-
Intangible assets	6	9	664	-	-
Investment in subsidiary companies	7	-	-	4,000	15,640
Goodwill on consolidation	8	1,096	1,037	-	-
Trade receivables	9	14,258	-	-	-
		21,590	12,735	4,000	15,640
Current Assets					
Inventories	10	245	1,148	-	-
Trade receivables	9	12,002	24,973	-	-
Other receivables	11	12,724	8,664	1,444	1,449
Amount due from subsidiary companies	12	-	-	47,320	64,486
Tax recoverable		488	797	-	-
Fixed deposits with licensed banks	13	1,561	1,503	1,224	1,180
Cash and bank balances		7,716	7,009	34	2,878
		34,736	44,094	50,022	69,993
Assets held for sale	14	1,726	1,470	-	-
		36,462	45,564	50,022	69,993
Total Assets		58,052	58,299	54,022	85,633
EQUITY AND LIABILITIES					
Equity					
Share capital	15	46,931	38,531	46,931	38,531
Reserves	16	1,350	10,169	535	38,148
Equity attributable to owners of the parent		48,281	48,700	47,466	76,679
Non-controlling interests		(202)	(8)	-	-
Total Equity		48,079	48,692	47,466	76,679
Non-Current Liability					
Loans and borrowings	17	326	465	-	-
Current Liabilities					
Trade payables	18	4,509	3,531	-	-
Other payables	19	4,412	4,777	109	147
Amount due to subsidiary companies	12	-	-	6,447	8,807
Amount due to a Director	20	51	-	-	-
Loans and borrowings	17	621	830	-	-
Tax payable		54	4	-	-
		9,647	9,142	6,556	8,954
Total Liabilities		9,973	9,607	6,556	8,954
Total Equity and Liabilities		58,052	58,299	54,022	85,633

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	Group		Company	
		1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Revenue	21	50,174	100,826	-	-
Cost of sales	22	(44,154)	(100,169)	-	-
Gross profit		6,020	657	-	-
Other income		2,148	4,348	577	3,181
Distribution costs		(99)	(72)	-	-
Administrative expenses and other operating expenses		(16,892)	(38,400)	(36,090)	(34,749)
Finance costs	23	(82)	(348)	-	-
Loss before tax	24	(8,905)	(33,815)	(35,513)	(31,568)
Taxation	25	(61)	(101)	-	-
Loss for the financial period/year, representing total comprehensive income for the financial period/year		(8,966)	(33,916)	(35,513)	(31,568)
Loss for the financial period/ year attributable to:					
Owners of the parent		(8,819)	(33,914)	(35,513)	(31,568)
Non-controlling interests		(147)	(2)	-	-
		(8,966)	(33,916)	(35,513)	(31,568)
Loss per share					
Basic (cents)	27	(2.99)	(3.80)		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	Attributable to Owners of the Parent						Non-Controlling Interests RM'000	Total Equity RM'000
		Non-Distributable					Total		
		Share Capital RM'000	Employee Share Option Reserve RM'000	Warrant Reserve RM'000	Other Reserve RM'000	Retained Earning/ (Accumulated Losses) RM'000	RM'000		
Group									
At 1 April 2017		38,531	-	8,401	1,460	308	48,700	(8)	48,692
Loss for the financial period, representing total comprehensive loss for the financial period		-	-	-	-	(8,819)	(8,819)	(147)	(8,966)
Transactions with owners									
Acquisition of subsidiary company	7(b)	-	-	-	-	-	-	(57)	(57)
Disposal of subsidiary companies	7(c)	-	-	-	-	-	-	10	10
Share options granted under ESOS	16(a)	-	2,100	-	-	-	2,100	-	2,100
Realisation of ESOS reserve	16(a)	2,100	(2,100)	-	-	-	-	-	-
Exercise of ESOS	15	6,300	-	-	-	-	6,300	-	6,300
		8,400	-	-	-	-	8,400	(47)	8,353
At 30 June 2018		46,931	-	8,401	1,460	(8,511)	48,281	(202)	48,079

	Note	Attributable to Owners of the Parent						Non-Controlling Interests RM'000	Total Equity RM'000
		Non-Distributable					Total		
		Share Capital RM'000	Share Premium RM'000	Employee Share Option Reserve RM'000	Warrant Reserve RM'000	Other Reserve RM'000	Retained Earning/ (Accumulated Losses) RM'000	RM'000	
Group									
At 1 April 2016		98,918	4,842	1,240	8,401	305	(41,207)	72,499	(6) 72,493
Adjustments for effect of Companies Act, 2016	15	4,842	(4,842)	-	-	-	-	-	-
Loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	-	-	(33,914)	(33,914)	(2) (33,916)
Transaction with owners									
Share par value reduction	15	(74,189)	-	-	-	-	74,189	-	-
Disposal of subsidiary companies	7(c)	-	-	-	-	1,155	-	1,155	- 1,155
Share options granted under ESOS	16(a)	-	-	3,840	-	-	-	3,840	- 3,840
Cancellation of ESOS	16(a)	-	-	(1,240)	-	-	1,240	-	-
Realisation of ESOS reserve	16(a)	3,840	-	(3,840)	-	-	-	-	-
Exercise of ESOS	15	5,120	-	-	-	-	-	5,120	- 5,120
		(65,229)	-	(1,240)	-	1,155	75,429	10,115	- 10,115
At 31 March 2017		38,531	-	-	8,401	1,460	308	48,700	(8) 48,692

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

cont'd

	Note	Share Capital RM'000	Employee Share Option Reserve RM'000	Warrant Reserve RM'000	Retained Earning/ (Accumulated Loss) RM'000	Total Equity RM'000
Company						
At 1 April 2017		38,531	-	8,401	29,747	76,679
Loss for the financial period, representing total comprehensive loss for the financial period		-	-	-	(35,513)	(35,513)
Transactions with owners						
Share options granted under ESOS	16(a)	-	2,100	-	(2,100)	-
Realisation of ESOS reserve	16(a)	2,100	(2,100)	-	-	-
Exercise of ESOS	15	6,300	-	-	-	6,300
		8,400	-	-	(2,100)	6,300
At 30 June 2018		46,931	-	8,401	(7,866)	47,466

	Note	Share Capital RM'000	Share Premium RM'000	Employee Share Option Reserve RM'000	Warrant Reserve RM'000	(Accumulated Loss)/ Retained Earning RM'000	Total Equity RM'000
Company							
At 1 April 2016		98,918	4,842	1,240	8,401	(10,274)	103,127
Adjustments for effect of Companies Act, 2016	15	4,842	(4,842)	-	-	-	-
Loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	-	(31,568)	(31,568)
Transactions with owners							
Share par value reduction	15	(74,189)	-	-	-	74,189	-
Share options granted under ESOS	16(a)	-	-	3,840	-	(3,840)	-
Cancellation of ESOS	16(a)	-	-	(1,240)	-	1,240	-
Realisation of ESOS reserve	16(a)	3,840	-	(3,840)	-	-	-
Exercise of ESOS	15	5,120	-	-	-	-	5,120
		(65,229)	-	(1,240)	-	71,589	5,120
At 31 March 2017		38,531	-	-	8,401	29,747	76,679

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	Group		Company	
		1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Cash flows from operating activities					
Loss before tax		(8,905)	(33,815)	(35,513)	(31,568)
Adjustments for:					
Amortisation of intangible assets		630	1,048	-	5
Bad debts written off		37	437	-	198
Deposits written off		187	124	1	-
Depreciation of property, plant and equipment		2,542	5,589	-	1
Depreciation of investment properties		68	68	-	-
Dividend income		-	-	-	(3,100)
Gain on disposal of property, plant and equipment		(3)	(2,009)	-	-
Gain on disposal of investment properties		(33)	(114)	-	-
Impairment losses on:					
- goodwill on consolidation		-	1,571	-	-
- investment in subsidiary companies		-	-	11,640	12,225
- amount due from subsidiary companies		-	-	22,249	10,353
- intangible assets		19	-	-	-
- property, plant and equipment		45	-	-	-
Gain on winding up of a subsidiary company	7(d)	(36)	-	-	-
Intangible assets written off		6	1,210	-	8
Finance costs		82	348	-	-
Fair value adjustment on trade receivables		2,542	-	-	-
Interest income		(65)	(91)	(45)	(36)
Inventories written off		386	1,243	-	-
(Gain)/Loss on disposal of subsidiary companies	7(c)	(11)	4,267	-	9,923
Property, plant and equipment written off		808	13,151	-	4
Share options granted under ESOS	16(a)	2,100	3,840	-	-
Operating profit/(loss) before working capital changes		399	(3,133)	(1,668)	(1,987)
Changes in working capital:					
Inventories		517	300	-	-
Receivables		(7,479)	(2,689)	4	(1,631)
Payables		(468)	(1,793)	(38)	30
		(7,430)	(4,182)	(34)	(1,601)
Cash used in operations		(7,031)	(7,315)	(1,702)	(3,588)
Interest paid		(82)	(348)	-	-
Tax paid		(89)	(158)	-	-
Tax refunded		387	109	-	-
		216	(397)	-	-
Net cash used in operating activities		(6,815)	(7,712)	(1,702)	(3,588)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

cont'd

	Note	Group		Company	
		1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Cash flows from investing activities					
Net movement of amount due to a Director		1	-	-	-
Net movement of amount due from/to subsidiary companies		-	-	(7,443)	82
Interest received		65	91	45	36
Purchase of property, plant and equipment	4(c)	(1,936)	(829)	-	-
Purchase of investment properties		-	(1,873)	-	-
Proceeds from disposal of property, plant and equipment		1,838	8,343	-	-
Proceeds from disposal of investment properties		1,860	2,253	-	-
Net cash outflows from acquisition of subsidiary companies	7(b)	62	-	-	-
Net cash inflows from disposal of subsidiary companies	7(c)	-	1,176	-	1,181
Net cash from/(used in) investing activities		1,890	9,161	(7,398)	1,299
Cash flows from financing activities					
Issuance of share capital	15	6,300	5,120	6,300	5,120
(Increased)/Decrease of fixed deposits pledged		(13)	87	-	-
Repayment of finance lease liabilities		(527)	(249)	-	-
Repayment of bankers' acceptance and trust receipts		-	(5,360)	-	-
Repayment of term loans		-	(818)	-	-
Net cash from/(used in) financing activities		5,760	(1,220)	6,300	5,120
Net increase/(decrease) in cash and cash equivalents		835	229	(2,800)	2,831
Cash and cash equivalents at the beginning of the financial period/year		7,601	7,372	4,058	1,227
Cash and cash equivalents at the end of the financial period/year		8,436	7,601	1,258	4,058
Cash and cash equivalents at the end of the financial period/year comprises:					
Cash and bank balances		7,716	7,009	34	2,878
Fixed deposits with licensed banks		1,561	1,503	1,224	1,180
Bank overdrafts	17	(504)	(587)	-	-
		8,773	7,925	1,258	4,058
Less: Fixed deposits pledged with licensed bank	13	(337)	(324)	-	-
		8,436	7,601	1,258	4,058

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at Lot 4-20, 4th Floor, Plaza Low Yat, No. 7, Jalan Bukit Bintang, 55100 Kuala Lumpur.

The registered office of the Company is located at No. 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 7. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial period.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of amended standards

During the financial period, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial period:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 - 2016 Cycle	Amendments to MFRS 12

The adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Company, except for the adoption of the Amendments to MFRS 107 required additional disclosure of changes in liabilities arising from financing activities as disclosed in Note 30.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
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
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 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>	1 January 2018*
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

2. Basis of Preparation cont'd

(a) Statement of compliance cont'd

Standards issued but not yet effective cont'd

The Group and the Company have not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company: cont'd

		Effective dates for financial periods beginning on or after
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 - 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards:		
• Amendments to MFRS 2 <i>Share-Based Payment</i>		1 January 2020
• Amendments to MFRS 3 <i>Business Combinations</i>		1 January 2020
• Amendments to MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>		1 January 2020
• Amendment to MFRS 14 <i>Regulatory Deferral Accounts</i>		1 January 2020
• Amendments to MFRS 101 <i>Presentation of Financial Statements</i>		1 January 2020
• Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>		1 January 2020
• Amendments to MFRS 134 <i>Interim Financial Reporting</i>		1 January 2020
• Amendment to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>		1 January 2020
• Amendment to MFRS 138 <i>Intangible Assets</i>		1 January 2020
• Amendment to IC Interpretation 12 <i>Service Concession Arrangements</i>		1 January 2020
• Amendment to IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>		1 January 2020
• Amendment to IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>		1 January 2020
• Amendment to IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>		1 January 2020
• Amendments to IC Interpretation 132 <i>Intangible Assets - Web Site Costs</i>		1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

2. Basis of Preparation cont'd

(a) Statement of compliance cont'd

Standards issued but not yet effective cont'd

The Group and the Company have not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company: cont'd

Note:

- * *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group and the Company intends to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

- (i) MFRS 9 Financial Instruments (effective for annual period beginning on or after on 1 January 2018) will replace MFRS 139 Financial Instruments: Recognition and Measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not subsequently recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

Based on the analysis of the Group's and of the Company's financial assets and liabilities as at 30 June 2018 and the facts and circumstances that existed at that date, the Directors of the Company have assessed the impact of MFRS 9 to the Group's and to the Company's financial statements as follows:

(1) Classification and measurement

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- (i) Amortised Cost ("AC");
- (ii) Fair Value through Other Comprehensive Income ("FVOCI"); and
- (iii) Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

Based on the assessments undertaken to date, the Group and the Company do not expect the above new requirements to affect the classification and measurements of their financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

2. Basis of Preparation cont'd

(a) Statement of compliance cont'd

Standards issued but not yet effective cont'd

- (i) MFRS 9 Financial Instruments (effective for annual period beginning on or after on 1 January 2018) will replace MFRS 139 Financial Instruments: Recognition and Measurement cont'd

(2) Impairment

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- (i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or
- (ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. A financial asset's credit risk deemed not increased significantly if the asset has low credit risk at the reporting date. However, the Group and the Company have adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

On the ECL impact, the Group and the Company expect an increase in the Group's and the Company's allowance for impairment by less than 1% of trade receivables.

The Group and the Company will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparative for 2017 will not be restated.

(3) Hedge accounting

The Group and the Company do not adopt hedge accounting in the financial statements. Hence, hedging requirements of MFRS 9 will not have any impact on the Group's and the Company's financial statements.

- (ii) MFRS 15 Revenue from Contracts with Customers (effective for annual period beginning on or after on 1 January 2018)

MFRS 15 *Revenue from Contracts with Customers* replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

2. Basis of Preparation *cont'd*

(a) Statement of compliance *cont'd*

Standards issued but not yet effective *cont'd*

(iii) *MFRS 16 Leases (effective for annual period beginning on or after on 1 January 2019)*

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis.

The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Based on the assessment, the Group and the Company do not expect the application of the above MFRSs to have a significant impact on the financial statements. The assessment is based on the current available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in financial year ending 30 June 2019 when the Group and the Group adopt the above MFRSs.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

2. Basis of Preparation *cont'd*

(c) Significant accounting judgments, estimates and assumptions *cont'd*

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment and investment properties

The Group regularly reviews the estimated useful lives of property, plant and equipment and investment properties based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase the recorded depreciation and decrease the value of property, plant and equipment and investment properties. The carrying amount at the reporting date for property, plant and equipment and investment properties are disclosed in Notes 4 and 5 respectively.

Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 7.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value-in-use is disclosed in Note 8.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 9, 11 and 12 respectively.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

2. Basis of Preparation *cont'd*

(c) Significant accounting judgments, estimates and assumptions *cont'd*

Key sources of estimation uncertainty *cont'd*

Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Details of assumptions made in respect of the share-based payment scheme are disclosed in Note 28.

Amortisation of intangible assets

Changes in the expected level of usage and technological development could impact the economic useful lives, therefore future amortisation charges could be revised.

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 30 June 2018, the Group has tax recoverable and tax payable of RM488,000 (31.3.2017: RM797,000) and RM54,000 (31.3.2017: RM4,000) respectively.

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any noncontrolling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

3. Significant Accounting Policies *cont'd*

(a) Basis of consolidation *cont'd*

(i) Subsidiary companies *cont'd*

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(l)(i) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

3. Significant Accounting Policies *cont'd*

(b) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(1)(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

3. Significant Accounting Policies *cont'd*

(c) Property, plant and equipment *cont'd*

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold land and buildings	2%
Motor vehicles	20%
Office equipment	10% - 40%
Renovations	12.5%
Furniture and fittings	10% - 15%
Signboard	5% - 10%
Tools and equipment	10% - 20%
Plant and machinery	10% - 20%

Depreciation has been provided on the freehold land of the property, plant and equipment as the Group is not able to segregate the cost of the freehold building from the cost of the related freehold land. The Board of Directors are of opinion that inclusion of the depreciation of the freehold land has no material effect on the financial statements of the Group.

Long term leasehold land and buildings are depreciated over the shorter of the lease term and their expected useful lives. The leasehold buildings with remaining lease ranging from 70 to 877 years expiring from 24 August 2087 to 28 September 2894, whereas the estimated useful life is 50 years.

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in property, plant and equipment.

(d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

3. Significant Accounting Policies *cont'd*

(d) Leases *cont'd*

(ii) Operating lease *cont'd*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(e) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Freehold buildings	2%
Leasehold buildings	Over the shorter of the lease term and its expected useful lives

The leasehold buildings with remaining lease period ranging from 76 to 91 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

(f) Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software and licenses acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three (3) to five (5) years.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

3. Significant Accounting Policies *cont'd*

(f) Intangible assets *cont'd*

(ii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(l)(i) on impairment of non-financial assets for intangible assets.

(g) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

(h) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Financial liabilities measured at amortised cost

The Group's financial liabilities comprise trade and other payables, amount due to a Director and loans and borrowings. The Company's financial liabilities comprise other payables and amount due to subsidiary companies.

Trade and other payables, amount due to subsidiary companies and a Director are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

3. Significant Accounting Policies *cont'd*

(h) Financial liabilities *cont'd*

(i) Financial liabilities measured at amortised cost *cont'd*

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(i) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(j) Inventories

Inventories are stated at lower of cost and net realisable value and are determined on the first-in-first-out method. The cost of inventories comprises actual costs of purchase, incidental costs in bringing the inventories into store and appropriate proportions of manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

3. Significant Accounting Policies *cont'd*

(l) Impairment of assets *cont'd*

(i) Non-financial assets *cont'd*

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units).

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss and investments in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

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3. Significant Accounting Policies *cont'd*

(m) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

3. Significant Accounting Policies *cont'd*

(o) Provisions *cont'd*

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Revenue

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(vi) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(r) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

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3. Significant Accounting Policies *cont'd*

(r) Income taxes *cont'd*

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which the case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(t) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(u) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

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3. Significant Accounting Policies *cont'd*

(v) Non-current assets held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group). Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

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4. Property, Plant and Equipment

	Long-term leasehold land and buildings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovations RM'000	Furniture and fittings RM'000	Signboard RM'000	Tools and equipment RM'000	Plant and machinery RM'000	Total RM'000
Group									
30.6.2018									
Cost									
At 1 April 2017	1,114	1,781	2,553	8,664	993	36	490	2,187	17,818
Additions	-	1,132	259	431	76	-	38	-	1,936
Disposals	(240)	(2,102)	(335)	(183)	-	-	-	-	(2,860)
Written off	-	-	(1,050)	(97)	-	(4)	-	(420)	(1,571)
Acquisition of a subsidiary company	-	410	66	190	10	4	-	-	680
At 30 June 2018	874	1,221	1,493	9,005	1,079	36	528	1,767	16,003
Accumulated depreciation									
At 1 April 2017	89	1,072	1,000	4,383	466	11	373	1,974	9,368
Charge for the financial period	27	376	374	1,592	89	2	2	80	2,542
Disposals	(48)	(740)	(161)	(76)	-	-	-	-	(1,025)
Written off	-	-	(380)	(45)	-	(2)	-	(336)	(763)
Acquisition of a subsidiary company	-	14	6	21	1	-	-	-	42
At 30 June 2018	68	722	839	5,875	556	11	375	1,718	10,164
Accumulated impairment losses									
At 1 April 2017	-	-	-	-	-	-	-	-	-
Impairment losses recognised	45	-	-	-	-	-	-	-	45
At 30 June 2018	45	-	-	-	-	-	-	-	45
Carrying amount									
At 30 June 2018	761	499	654	3,130	523	25	153	49	5,794

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

4. Property, Plant and Equipment *cont'd*

	Freehold land and buildings RM'000	Long-term leasehold land and buildings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovations RM'000	Furniture and fittings RM'000	Signboard RM'000	Tools and equipment RM'000	Plant and machinery RM'000	Total RM'000
Group										
31.3.2017										
Cost										
At 1 April 2016	6,896	425	2,262	5,876	31,101	3,086	341	490	2,187	52,664
Additions	-	689	117	27	108	-	-	-	-	941
Disposals	(6,896)	-	(277)	(293)	-	-	-	-	-	(7,466)
Written off	-	-	-	(2,938)	(22,176)	(1,691)	(270)	-	-	(27,075)
Disposal of subsidiary companies	-	-	(321)	(119)	(369)	(402)	(35)	-	-	(1,246)
At 31 March 2017	-	1,114	1,781	2,553	8,664	993	36	490	2,187	17,818
Accumulated depreciation										
At 1 April 2016	726	81	1,232	2,244	11,450	1,179	175	373	1,862	19,322
Charge for the financial year	75	8	352	579	4,192	252	19	-	112	5,589
Disposals	(801)	-	(259)	(72)	-	-	-	-	-	(1,132)
Written off	-	-	-	(1,673)	(11,176)	(898)	(177)	-	-	(13,924)
Disposal of subsidiary companies	-	-	(253)	(78)	(83)	(67)	(6)	-	-	(487)
At 31 March 2017	-	89	1,072	1,000	4,383	466	11	373	1,974	9,368
Carrying amount										
At 31 March 2017	-	1,025	709	1,553	4,281	527	25	117	213	8,450

NOTES TO THE FINANCIAL STATEMENTS

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4. Property, Plant and Equipment *cont'd*

	Office equipment RM'000	Furniture and fittings RM'000	Total RM'000
Company			
31.3.2017			
Cost			
At 1 April 2016	66	9	75
Written off	(66)	(9)	(75)
At 31 March 2017	-	-	-
Accumulated depreciation			
At 1 April 2016	62	8	70
Charge for the financial year	1	-	1
Written off	(63)	(8)	(71)
At 31 March 2017	-	-	-
Carrying amount			
At 31 March 2017	-	-	-

(a) Assets pledged as securities to licensed banks

During the previous financial year, the freehold land and buildings have been discharged by the licensed banks due to cessation of banking facilities.

(b) Included in the property, plant and equipment of the Group are motor vehicles acquired under finance lease arrangement with carrying amounts of RM487,000 (31.3.2017: RM693,000).

Leased assets are pledged as security for the related finance lease liabilities.

(c) The aggregate additional cost for the property, plant and equipment of the Group under finance lease financing and cash payments are as follows:

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Aggregate costs	1,936	941
Less: Finance lease financing	-	(112)
Cash payments	1,936	829

(d) The remaining lease term of long-term leasehold land and buildings of the Group is 88 years (31.3.2017: 89 years).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

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5. Investment Properties

	Freehold land and building RM'000	Long-term leasehold land and building RM'000	Total RM'000
Group			
30.6.2018			
Cost			
At 1 April 2017	915	1,873	2,788
Disposals	-	(1,873)	(1,873)
Transfer to asset held for sale	(320)	-	(320)
At 30 June 2018	595	-	595
Accumulated depreciation			
At 1 April 2017	204	-	204
Charge for the financial period	22	46	68
Disposals	-	(46)	(46)
Transfer to asset held for sale	(64)	-	(64)
At 30 June 2018	162	-	162
Carrying amount			
At 30 June 2018	433	-	433
31.3.2017			
Cost			
At 1 April 2016	1,235	2,200	3,435
Additions	-	1,873	1,873
Disposals	(320)	(2,200)	(2,520)
At 31 March 2017	915	1,873	2,788
Accumulated depreciation			
At 1 April 2016	235	282	517
Charge for the financial year	24	44	68
Disposals	(55)	(326)	(381)
At 31 March 2017	204	-	204
Carrying amount			
At 31 March 2017	711	1,873	2,584

(a) The fair value of the investment properties are estimated at approximately RM501,000 (31.3.2017 RM3,967,000). The fair values are within level 2 of the fair value hierarchy. It is based on the Directors' estimation by reference to market evidence of transaction prices for similar properties and recent experience in the location and category of the properties being valued.

(b) The following income and expenses are recognised in profit or loss in respect of the investment properties:

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Rental income	52	134
Direct operating expenses:		
- Income generating investment properties	18	29

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

5. Investment Properties *cont'd*

- (c) Investment properties of the Group have been pledged to secure banking facilities granted to the Group as disclosed in Note 17(b)(ii) are as follows:

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Freehold land and building	222	448

6. Intangible Assets

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Computer software				
Cost				
At 1 April	6,816	14,723	-	24
Written off	(2,006)	(3,902)	-	(24)
Disposal of subsidiary companies	-	(4,005)	-	-
At 30 June/31 March	4,810	6,816	-	-
Accumulated amortisation				
At 1 April	6,152	9,612	-	11
Charge for the financial period/year	630	1,048	-	5
Written off	(2,000)	(2,692)	-	(16)
Disposal of subsidiary companies	-	(1,816)	-	-
At 30 June/31 March	4,782	6,152	-	-
Accumulated impairment losses				
At 1 April	-	2,184	-	-
Impairment losses recognised	19	-	-	-
Disposal of subsidiary companies	-	(2,184)	-	-
At 30 June/31 March	19	-	-	-
Carrying amount				
At 30 June/31 March	9	664	-	-

NOTES TO THE FINANCIAL STATEMENTS

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7. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

	Company	
	30.6.2018 RM'000	31.3.2017 RM'000
In Malaysia:		
At cost		
Unquoted shares	27,865	27,865
Less: Accumulated impairment losses	(23,865)	(12,225)
	4,000	15,640

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective Interest		Principal activities
		30.6.2018 %	31.3.2017 %	
Direct holding:				
Tejari Sdn. Bhd.	Malaysia	100	100	Involved in investment holding and designing, building and assembling of hydraulic automation system, components and activities thereof for industrial applications, the research, development and manufacture of electro hydraulic automation system and the provision of customised mechanical and automation design solution.
Tejari Engineering Sdn. Bhd.	Malaysia	100	100	Investment holding.
ICT Rewards and Services Sdn Bhd	Malaysia	100	100	Involved as a restaurant operator.
TI Development Sdn. Bhd.	Malaysia	100	100	Dormant.
Goodwill Paradise Sdn. Bhd.	Malaysia	-	51	Dormant.
ICT Utopia Sdn. Bhd.	Malaysia	100	100	Involved in event management and trading.
PC3 Technology Sdn. Bhd.	Malaysia	100	100	Trading and servicing computer hardware and parts.
PDA Expert Mobility Sdn. Bhd.	Malaysia	100	100	Trading of telecommunication products.
Perfect Icon Limited	British Virgin Islands	-	100	Dormant.
Urusrasa Sdn. Bhd.	Malaysia	100	100	Operator of the car jockey services for Low Yat Plaza, Federal Hotel and Capitol Hotel.
Sterpro Land Sdn. Bhd.	Malaysia	100	-	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

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7. Investment in Subsidiary Companies *cont'd*

(a) Investment in subsidiary companies *cont'd*

Details of the subsidiary companies are as follows: *cont'd*

Name of company	Country of incorporation	Effective Interest 30.6.2018 31.3.2017 % %		Principal activities
Direct holding: cont'd				
Progress Work Sdn. Bhd.	Malaysia	100	-	Dormant.
Indirect holding:				
Subsidiary company of PDA Expert Mobility Sdn. Bhd.				
Popular Landmark Sdn. Bhd.	Malaysia	100	100	Trading computers and communication technology products.
Subsidiary company of ICT Utopia Sdn. Bhd.				
Macpie Pro Sdn. Bhd.	Malaysia	51	-	Event management

(b) Acquisition of a subsidiary company during the financial period

On 12 April 2018, the subsidiary company of the Company, ICT Utopia Sdn. Bhd. acquired 510 ordinary shares, representing 51% equity interest in Macpie Pro Sdn. Bhd. for a total cash consideration of RM510 only. Consequently, became 51% owned indirect subsidiary company of the Company.

	30.6.2018 RM'000
Macpie Pro Sdn. Bhd.	
Property, plant and equipment	638
Trade and other receivables	634
Cash and cash equivalents	63
Trade and other payables	(1,138)
Amount due to a Director	(52)
Loans and borrowings	(262)
Total identifiable assets and liabilities	(117)

Net cash outflows arising from acquisition of a subsidiary company:

	30.6.2018 RM'000
Purchase consideration settled in cash	(1)
Cash and cash equivalents acquired	63
	62

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

7. Investment in Subsidiary Companies *cont'd*

(b) Acquisition of a subsidiary company during the financial period *cont'd*

Goodwill arising from business combination

Goodwill was recognised as a result of the acquisitions as follows:

	30.6.2018 RM'000
Fair value of consideration transferred	1
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	57
Fair value of identifiable assets acquired and liabilities assumed	(117)
Goodwill	(59)

(c) Disposal of subsidiary companies

On 4 June 2018, the Company disposed its entire equity interest in Goodwill Paradise Sdn. Bhd. ("GWSB") for a cash sale consideration of RM51 and resulted gain of RM11,000.

	30.6.2018 RM'000
Trade and other payables	(21)
Total net liabilities	(21)
Less: Non-controlling interests	10
Total net liabilities	(11)
Gain on disposal of subsidiary companies	11
Proceeds from disposal	-

In previous financial year, the Company disposed the following subsidiary companies:

- (i) On 1 June 2016, a wholly-owned subsidiary company, PDA Expert Mobility Sdn. Bhd. has disposed its entire equity interest in Vsurf Sdn. Bhd. for a sale consideration of RM819,000, which had resulted a loss of RM549,000.
- (ii) On 1 June 2016, the Company disposed its entire equity interest in Inventure Conglomerate Sdn. Bhd. for a sale consideration of RM951,000, which had resulted a loss of RM128,000.
- (iii) On 14 December 2016, the Company disposed its entire equity interest in Prestige Atoz Sdn. Bhd. ("PASB") for a sale consideration of RM2,018,000 to be satisfied by settlement of RM2,018,000 due from the Company to PASB, which had resulted a gain of RM8,000.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

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7. Investment in Subsidiary Companies *cont'd*

(c) Disposal of subsidiary companies *cont'd*

- (iv) On 6 March 2017, the Company disposed its entire equity interest in Essential Action Sdn. Bhd. ("EASB") for a sale consideration of RM1,540,000 to be satisfied by settlement of RM1,310,000 due from the Company to EASB and cash consideration of RM230,000, which had resulted loss of RM3,598,000.

	31.3.2017 RM'000
Property, plant and equipment	759
Goodwill on consolidation	3,011
Other reserve	1,155
Intangible assets	5
Inventories	224
Trade and other receivables	4,090
Cash and cash equivalents	824
Tax recoverable	236
Tax payable	(40)
Finance lease payables	(142)
Deferred tax liabilities	(244)
Trade and other payables	(3,611)
Total net assets	6,267
Less: Non-controlling interests	-
Total net assets	6,267
Loss on disposal of subsidiary companies	(4,267)
Proceeds from disposal	2,000

Net cash inflows arising from disposal of subsidiary companies:

	31.3.2017 RM'000
Proceeds from disposal	2,000
Less: Cash and bank balances disposed	(824)
Net cash inflows from disposal	1,176

(d) Winding up of a subsidiary company

On 1 May 2017, Perfect Icon Limited ("PIL"), a wholly-owned subsidiary company has been struck off from the BVI government register with effect from 1 May 2017.

The effect of winding up of PIL on the financial position of the Group as at the date of winding up as follows:

	31.3.2017 RM'000
Other payables	(36)
Total net liabilities	(36)
Gain on winding up	36
	-

NOTES TO THE FINANCIAL STATEMENTS

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8. Goodwill on Consolidation

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Cost		
At 1 April	2,608	5,619
Acquisition of a subsidiary company	59	-
Disposal of subsidiary companies	-	(3,011)
At 30 June/31 March	2,667	2,608
Accumulated impairment losses		
At 1 April	1,571	-
Impairment loss during the financial period/year	-	1,571
At 30 June/31 March	1,571	1,571
Carrying amount		
At 30 June/31 March	1,096	1,037

Goodwill on consolidation arose upon the acquisition of subsidiary companies principally engaged in trading of computer hardware and parts, telecommunication, information and communication products, rental of premises and operating of car jockey services.

(a) Recoverable amount on value in use

For the purpose of impairment testing, the recoverable amount of goodwill as at the end of the reporting period was determined based on a value-in-use calculation by discounting the future cash flows generated from the continuing use of the cash generating unit ("CGU") and was based on the following assumptions:

- (i) Pre-tax cash flow projections based on the most recent financial budgets covering a five (5) years period (31.3.2017: five (5) years period).
- (ii) The anticipated annual revenue growth rate used in the cash flow budgets and plans of the CGU is ranged from 1% to 10% (31.3.2017: 1% to 10%).
- (iii) Pre-tax discount rate of 5.5% (31.3.2017: 6.6%) per annum has been applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the Group's weighted average cost of capital.

The management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amounts.

(b) Sensitivity to changes in assumptions

The management believes that a reasonably possible changes in the key assumptions on which management has based on its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

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9. Trade Receivables

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Non-current Assets		
Trade receivables		
- third parties	16,800	-
Less: Fair value adjustments	(2,542)	-
	14,258	-
Current assets		
Trade receivables		
- third parties	11,808	24,706
- related parties	194	267
	12,002	24,973
	26,260	24,973

The Group's normal trade credit terms are 7 to 90 days (31.3.2017: 7 to 180 days). Other credit terms are assessed and approved on a case to case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amount due from related parties are unsecured, non-interest bearing and repayable on demand in cash and cash equivalents. Trade amounts due from related parties are subject to normal trade credit terms.

The Group's credit exposures are concentrated mainly on 5 (31.3.2017: 2) debtors, which accounted for 92% (31.3.2017: 84%) of the total trade receivables at the end of the reporting period.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
At 1 April	-	5,215
Written off	-	(4,405)
Disposal of subsidiary companies	-	(810)
At 30 June/31 March	-	-

Analysis of the trade receivables ageing as at the end of the reporting period is as follows:

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Neither past due nor impaired	21,107	2,584
<i>Past due but not impaired:</i>		
Less than 30 days	227	14,041
31 to 60 days	2,005	172
61 to 90 days	2,364	168
91 to 120 days	85	446
More than 120 days	472	7,562
	5,153	22,389
	26,260	24,973

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9. Trade Receivables *cont'd*

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

As at 30 June 2018, trade receivables of the Group of RM5,153,000 (31.3.2017: RM22,389,000) were past due but not impaired. These mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amount are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

10. Inventories

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
At cost		
Raw material	232	729
Work in progress	-	261
Trading merchandise	13	158
	245	1,148
Recognised in profit or loss:		
Inventories written off	386	1,243
Inventories recognised as cost of sales	32,518	80,440

11. Other Receivables

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Other receivables				
- third parties	688	906	21	-
- related parties	1,418	1,439	1,418	1,439
	2,106	2,345	1,439	1,439
Deposits	9,135	6,074	5	4
Prepayments	1,342	245	-	6
GST receivables	141	-	-	-
	12,724	8,664	1,444	1,449

Movements in the allowance for impairment losses of other receivables are as follows:

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
At 1 April	-	40	-	-
Disposal of subsidiary companies	-	(40)	-	-
At 30 June/31 March	-	-	-	-

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11. Other Receivables *cont'd*

Included in amount due from related parties of the Group and of the Company is an amount of RM1,418,000 (31.3.2017: RM1,418,000), due from Inventure Conglomerate Sdn. Bhd., a subsidiary company which being disposed off in previous financial year in which a Director of the Company have substantial financial interests.

Included in other receivables of the Group is staff loan amounting to RMNil (31.3.2017: RM118,000).

12. Amount Due From/To Subsidiary Companies

(a) Amount due from subsidiary companies

	Company	
	30.6.2018 RM'000	31.3.2017 RM'000
Non-trade related	79,867	74,839
Less: Accumulated impairment losses	(32,547)	(10,353)
	47,320	64,486

These represents unsecured, non-interest bearing advances and repayable on demand.

Movement in allowance for impairment losses of amount due from subsidiary companies are as follows:

	Company	
	30.6.2018 RM'000	31.3.2017 RM'000
At 1 April	10,353	-
Impairment losses recognised	22,249	10,353
Written off	(55)	-
At 30 June/31 March	32,547	10,353

(b) Amount due to subsidiary companies

These represents unsecured, non-interest bearing advances and repayable on demand.

13. Fixed Deposits with Licensed Banks

The interest rates of fixed deposits of the Group and of the Company are range from 2.8% to 3.15% and 2.8% (31.3.2017: 3.15%) respectively per annum and the maturity of deposits is range from 4 to 365 days and 4 to 27 days (31.3.2017: 365 days).

Included in the fixed deposits of the Group is an amount of RM337,000 (31.3.2017: RM324,000) which has been pledged to a licensed bank as securities for credit facilities granted to subsidiary companies as disclosed in Note 17(b)(iii).

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14. Assets Held for Sale

The assets held for sale are as follows:

		Group	
		30.6.2018 RM'000	31.3.2017 RM'000
Leasehold land and buildings	(a)	1,470	1,470
Freehold land and buildings	(b)	256	-
		1,726	1,470

- (a) On 6 January 2016, the Group has entered into Sale and Purchase Agreement with a third party for the disposal of its investment properties known as Unit DF2-06-03, 6th Floor, Menara Persoft, 6B, Persiaran Tropicana Golf and Country Resort, 47100 Petaling Jaya at a consideration of RM1,557,000.

Since the fair value less cost of disposal exceeded the net carrying amount, no impairment loss is recognised.

In previous financial year, the leasehold land and buildings have been pledged to secure credit facilities granted to a subsidiary company as disclosed in Note 17(b)(ii).

The disposal is completed as at the date of this report.

- (b) On 23 April 2018, the Group entered into Sale and Purchase agreement with a third party for the disposal of investment property known as No. 46, Jalan Seri Damai 1, Taman Seri Damai, 43000 Kajang, Selangor at a consideration of RM360,000.

Since the fair value less cost of disposal exceeded the net carrying amount, no impairment loss is recognised.

The disposal is pending completion as at 30 June 2018.

15. Share Capital

	Group and Company			
	Number of Shares		Amount	
	30.6.2018 Unit '000	31.3.2017 Unit '000	30.6.2018 RM'000	31.3.2017 RM'000
Authorised ordinary shares				
At 1 April	-	2,000,000	-	200,000
Par value reduction of RM0.075 per share	-	-	-	(150,000)
Shares consolidation	-	(1,500,000)	-	-
Adjustments for effect of Companies Act, 2016	-	(500,000)	-	(50,000)
At 30 June/31 March	-	-	-	-
Issued and fully paid ordinary shares				
At 1 April	279,295	989,180	38,531	98,918
Par value reduction of RM0.075 per share	-	-	-	(74,189)
Shares consolidation	-	(741,885)	-	-
	279,295	247,295	38,531	24,729
Adjustments for effect of Companies Act, 2016	-	-	-	4,842
Realisation of ESOS reserve	-	-	2,100	3,840
Exercise of ESOS	42,000	32,000	6,300	5,120
At 30 June/31 March	321,295	279,295	46,931	38,531

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15. Share Capital *cont'd*

During the current financial period, the Company issued 42,000,000 new ordinary shares of RM0.15 each for a total cash consideration of RM6,300,000 arising from the exercise of employees' share options at an exercise price of RM0.15 per ordinary share.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

16. Reserves

	Note	Group		Company	
		30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
ESOS reserve	(a)	-	-	-	-
Warrant reserve	(b)	8,401	8,401	8,401	8,401
Other reserve		1,460	1,460	-	-
(Accumulated loss) / Retained earning		(8,511)	308	(7,866)	29,747
		1,350	10,169	535	38,148

(a) Employees share option ("ESOS") reserve

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
At 1 April	-	1,240
Grant of ESOS	2,100	3,840
Realisation of ESOS reserve	(2,100)	(3,840)
Cancellation of ESOS	-	(1,240)
At 30 June / 31 March	-	-

Employees share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options. Employees share option is disclosed in Note 28.

(b) Warrant reserve

On 6 January 2011, the Company announced the right issue up to 420,024,000 new ordinary shares of RM0.10 each together with up to 315,018,000 free detachable warrants ("Warrant(s)") at RM0.12 per share for cash on the basis of four (4) new ordinary shares and three (3) free Warrants for every two (2) existing ordinary shares. The new ordinary shares and warrants were listed and quoted on 24 February 2011.

The amount of warrant reserve was arrived at based on the difference between the proceeds from the rights issue with warrants and the par value of the ordinary shares and after deducting issue expenses. Upon full exercise of the warrants, the warrant reserve will be transferred to share premium.

The salient features of the Warrants are as follows:

- (i) Each Warrant entitles the registered holder during the exercise period to subscribe for one (1) new ordinary share in the share capital of the Company at the exercise price;
- (ii) The exercise price and number of Warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the conditions provided in the Deed Poll; and

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16. Reserves *cont'd*

(b) Warrant reserve *cont'd*

The salient features of the Warrants are as follows: *cont'd*

- (iii) The Warrants shall be exercisable at any time within a period of ten (10) years including and commencing from the issue date up to the expiry date.

In previous financial year, the Company completed the Share Consolidation of every four (4) ordinary shares of RM0.025 each in the Company into one (1) new ordinary share of RM0.10 each in the Company after the Par Value Reduction. Following the Share Consolidation, the exercise price and the number of outstanding Warrants 2011/2021 was adjusted in accordance with the provisions of the Deed Poll. Pursuant to the adjustments, the outstanding Warrants 2011/2021 of 315,018,000 warrants were consolidated into 78,754,500 warrants, on the basis of every four (4) outstanding Warrants 2011/2021 held by the entitled holders of outstanding Warrants 2011/2021 of the Company and the existing exercise price of the outstanding Warrants 2011/2021 of RM0.12 each was revised to RM0.48 each.

At the end of the reporting period, unexercised warrants of the Company are as follows:

Date granted		Warrant price	Number of warrants over ordinary shares	Warrant expiry date
2018	24.02.2011	RM0.48	78,754,500	23.02.2021
2017	24.02.2011	RM0.48	78,754,500	23.02.2021

17. Loans and Borrowings

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Secured		
Finance lease liabilities (Note a)	443	708
Bank overdrafts (Note b)	504	587
	947	1,295
Current liabilities		
Finance lease liabilities (Note a)	117	243
Bank overdrafts (Note b)	504	587
	621	830
Non-current liability		
Finance lease liabilities (Note a)	326	465
	947	1,295

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Maturity of loans and borrowings (excluding finance lease liabilities):		
Within 1 year	504	587

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17. Loans and Borrowings *cont'd*

(a) Finance lease liabilities

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
(a) Minimum finance lease payments		
Within one year	137	272
Later than one year and not later than 5 years	311	461
Later than five years	40	34
	488	767
Less: Future finance charges	(45)	(59)
Present value of minimum lease payments	443	708
(b) Present value of minimum lease payments		
Within one year	117	243
Later than one year and not later than 5 years	286	431
Later than five years	40	34
	443	708
Analysed as:		
Repayable within twelve months	117	243
Repayable after twelve months	326	465
	443	708

(b) Bank overdrafts

The bank overdrafts are secured by the followings:

- (i) Corporate guarantee by the Company;
- (ii) Charge over the Group's investment properties and asset held for sale as disclosed in Note 5(c) and 14(a) respectively; and
- (iii) Fixed deposit is pledged with a licensed bank of RM337,000 (31.3.2017: RM324,000) as disclosed in Note 13.

The interest rates per annum at the end of the reporting period are as follows:

	Group	
	30.6.2018 %	31.3.2017 %
Bank overdrafts	8.60	8.10
Finance lease liabilities	2.39 - 4.17	2.48

18. Trade Payables

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Trade payables		
- third parties	4,509	3,264
- related parties	-	267
	4,509	3,531

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18. Trade Payables cont'd

The normal trade credit term granted to the Group is 7 to 120 days (31.3.2017: 7 to 120 days), depending on the terms of the contracts.

Amount due to related parties are unsecured, non-interest bearing and payable upon demand in cash and cash equivalents. Trade amounts due to related parties are subject to normal credit terms.

19. Other Payables

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Other payables				
- third parties	2,569	3,033	22	72
- related parties	-	245	-	-
Accruals	2,569	3,278	22	72
Deposits received	395	530	-	75
	1,448	969	87	-
	4,412	4,777	109	147

Amount due to related parties are unsecured, non-interest bearing and payable upon demand in cash and cash equivalents.

20. Amount Due to a Director

This represents unsecured, non-interest bearing advances and repayable on demand.

21. Revenue

	Group	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Sales of goods	35,189	93,116
Services rendered	932	1,383
Rental income	13,353	6,327
Interest income	700	-
	50,174	100,826

22. Cost of Sales

	Group	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Inventories sold	32,571	89,838
Services rendered	2,206	3,884
Rental expenses	9,377	6,447
	44,154	100,169

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23. Finance Costs

	Group	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Interest expenses on:		
- Term loans	-	34
- Bank overdrafts	46	37
- Bankers' acceptance	-	240
- Finance lease liabilities	36	37
	82	348

24. Loss before Tax

Loss before tax is derived after charging/(crediting):

	Group		Company	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Amortisation of intangible assets	630	1,048	-	5
Auditors' remuneration				
- statutory audit	109	141	36	33
- non statutory audit	5	15	5	15
Impairment losses on:				
- Property, plant and equipment	45	-	-	-
- Investment in subsidiary companies	-	-	11,640	12,225
- Amount due from subsidiary companies	-	-	22,249	10,353
- Intangible assets	19	-	-	-
- Goodwill on consolidation	-	1,571	-	-
Intangible assets written off	6	1,210	-	8
Bad debts written off	37	437	-	198
Deposits written off	187	124	1	-
Depreciation of property, plant and equipment	2,542	5,589	-	1
Depreciation of investment properties	68	68	-	-
Fair value adjustments on trade receivables	2,542	-	-	-
Non-executive Directors' remuneration				
- fees	157	112	157	112
Inventories written off	386	1,243	-	-
Gain on winding up of a subsidiary company	36	-	-	-
(Gain)/Loss on disposal of subsidiary companies	(11)	4,267	-	9,923
Property, plant and equipment written off	808	13,151	-	4
Rental of office equipment	11	20	-	-
Rental of booth	64	59	-	-
Rental of premises	10,480	8,888	-	-
Rental of accommodation	21	51	-	-
Rental of warehouse	10	9	-	-
Rental of office	41	-	-	-
Gain on disposal of:				
- property, plant and equipment	(3)	(2,009)	-	-
- investment properties	(33)	(114)	-	-
Realised loss on foreign exchange	19	4	-	-
Fixed deposits interest income	(65)	(91)	(45)	(36)
Rental of booth income	-	(9)	-	-

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24. Loss before Tax *cont'd*

Loss before tax is derived after charging/(crediting): *cont'd*

	Group		Company	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Rental income				
- related party	-	(281)	-	-
- third parties	(13,747)	(7,104)	-	-
Rental income from investment properties	-	(93)	-	-
Reversal of accruals no longer required	(2)	-	-	-

25. Taxation

	Group		Company	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Tax expenses recognised in profit or loss:				
Current tax provision	78	60	-	-
Over provision in prior years	(25)	(26)	-	-
	53	34	-	-
Deferred tax:				
Relating to origination/ (reversal) of temporary differences	-	(11)	-	-
Under provision in prior years	-	11	-	-
	-	-	-	-
Real property gain tax	8	67	-	-
Tax expense for the financial period/year	61	101	-	-

Malaysian income tax is calculated at the statutory tax rate of 24% (31.3.2017: 24%) of the estimated assessable profits for the financial period/year.

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Loss before tax	(8,905)	(33,815)	(35,513)	(31,568)
At Malaysian statutory tax rate of 24% (31.3.2017: 24%)	(2,137)	(8,116)	(8,523)	(7,576)
Expenses not deductible for tax purposes	1,804	5,722	8,239	7,925
Income not subject to tax	(136)	(517)	-	-
Deferred tax assets not recognised	547	2,960	284	(349)
(Over)/Under provision in respect of prior years				
- taxation	(25)	(26)	-	-
- deferred tax	-	11	-	-
Real property gain tax	8	67	-	-
Tax expense for the financial period/year	61	101	-	-

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25. Taxation *cont'd*

	Group		Company	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000

Tax savings during the financial period/year arising from:

- Utilisation of tax losses bought forward from previous financial years	127	351	-	351
- Utilisation of capital allowances bought forward from previous financial years	-	1	-	1
	127	352	-	352

The Group and the Company have the following unused tax losses and unutilised capital allowances carry forward, available to off-set against future taxable profits. The said amounts are subject to approval by the tax authorities.

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Unused tax losses	20,046	18,104	3,091	1,906
Unutilised capital allowances	10,344	11,618	3	3
	30,390	29,722	3,094	1,909

26. Deferred Taxation

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
At 1 April	-	244	-	-
Recognised in profit or loss	-	(11)	-	-
Under provision in prior years	-	11	-	-
Disposal of subsidiary companies	-	(244)	-	-
At 30 June/31 March	-	-	-	-

The net deferred tax assets and liability shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Deferred tax assets	(214)	(711)	-	-
Deferred tax liability	214	711	-	-
	-	-	-	-

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26. Deferred Taxation *cont'd*

The components and movements of deferred tax assets and liability are as follows:

	Unused tax losses RM'000	Unutilised capital allowances RM'000	Others RM'000	Total RM'000
Group				
Deferred tax assets				
At 1 April 2017	(111)	(600)	-	(711)
Recognised in profit or loss	54	311	-	365
Over provision in prior years	30	102	-	132
At 30 June 2018	(27)	(187)	-	(214)
At 1 April 2016	(114)	(1,391)	(20)	(1,525)
Recognised in profit or loss	157	1,012	-	1,169
Under provision in prior years	(161)	(283)	-	(444)
Disposal of subsidiary companies	7	62	20	89
At 31 March 2017	(111)	(600)	-	(711)

	Accelerated capital allowances RM'000
--	--

Group	
Deferred tax liability	
At 1 April 2017	711
Recognised in profit or loss	(365)
Under provision in prior years	(132)
At 30 June 2018	214
At 1 April 2016	1,769
Recognised in profit or loss	(1,180)
Under provision in prior years	455
Disposal of subsidiary companies	(333)
At 31 March 2017	711

	Deferred tax liability Accelerated capital allowances RM'000	Deferred tax assets Unused tax losses RM'000	Unutilised capital allowances RM'000	Total RM'000
Company				
At 1 April 2016	3	(2)	(1)	-
Recognised in profit or loss	(3)	2	1	-
At 31 March 2017	-	-	-	-

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26. Deferred Taxation *cont'd*

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Other taxable temporary differences	96	-	-	-
Unused tax losses	19,934	17,768	3,091	1,906
Unutilised capital allowances	9,563	9,542	3	3
	29,593	27,310	3,094	1,909

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

27. Loss Per Share

(a) Basic loss per share

The basic loss per share are calculated based on the consolidated loss for the financial period/year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial period/year as follows:

	Group	
	1.4.2017 to 30.6.2018	1.4.2016 to 31.3.2017
Loss attributable to ordinary shareholders (RM'000)	(8,819)	(33,914)
Weighted average number of ordinary shares in issue (in thousands of shares):		
Issued ordinary shares at 1 April	279,295	989,180
Effect of shares consolidation	-	(99,869)
Effect of exercise of ESOS	15,483	3,574
Weighted average number of ordinary shares at 30 June/31 March	294,778	892,885
Basic loss per ordinary share (in cents)	(2.99)	(3.80)

(b) Diluted loss per share

The Group has no dilution in loss per ordinary share as the exercise price of warrants have exceeded the average market price of ordinary shares during the financial period/year, the Warrants do not have any dilutive effect on the weighted average number of ordinary shares.

28. Employees Share Option Scheme ("ESOS")

At an extraordinary general meeting held on 27 November 2013, the Company's shareholders approve the establishment of an ESOS for eligible employees of the Group.

The salient features of the ESOS are as follows:

- (a) any employee of the Group shall be eligible if as at the date of offer, the employee:
 - (i) is at least eighteen (18) years of age;
 - (ii) he/she is employed full time by and on the payroll of any company in the Group and his/her employment has been confirmed by any company in the Group.

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28. Employees Share Option Scheme ("ESOS") cont'd

- (b) any Director of the Group shall be eligible if as at the date of offer, the employee:
- (i) is at least eighteen (18) years of age;
 - (ii) the Director is a director named in the register of directors of the Group;
 - (iii) specific allocation of new shares to the Director of the Company under the Scheme must have been approved by the shareholders of the Company in a general meeting and is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS.
- (c) The maximum number of new shares to be issued pursuant to the exercise of the shares which may be granted under the ESOS shall not exceed fifteen percent (30%) of the total issued and paid-up share capital (excluding treasury shares, if any) of the Company at any point of time throughout the duration of the Employees Share Options;
- (d) The ESOS shall be in force for a period of five (5) years commencing from 28 March 2014.
- (e) The options granted may be exercised any time upon the satisfaction of vesting conditions of each offer;
- (f) The option price of a new ordinary share under the ESOS shall be at a discount of not more than ten percent (10%) of the five (5)-days weighted average market price of the shares as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad immediately preceding the date of offer, or at the par value of the ordinary shares of RM0.10 each, whichever is higher;
- (g) Upon exercise of the options, the shares issued rank pari passu in all respects with the then existing ordinary shares of the Company; and
- (h) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company.

Movement in the number of share options and the exercise prices are as follows:

	Group and Company Number of share option	
	30.6.2018 Unit '000	31.3.2017 Unit '000
At 1 April	-	50,000
Share consolidation	-	(37,500)
Cancelled during the financial period/year	-	(12,500)
Granted during the financial period/year	42,000	32,000
Exercise during the financial period/year	(42,000)	(32,000)
At 30 June/31 March	-	-
Exercise price	RM0.15	RM0.16

The fair value of share options granted to eligible employees, was determined using Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at the grant date and the input assumed by the Company in arising the fair value are as follows:

	Group and Company	
	30.6.2018	31.3.2017
Fair value of the share options at grant date on 25 July 2017 (31.3.2017: 02 February 2017) (RM)	0.05	0.12
Exercise price (RM)	0.15	0.16
Share price of the Company at grant date (RM)	0.17	0.19
Volatility (%)	46.29%	127.19%
Option life (years)	5	5
Risk-free interest rate (%)	3.589%	3.422%

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28. Employees Share Option Scheme ("ESOS") cont'd

The expected life of the share options is based on historical data, has been adjusted according to management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting the market conditions attached to the option), and behavioural considerations. The expected volatility is based on the historical share price volatility over the past 1 year, adjusted for unusual or extraordinary volatility arising from certain economic or business occurrences which is not reflective of its long term average level. While the expected volatility is assumed to be indicative of future trends, it may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The share options expenses of RM2,100,000 (1.4.2016 to 31.3.2017: RM3,840,000) is not recognised in the profit or loss of the Company as it has been recharged to the subsidiary companies benefiting from the services of the employees. Total expenses recognise in profit or loss for share options granted to employees is disclosed in Note 29.

29. Staff Costs

	Group		Company	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Salaries, wages and other emoluments	4,040	3,966	1,258	1,229
Fees	358	241	162	84
Social security contributions	50	38	8	5
Defined contribution plans	439	401	135	138
Share options granted under ESOS	2,100	3,840	-	-
Other staff related expenses	347	370	21	18
	7,334	8,856	1,584	1,474

Included in the staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial period/year as below:

	Group		Company	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Executive Directors of the Company				
- Fees	162	84	162	84
- Salaries and other emoluments	891	747	891	747
- Social security contributions	3	2	3	2
- Defined contribution plans	104	83	104	83
	1,160	916	1,160	916
Executive Directors of the subsidiary companies				
- Fees	195	157	-	-
- Salaries and other emoluments	155	-	-	-
- Social security contributions	1	-	-	-
- Defined contribution plans	19	-	-	-
	370	157	-	-

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30. Reconciliation of Liabilities Arising From Financing Activities

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes:

	Note	At 1 April 2017 RM'000	Financing cash flows (i) RM'000	Acquisition a subsidiary company [Note 7(b)] RM'000	At 30 June 2018 RM'000
Group					
Financial liabilities					
Finance lease liabilities	17(a)	708	(527)	262	443
Bank overdrafts	17(b)	587	(83)	-	504
		1,295	(610)	262	947

- (i) The financing cash flows include the net amount of repayments of loans and borrowings in the statements of cash flows.

31. Commitments

Operating lease commitments

- (a) As lessee

The Group had entered into non-cancellable lease agreements for retail outlets, warehouse and staff accommodations resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates.

The future minimum lease payments payable under non-cancellable operating leases are:

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Within one year	7,951	1,887

- (b) As lessor

The Group has entered into non-cancellable lease arrangements by sub-letting office premises, retail outlets and staff accommodations. The leases include a clause to enable upward revision of the rental charge depending on prevailing market conditions upon the expiry of these agreements.

The future minimum lease payments payable under non-cancellable operating leases are:

	Group	
	30.6.2018 RM'000	31.3.2017 RM'000
Within one year	11,667	4,826

Capital commitments

	Group	
	30.6.2018 RM	31.3.2017 RM

Capital expenditure

Authorised and contracted for:

Intangible assets

- 1,000,000

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32. Contingent Liabilities

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiary companies				
- Limit of guarantee	-	-	-	12,000
- Amount utilised	-	-	-	587
Corporate guarantees given to third parties in respect of sales of goods to the subsidiary companies (unsecured)				
- Limit of guarantee	-	10,000	-	10,000

33. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Subsidiary companies				
Maintenance and service income	-	-	533	-
Related parties				
Rental income	-	281	-	-

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	Group		Company	
	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2017 to 30.6.2018 RM'000	1.4.2016 to 31.3.2017 RM'000
Salaries, fees and other emoluments	1,578	1,100	1,228	943
Contributions to defined contribution plans	123	83	104	83
Social security contributions	4	-	3	-
Other benefits	-	2	-	2
	1,705	1,185	1,335	1,028

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34. Segment Information

For management purposes, the Group is organised into business units based on the nature of products and services, specific expertise and technologies requirements, which require different business and marketing strategies. The reportable segments are summarised as follows:

- (i) Information, communication and technology ("ICT")
 - Trading and servicing computer hardware and parts;
 - Trading of telecommunication products;
 - Research development, marketing and distribution of business application software together with provision of related training and materials;
 - Distribution and marketing of information and communication technology products; and
 - Event management and rental of retail outlets.
- (ii) Hydraulic
 - Investment holding and designing, building and assembling of hydraulic automation system, components and activities thereof for industrial applications;
 - Research, development and manufacturer of electro hydraulic automation system; and
 - Provision of customised mechanical and automation design solution.

Other reporting segments that do not constitute reportable segments comprise operations related to investment holdings, provision of car jockey services and restaurant operator.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial years.

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

	ICT RM'000	Hydraulic RM'000	Other operating segments RM'000	Total segments RM'000	Adjustment and eliminations RM'000	Consolidated RM'000
Group						
30.6.2018						
Revenue						
External customers	43,458	5,160	1,556	50,174	-	50,174
Inter-segment	22	-	-	22	(22)	-
Total revenue	43,480	5,160	1,556	50,196	(22)	50,174
Results						
Interest income	7	13	45	65	-	65
Finance costs	(14)	(64)	(4)	(82)	-	(82)
Depreciation	(1,980)	(262)	(368)	(2,610)	-	(2,610)
Amortisation	(616)	-	(14)	(630)	-	(630)
Segment loss	(4,922)	(1,144)	(2,839)	(8,905)	-	(8,905)

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34. Segment Information *cont'd*

	ICT RM'000	Hydraulic RM'000	Other operating segments RM'000	Total segments RM'000	Adjustment and eliminations RM'000	Consolidated RM'000
Other non-cash items						
Bad debts written off	(30)	(6)	(1)	(37)	-	(37)
Deposits written off	-	(1)	(143)	(144)	-	(144)
Deposits forfeited	-	(44)	-	(44)	-	(44)
Fair value adjustment on trade receivables	-	-	-	(2,542)	-	(2,542)
Inventories written off	(339)	(25)	(22)	(386)	-	(386)
Loss on disposal of subsidiary companies	-	-	11	11	-	11
Gain on disposal of investment properties	-	-	33	33	-	33
Gain/(Loss) on disposal of property, plant and equipment	49	-	(46)	3	-	3
Impairment loss on investment in subsidiary companies	-	-	(11,640)	(11,640)	11,640	-
Impairment loss on amount due from subsidiary companies	-	-	(22,249)	(22,249)	22,249	-
Impairment loss on other receivables	-	-	1	1	-	1
Impairment loss on property, plant and equipment	-	-	(45)	(45)	-	(45)
Intangible assets written off	-	(6)	-	(6)	-	(6)
Property, plant and equipment written off	(84)	(693)	(31)	(808)	-	(808)
Group 31.3.2017 Revenue						
External customers	93,952	4,555	2,319	100,826	-	100,826
Inter-segment	201	-	75	276	(276)	-
Total revenue	94,153	4,555	2,394	101,102	(276)	100,826
Results						
Interest income	18	13	60	91	-	91
Finance costs	(298)	(50)	-	(348)	-	(348)
Depreciation	(4,420)	(312)	(925)	(5,657)	-	(5,657)
Amortisation	(1,031)	-	(17)	(1,048)	-	(1,048)
Segment loss	(22,342)	(1,284)	(10,189)	(33,815)	-	(33,815)
Other non-cash items						
Bad debts written off	(229)	-	(208)	(437)	-	(437)
Deposits written off	(124)	-	-	(124)	-	(124)
Inventories written off	(9)	(1,234)	-	(1,243)	-	(1,243)
Impairment loss on goodwill	-	-	(1,571)	(1,571)	-	(1,571)
Loss on disposal of subsidiary companies	(549)	-	(3,718)	(4,267)	-	(4,267)
Gain on disposal of investment properties	114	-	-	114	-	114
Gain/(Loss) on disposal of property, plant and equipment	(103)	-	2,112	2,009	-	2,009
Impairment loss on investment in subsidiary companies	-	-	(12,225)	(12,225)	12,225	-

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34. Segment Information *cont'd*

	ICT RM'000	Hydraulic RM'000	Other operating segments RM'000	Total segments RM'000	Adjustment and eliminations RM'000	Consolidated RM'000
Other non-cash items <i>cont'd</i>						
Impairment loss on amount due from subsidiary companies	-	-	(10,353)	(10,353)	10,353	-
Intangible assets written off	(1,197)	-	(13)	(1,210)	-	(1,210)
Property, plant and equipment written off	(9,543)	-	(3,608)	(13,151)	-	(13,151)

Geographical information

No disclosure on geographical segment information for revenue and non-current assets as the Group operates predominantly in Malaysia.

Major customers

Revenue from 5 (31.3.2017: 2) major customers in the ICT segment represent approximately amount to RM24,052,000 (31.3.2017: RM61,053,000) or 92% (31.3.2017: 60%) of the Group's revenue.

35. Financial instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expenses including fair values gains and losses are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Loans and receivables RM'000	Financial liabilities measured at amortised cost RM'000	Total RM'000
Group			
30.6.2018			
Financial Assets			
Trade receivables	12,002	-	12,002
Other receivables	11,241	-	11,241
Fixed deposits with licensed banks	1,561	-	1,561
Cash and bank balances	7,716	-	7,716
	32,520	-	32,520
Financial Liabilities			
Trade payables	-	4,509	4,509
Other payables	-	4,412	4,412
Amount due to a Director	-	51	51
Loans and borrowings	-	947	947
	-	9,919	9,919

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35. Financial instruments *cont'd*

(a) Classification of financial instruments *cont'd*

	Loans and receivables RM'000	Financial liabilities measured at amortised cost RM'000	Total RM'000
Group			
31.3.2017			
Financial Assets			
Trade receivables	24,973	-	24,973
Other receivables	8,419	-	8,419
Fixed deposits with licensed banks	1,503	-	1,503
Cash and bank balances	7,009	-	7,009
	41,904	-	41,904
Financial Liabilities			
Trade payables	-	3,531	3,531
Other payables	-	4,777	4,777
Loans and borrowings	-	1,295	1,295
	-	9,603	9,603
Company			
30.6.2018			
Financial Assets			
Other receivables	1,444	-	1,444
Amount due from subsidiary companies	47,320	-	47,320
Fixed deposits with licensed banks	1,224	-	1,224
Cash and bank balances	34	-	34
	50,022	-	50,022
Financial Liability			
Other payables	-	109	109
Company			
31.3.2017			
Financial Assets			
Other receivables	1,443	-	1,443
Amount due from subsidiary companies	64,486	-	64,486
Fixed deposits with licensed banks	1,180	-	1,180
Cash and bank balances	2,878	-	2,878
	69,987	-	69,987
Financial Liabilities			
Other payables	-	147	147
Amount due to subsidiary companies	-	8,807	8,807
	-	8,954	8,954

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35. Financial instruments *cont'd*

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for credit facilities and supply of goods granted to certain subsidiary companies. The Company's maximum exposure in this respect is RMNil (31.3.2017: RM2,00,000), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

The Group determines concentration of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	Group			
	30.6.2018		31.3.2017	
	RM'000	% of total	RM'000	% of total
By industry sectors:				
ICT	25,127	96%	23,411	94%
Hydraulic	1,082	4%	1,562	6%
Others	51	0%	-	0%
	26,260	100%	24,973	100%

At the end of the reporting period, approximately 92% (31.3.2017: 84%) of the Group's trade receivables were due from 5 (31.3.2017: 2) major customers who are computer retailers located in Malaysia.

The Company has no significant concentration of credits risks except for advances to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

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35. Financial instruments *cont'd*

(b) Financial risk management objectives and policies *cont'd*

(ii) Liquidity risk *cont'd*

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 years RM'000	1 to 2 years RM'000	2 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Group						
30.6.2018						
Non-derivative financial liabilities						
Trade payables	4,509	-	-	-	4,509	4,509
Other payables	4,412	-	-	-	4,412	4,412
Amount due to a Director	51	-	-	-	51	51
Finance lease liabilities	137	121	190	40	488	443
Bank overdrafts	504	-	-	-	504	504
	9,613	121	190	40	9,964	9,919
Group						
31.3.2017						
Non-derivative financial liabilities						
Trade payables	3,531	-	-	-	3,531	3,531
Other payables	4,777	-	-	-	4,777	4,777
Finance lease liabilities	272	252	209	34	767	708
Bank overdrafts	587	-	-	-	587	587
	9,167	252	209	34	9,662	9,603

The Company's financial liabilities at the reporting date are either repayable on demand or mature within one year.

(c) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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35. Financial instruments *cont'd*

(c) Interest rate risk *cont'd*

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amount as at the end of the reporting period was:

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Fixed rate instruments				
Financial assets	1,561	1,503	1,224	1,180
Financial liabilities	(443)	(708)	-	-
	1,118	795	1,224	1,180
Floating rate instrument				
Financial liabilities	(504)	(587)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's loss before tax by RM5,000 (31.3.2017: RM6,000), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term loans and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000
30.6.2018				
Group				
Financial liability				
Finance lease payables (Non-current)	-	318	-	326
31.3.2017				
Financial liability				
Finance lease payables (Non-current)	-	461	-	465

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35. Financial instruments *cont'd*

(d) Fair value of financial instruments *cont'd*

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current financial period and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

36. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants which is net debt, loans and borrowings, trade and other payables, less cash and cash equivalents. Capital represents equity attributable to the owners of the Company. The gearing ratios at the end of the reporting period are as follows:

	Group		Company	
	30.6.2018 RM'000	31.3.2017 RM'000	30.6.2018 RM'000	31.3.2017 RM'000
Loans and borrowings	947	1,295	-	-
Trade and other payables	8,921	8,308	109	147
Total liabilities	9,868	9,603	109	147
Less: Fixed deposits, cash and bank balances	(8,940)	(8,188)	(1,258)	(4,058)
Net debt	928	1,415	(1,149)	(3,911)
Total equity	48,281	48,700	47,466	76,679
Net debt	928	1,415	(1,149)	(3,911)
Equity	49,209	50,115	46,317	72,768
Gearing ratio	2%	3%	*	*

* Gearing ratio is not presented as the Company is in net cash position as at 30 June 2018 and 31 March 2017.

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37. Significant Events

During the financial period, the following significant events took place for the Company and its subsidiary companies:

(a) Sterling Progress Berhad ("the Company" or "SPB")

- (i) On 26 April 2017, the Company had incorporated a wholly-owned subsidiary company known as Progress Works Sdn. Bhd. ("PWSB").

PWSB is a company incorporated in Malaysia under the Companies Act, 2016 with an initial issued and paid-up capital of RM100 comprising 100 ordinary shares for the purpose of undertaking the principal business activity as a building contractor.

- (ii) On 26 April 2017, the Company had incorporated a wholly-owned subsidiary company known as Sterpro Land Sdn. Bhd. ("SLSB").

SLSB is a company incorporated in Malaysia under the Companies Act, 2016 with an initial issued and paid-up capital of RM100 comprising 100 ordinary shares for the purpose of undertaking the principal business activity as a property developer.

- (iii) On 4 June 2018, the Company had disposed of 51% equity interest in Goodwill Paradise Sdn. Bhd. ("GPSB") comprising 51 ordinary shares in GPSB for a cash consideration of RM51. Subsequently, GPSB has ceased to be a subsidiary company of the Company.

(b) ICT Utopia Sdn. Bhd. ("ICT Utopia")

On 12 April 2018, ICT Utopia acquired 510 ordinary shares, representing 51% equity interest in Macpie Pro Sdn. Bhd. ("MPSB") for a total cash consideration of RM510 only. Consequently, MPSB became a 51% owned subsidiary company of ICT Utopia.

(c) TI Development Sdn. Bhd. ("TDSB")

On 28 February 2018, TDSB has terminated the business rights agreement and profit guarantee agreement with Tandop Hotel Sdn. Bhd. ("THSB") via a letter of termination. THSB shall make a payment amounting to RM4,000,000 comprising the purchase consideration of RM3,500,000 and compensation of RM500,000 to TDSB. TDSB has received full payment of RM4,000,000 from THSB on the same day.

(d) PC3 Technology Sdn. Bhd. ("PC3")

On 23 April 2018, PC3 entered into Sale and Purchase agreement with a third party for the disposal of investment property known as No. 46, Jalan Seri Damai 1, Taman Seri Damai, 43000 Kajang, Selangor at a consideration of RM360,000.

The disposal is pending completion as at 30 June 2018.

38. Subsequent Event

(a) ICT Utopia Sdn. Bhd. ("ICT Utopia")

On 6 January 2016, ICT Utopia has entered into Sale and Purchase Agreement with a third party for the disposal of its investment properties known as Unit DF2-06-03, 6th Floor, Menara Persoft, 6B, Persiaran Tropicana Golf and Country Resort, 47100 Petaling Jaya at a consideration of RM1,557,000.

The disposal is completed as at the date of this report.

(b) PDA Expert Mobility Sdn. Bhd. ("PDA Expert")

On 25 July 2018, PDA Expert has entered into Sale and Purchase Agreements with a third party for the disposal of its property, plant and equipment known as No.1 and No.3, Jalan Seri Damai 4, Taman Seri Damai, 43000 Kajang, Selangor at a total consideration of RM832,800.

The disposal is completed as at the date of this report.

39. Comparative Information

The figures for the financial statements of current period are for the financial period from 1 April 2017 to 30 June 2018. As they reflect the results for more than 12 months, these are not comparable to the previous financial year results.

40. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 October 2018.

LIST OF PROPERTIES

AS AT 30 JUNE 2018

Description	Existing Use	Address	Tenure	Date of Acquisition	Approximate Age of Building	Net Book Value (RM)
Land & Build up - approximately 1,500 Sq.Feet	Shoplot for Rental	42, Jalan Telawi, Taman Kimsar, 13700 Prai Pulau Pinang.	Freehold	22-Nov-99	23 yrs	211,217
Land & Build up - approximately 1,500 Sq.Feet	Shoplot for Rental	44, Jalan Bawal, Taman Kimsar, 13700 Prai Pulau Pinang.	Freehold	09-Nov-94	23 yrs	222,141
Land & Build up - approximately 1,540 Sq.Feet	Office	184, Jalan Kuala Kangsar, 30010 Ipoh, Perak.	Leasehold Tenure: 999 years	28-Jul-95	42 yrs	134,742
Land & Build up - approximately 3,390 Sq.Feet	Commercial Building	No.3 Jalan Seri Damai 4, Taman Seri Damai, Jalan Semenyih	Freehold Building	30-Mar-09	10 yrs	313,440
Land & Build up - approximately 3,390 Sq.Feet	Commercial Building	No.1 Jalan Seri Damai 4, 43000 Kajang, Selangor Darul Ehsan	Freehold Building	30-Mar-09	10 yrs	313,440
Land & Build up - approximately 1,980 Sq.Feet	Commercial Building	No.46 Jalan Seri Damai 1, 43000 Kajang, Selangor Darul Ehsan	Freehold Building	30-Mar-09	28 yrs	255,467
Land & Build up - approximately 2,595 Sq.Feet	Commercial Building	No.6B Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor.	Leasehold Tenure: 999 years (Expiring 2090)	25-Apr-14	5 yrs	1,470,557
Total						2,921,004

ANALYSIS OF SHAREHOLDINGS

AS AT 3 OCT 2018

Total number of issued shares	:	321,294,982
Issued & Paid-up Share Capital	:	RM46,931,000
Type of Shares	:	Ordinary Shares
No. of Shareholders	:	2,700
Voting Rights	:	One vote for every share

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	222	8.2222	8,883	0.0027
100 - 1,000	300	11.1111	126,700	0.0394
1,001 - 10,000	913	33.8148	4,336,601	1.3497
10,001 - 100,000	1,064	39.4074	35,866,550	11.1631
100,001 - 16,064,748 (*)	198	7.3333	93,233,234	29.0179
16,064,749 and above (**)	3	0.1111	187,723,014	58.4269
Total	2,700	100.00	321,294,982	100.00

Remarks

* - Less than 5% of issued shares

** - 5% and above of issued shares

LIST OF TOP 30 SHAREHOLDERS

No.	Name	Holdings	%
1	SEG CAPITAL INTELLIGENCE SDN BHD	86,714,400	26.9890
2	OPEN ADVENTURE TECHNOLOGIES SDN BHD	84,685,514	26.3576
3	CHUAH XUI CHENG	16,323,100	5.0804
4	CHAN SWEE YING	15,965,500	4.9691
5	CHEONG KWONG HON	7,079,900	2.2036
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOO SWEE WENG	3,753,900	1.1684
7	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KON TEK YOONG	3,467,600	1.0793
8	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEW CHEONG BER (M02)	2,781,500	0.8657
9	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG YUN CHEUN	2,621,500	0.8159
10	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEH POO SENG (M02)	2,050,000	0.6380
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH POO SENG (CEB)	2,025,000	0.6303
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BEE WAN	1,500,000	0.4669
13	LIM BEE LIAN	1,500,000	0.4669

ANALYSIS OF SHAREHOLDINGS

AS AT 3 OCT 2018

cont'd

LIST OF TOP 30 SHAREHOLDERS *cont'd*

No.	Name	Holdings	%
14	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SOO SIEW SENG (CEB)</i>	1,498,800	0.4665
15	LEONG KAM SENG	1,300,700	0.4048
16	LEOW WEY SENG	1,000,000	0.3112
17	CHONG YUN CHEUN	936,500	0.2915
18	CHEN SIEW LEE	831,400	0.2588
19	KHOR LEONG KEE	750,000	0.2334
20	KU LIAN SIN	750,000	0.2334
21	LIM CHEE CHENG	750,000	0.2334
22	LIM CHEE SING	750,000	0.2334
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG SWEE CHING (E-KLG/KAP)</i>	750,000	0.2334
24	LIM KIE NYAP	736,000	0.2291
25	LOW TECK WENG	700,000	0.2179
26	JACINTA WONG NGOUK HUA	662,500	0.2062
27	FOO MAU LON	655,000	0.2039
28	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>RAKUTEN TRADE SDN BHD FOR BOBBY ANG E WAY</i>	632,100	0.1967
29	LIM CHOON SIE	622,000	0.1936
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHAI HON WAI (8072204)</i>	600,000	0.1867
Total		244,392,914	76.065

ANALYSIS OF SHAREHOLDINGS

AS AT 3 OCT 2018

cont'd

DIRECTORS' SHAREHOLDERS

as per the register of Directors' Shareholdings as at 3 Oct 2018

		No. of ordinary shares			
		Direct Interest	%	Deemed Interest	%
1	Lim Peng Tong	-	-	-	-
2	Ng Chee Heng	-	-	86,714,400 ^(N1)	26.9890
3	Leong Seng Wui	-	-	84,685,514 ^(N2)	26.3576
4	Kenny Khaw Chuan Wah	-	-	-	-
5	Lionel Vernon Yong Nguon Kee	-	-	-	-
6	Chong Ching Wai	-	-	-	-

Notes :

^(N1) Deemed Interested by virtue of Section 8 of the Companies Act 2016 held through SEG Capital Intelligence Sdn. Bhd.

^(N2) Deemed Interested by virtue of Section 8 of the Companies Act 2016 held through Open Adventure Technologies Sdn. Bhd.

SUBSTANTIAL SHAREHOLDERS

(excluding bare trustees) according to the Register of Substantial Shareholders as at 3 Oct 2018

		No. of ordinary shares			
		Direct Interest	%	Deemed Interest	%
1	SEG Capital Intelligence Sdn Bhd	86,714,400	26.9890	-	-
2	Open Adventure Technologies Sdn Bhd	84,685,514	26.3576	-	-
3	Ng Chee Heng	-	-	86,714,400 ^(N1)	26.9890
4	Leong Seng Wui	-	-	84,685,514 ^(N2)	26.3576
5	Oon Yeung Hwa	-	-	86,714,400 ^(N1)	26.9890
6	Leong Seng Hoong	-	-	84,685,514 ^(N2)	26.3576
7	Chuah Xui Cheng	16,323,100	5.0804	-	-

Notes :

^(N1) Deemed Interested by virtue of Section 8 of the Companies Act 2016 held through SEG Capital Intelligence Sdn. Bhd.

^(N2) Deemed Interested by virtue of Section 8 of the Companies Act 2016 held through Open Adventure Technologies Sdn. Bhd.

ANALYSIS OF WARRANT HOLDINGS

AS AT 3 OCT 2018

Number of outstanding warrants	:	78,754,500
Exercise Period	:	The exercise period is at any time within a period of 10 years from the date issue up to expiry date of 17 February 2021
Exercise Price	:	RM0.48 and subject to further adjustments (where applicable) in accordance with the conditions provided in the Deed Poll
Warrant Entitlement Period to	:	Each warrant entitles the registered holder during the Exercise subscribe for one new ordinary share at exercise price
Number of Warrant Holders as at 3 Oct 2018	:	1,076

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	143	13.2900	3,263	0.0041
100 - 1,000	56	5.2045	26,147	0.0332
1,001 - 10,000	269	25.0000	1,286,150	1.6331
10,001 - 100,000	480	44.6097	17,748,701	22.5367
100,001 - 3,937,724 (*)	126	11.7100	40,678,939	51.6528
3,937,725 - and above (**)	2	0.1859	19,011,300	24.1399
Total	1,076	100.00	78,754,500	100.00

Remarks

* - Less than 5% of issued shares

** - 5% and above of issued shares

LIST OF TOP 30 WARRANT HOLDERS

No.	Name	Holdings	%
1	GRANDSTEAD SDN BHD	14,295,600	18.1521
2	PANG LOK MENG @ PANG HUN YET	4,715,700	5.9878
3	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHEE MING	3,232,800	4.1049
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PANG LOK MENG @ PANG HUN YET	1,510,000	1.9174
5	LAILA BINTI ISMAIL	1,500,000	1.9047
6	SOO KAU MOI	1,425,675	1.8103
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG PONG LEN (E-TMM)	1,272,500	1.6158
8	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HOW TECK SOON (ET)	1,125,000	1.4285
9	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KON TEK YOONG	1,034,200	1.3132
10	CHONG CHEE KWONG	850,000	1.0793
11	NG JIN THONG	813,400	1.0328
12	LIEW LOO CHON	700,000	0.8888

ANALYSIS OF WARRANT HOLDINGS

AS AT 3 OCT 2018

cont'd

LIST OF TOP 30 WARRANT HOLDERS *cont'd*

No.	Name	Holdings	%
13	TAM CHENG	700,000	0.8888
14	YEUNG KIN SING	644,250	0.8180
15	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GAN SOON POH</i>	625,000	0.7936
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHAU KWONG LOONG (8082802)</i>	602,500	0.7650
17	LYNCHER WUNG WEI FONG	600,000	0.7619
18	TAN KOK KEAT	600,000	0.7619
19	VIKKI AU WEN-CHI	600,000	0.7619
20	TSE MING YEE	563,750	0.7158
21	SU PING SOON	540,000	0.6857
22	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WONG TECK WU (ET)</i>	530,000	0.6730
23	LIM CHEE SING	462,500	0.5873
24	LIM CHENG TEN	461,100	0.5855
25	LEE SWEE WOH	450,000	0.5714
26	YEE TECK CHOON	407,600	0.5176
27	TEH KANG HAI	385,000	0.4889
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KHOR LEONG KEE (PENANG-CL)</i>	375,000	0.4762
29	KHOR LEONG KEE	375,000	0.4762
30	SOIN CHING SIUNG	350,750	0.4454
Total		41,747,325	53.009

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting ("AGM") of Sterling Progress Berhad ("the Company") will be held at Greens II, Main Wing, Level 1, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 29 November 2018 at 10.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business

- | | |
|--|-------------------------------|
| 1. To receive the Audited Financial Statements for the financial period ended 30 June 2018 together with the Reports of Directors and Auditors thereon. | Please refer to Note 7 |
| 2. To re-elect Mr. Kenny Khaw Chuan Wah, a Director who retires by rotation in accordance with Article 85 of the Company's Constitution and who, being eligible, offers himself for re-election. | Resolution 1 |
| 3. To re-elect Mr. Leong Seng Wui, a Director who retires by rotation in accordance with Article 85 of the Company's Constitution and who, being eligible, offers himself for re-election. | Resolution 2 |
| 4. To re-elect Mr. Lim Peng Tong, a Director who retires in accordance with Article 92 of the Company's Constitution and who, being eligible, offers himself for re-election. | Resolution 3 |
| 5. To re-elect Mr. Ng Chee Heng, a Director who retires in accordance with Article 92 of the Company's Constitution and who, being eligible, offers himself for re-election. | Resolution 4 |
| 6. To re-elect Mr. Chong Ching Wai, a Director who retires in accordance with Article 92 of the Company's Constitution and who, being eligible, offers himself for re-election. | Resolution 5 |
| 7. To approve the payment of Directors' Fees up to the amount of not exceeding RM350,000.00 for the financial year ending 30 June 2019. | Resolution 6 |
| 8. To approve the payment of Directors' Benefits up to the amount of not exceeding RM100,000.00 for the period from 30 November 2018 until the conclusion of the next AGM of the Company. | Resolution 7 |
| 9. To re-appoint Messrs. UHY as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. | Resolution 8 |

Special Business

To consider and if thought fit, to pass with or without modifications the following Ordinary Resolutions:

- | | |
|---|---------------------|
| 10. AUTHORITY TO ISSUE SHARES | Resolution 9 |
| <p>"THAT, subject to the approvals of the regulatory authorities, the Board of Directors of the Company be hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company.</p> <p>AND THAT any Executive Director and/or Secretary of the Company be hereby authorised to obtain the approval from Bursa Securities for the listing and quotation of the additional shares to be issued and to do all such acts and things necessary to give full effect to such transactions as authorised by this resolution."</p> <p>AND THAT, such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company."</p> | |
| 11. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016. | |

NOTICE OF ANNUAL GENERAL MEETING

cont'd

FUTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 13th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 22 November 2018. Only a depositor whose name appears on the Record of Depositors as at 22 November 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/vote on his/her behalf.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang
Date: 31 October 2018

NOTES ON APPOINTMENT OF PROXY

1. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one proxy to attend and to vote at the same meeting. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be presented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds
4. For a proxy to be valid, the proxy form duly completed, must be deposited at the registered office of the Company, 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 24 hours before the time appointed for the taking of the poll or at any adjournment thereof. Last date and time for lodging of the proxy form will be on Wednesday, 28 November 2018 at 10.00 a.m. (being the approximate time appointed for the taking of the poll at the AGM).
5. In the case of corporate member, the proxy form must be executed under the corporation's common seal or under the hand of its officer or attorney duly authorised in which, it must be supported by a certified true copy of the resolution appointing the officer or certified true copy of the power of attorney.
6. Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Securities, the resolutions set out in this Notice will be put to vote by poll.

NOTES ON ORDINARY BUSINESS

7. The Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the shareholders' approval for the Audited Financial Statements. Hence, the Agenda 1 is not put forward for voting.
8. The Resolution 7, if passed, will enable the Company to pay meeting allowance and other benefits to non-executive directors of the Company. The total amount of directors' benefits payable is estimated based number of scheduled meetings of the Board and Board Committees as well as the number of non-executive directors involved in these meetings.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

NOTES ON SPECIAL BUSINESS

9. The Resolution 9, if passed, will enable the Directors to allot and issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM.

The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for the purpose of funding future investment, working capital and/or acquisition.

As at the date of this notice, the Directors have not issued any shares pursuant to the general mandate granted at the last AGM of the Company.

ANNUAL REPORT

10. The Annual Report for the financial period ended 30 June 2018 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within 4 market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at www.spberhad.com.

Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact AGRITEUM Share Registration Services Sdn Bhd at telephone no. 04-228 2321 or email your request to agriteumshareg@gmail.com.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO RULE 8.29 OF ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

- 1) No individuals are standing for election as Directors at the forthcoming 13th Annual General Meeting ("AGM") of the Company.
- 2) The profiles of the directors who are standing for re-election as in Agenda 2, 3, 4, 5 and 6 of the Notice of the 13th AGM of the Company are set out in the BOD message section of this Annual Report.
- 3) The details of the directors' interests in the securities of the Company as at 03 October 2018 are set out in the Analysis of Shareholdings section of this Annual Report.
- 4) The Resolution 9 tabled under Special Business as per the Notice of 13th AGM of the Company dated 31 October 2018 is a renewal of general mandate granted by shareholders of the Company at the last AGM held on 29 August 2017.

The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

As at the date of notice of meeting, the Directors have not issued any shares pursuant to the general mandate granted at the last AGM of the Company.

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PROXY FORM
**STERLING
PROGRESS**

CDS account no.

STERLING PROGRESS BERHAD

(Company No. 679361-D)

(Incorporated in Malaysia)

* I/We _____ (*I/C No./Passport No./Company No. _____)
(Full Name in Block Letters)

of _____ (Address)

being a * member / members of the abovenamed Company, hereby appoint _____
(Full Name in Block Letters)

(*I/C No./Passport No./Company No. _____) of _____
(Address)

or failing whom, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 13th Annual General Meeting (AGM) of the Company to be held at Greens II, Main Wing, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 29 November 2018 at 10.00 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
1	To re-elect Mr. Kenny Khaw Chuan Wah as a director of the Company		
2	To re-elect Mr. Leong Seng Wui as a director of the Company		
3	To re-elect Mr. Lim Peng Tong as a director of the Company		
4	To re-elect Mr. Ng Chee Heng as a director of the Company		
5	To re-elect Mr. Chong Ching Wai as a director of the Company		
6	To approve the payment of directors' fees		
7	To approve the payment of directors' benefits		
8	To re-appoint Messrs. UHY as auditors of the Company		
9	To authorize the Directors to allot and issue new shares		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this _____ day of _____, 2018.

No. of shares held

For appointment of two(2) proxies, percentage of shareholdings to be represented by the proxies :

	No. of shares	%
Proxy 1		
Proxy 2		
		100

Signature(s) of Member(s)

Notes:

1. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one proxy to attend and to vote at the same meeting. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be presented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
4. For a proxy to be valid, this form duly completed, must be deposited at the registered office of the Company, 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 24 hours before the time appointed for the taking of the poll or at any adjournment thereof. Last date and time for lodging of this form will be on Wednesday, 28 November 2018 at 10.00 a.m. (being the approximate time appointed for the taking of the poll at the AGM).
5. In the case of corporate member, this form must be executed under the corporation's common seal or under the hand of its officer or attorney duly authorised in which, it must be supported by a certified true copy of the resolution appointing the officer or certified true copy of the power of attorney.
6. For the purpose of determining a member who shall be entitled to attend the AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 22 November 2018. Only depositors whose name appears on the Record of Depositors as at 22 November 2018 shall be entitled to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.
7. Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in the Notice of AGM will be put to vote by poll.

* Strike out whichever is not desired.

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary
STERLING PROGRESS BERHAD (679361-D)
51-21-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

1st Fold Here

WWW.SPBERHAD.COM

STERLING PROGRESS BERHAD (679361-D)

CORPORATE OFFICE

Unit 23-01, Q Sentral, Jalan Stesen, Sentral 2, KL Sentral 50470 KL.
TEL: +603 2116 3605 FAX: +603 2116 3737