



**SPRING GALLERY BERHAD (504718-U)**  
**QUARTERLY REPORT FOR THE 2<sup>ND</sup> QUARTER ENDED 31 DECEMBER 2015**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER ENDED 31.12.2015	PRECEDING YEAR CORRESPONDING QUARTER ENDED 31.12.2014	CURRENT YEAR- TO-DATE ENDED 31.12.2015	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2014
	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000
Revenue	10,425	7,767	14,032	10,170
Cost of sales	(7,079)	(4,528)	(9,830)	(6,021)
Gross profit	3,346	3,239	4,202	4,149
Other income	(60)	643	906	793
Operating expenses	(1,951)	(1,766)	(3,410)	(3,277)
Other operating expenses	-	(45)	(1)	(122)
Finance costs	(16)	(4)	(32)	(6)
Profit before taxation	1,319	2,067	1,665	1,537
Taxation	(500)	-	(571)	-
<b>Profit after taxation</b>	<b>819</b>	<b>2,067</b>	<b>1,094</b>	<b>1,537</b>
<b>Other comprehensive income/(expenses) net of tax:</b>				
- Foreign currency translation	26	40	(44)	64
<b>Total comprehensive income</b>	<b>845</b>	<b>2,107</b>	<b>1,050</b>	<b>1,601</b>
Profit after taxation attributable to:-				
Owners of the Company	819	2,067	1,094	1,537
Total comprehensive income attributable to:-				
Owners of the Company	845	2,107	1,050	1,601
Earnings per share attributable to Owners of the Company (sen):				
Basic	0.78	2.18	1.05	1.62
Diluted	NA	NA	NA	NA

(The Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U)**  
**QUARTERLY REPORT FOR THE 2<sup>ND</sup> QUARTER ENDED 31 DECEMBER 2015**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>AS AT 31.12.2015 UNAUDITED RM'000</b>	<b>AS AT 30.6.2015 AUDITED RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	25,298	24,952
Trade receivables	484	-
	<u>25,782</u>	<u>24,952</u>
<b>Current assets</b>		
Inventories	2,773	1,609
Trade and other receivables	13,431	4,662
Amount owing by a related party	-	7
Tax recoverable	40	29
Fixed deposits with licensed banks	1,550	1,508
Cash and bank balances	5,181	10,141
	<u>22,975</u>	<u>17,956</u>
<b>TOTAL ASSETS</b>	<u>48,757</u>	<u>42,908</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	52,250	52,250
Share premium	12,500	12,500
Other reserves	173	217
Accumulated losses	(28,006)	(29,100)
<b>Total equity</b>	<u>36,917</u>	<u>35,867</u>
<b>Non-current liabilities</b>		
Hire purchase payables	423	510
Deferred tax liabilities	2,570	2,604
Trade payables	431	-
	<u>3,424</u>	<u>3,114</u>
<b>Current liabilities</b>		
Trade and other payables	7,275	3,731
Amount owing to a contract customer	482	-
Provision for taxation	502	43
Hire purchase payables	157	153
	<u>8,416</u>	<u>3,927</u>
<b>Total liabilities</b>	<u>11,840</u>	<u>7,041</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>48,757</u>	<u>42,908</u>
<b>Net assets per share (sen)</b>	<b>35.33</b>	<b>34.32</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U)**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Non-Distributable			Distributable	Total Equity/ Attributable to Owners of the Company RM'000
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	
Balance at 1.7.2015	52,250	12,500	217	(29,100)	35,867
Profit after taxation for the financial period	-	-	-	1,094	1,094
Other comprehensive expenses for the financial period, net of tax	-	-	(44)	-	(44)
Total comprehensive (expenses)/ income for the financial period	-	-	(44)	1,094	1,050
Balance at 31.12.2015	52,250	12,500	173	(28,006)	36,917
Balance at 1.7.2014	47,500	12,361	195	(27,737)	32,319
Profit after taxation for the financial period	-	-	-	1,537	1,537
Other comprehensive income for the financial period, net of tax	-	-	64	-	64
Total comprehensive income for the financial period	-	-	64	1,537	1,601
Balance at 31.12.2014	47,500	12,361	259	(26,200)	33,920

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U)**  
**QUARTERLY REPORT FOR THE 2<sup>ND</sup> QUARTER ENDED 31 DECEMBER 2015**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	CURRENT PERIOD-TO-DATE ENDED <b>31.12.2015</b> <hr/> UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED <b>31.12.2014</b> <hr/> UNAUDITED RM'000
<b>CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	1,665	1,537
Adjustments for:-		
Amortisation of prepaid land lease payments	-	2
Bad debts written off	- *	-
Depreciation of property, plant and equipment	452	520
Plant and equipment written off	- *	8
Imputed interest expense	15	-
Interest expense	17	6
Gain on disposal of plant and equipment	-	(5)
Interest income	(46)	(1)
Reversal of inventories written down	(13)	-
Unrealised gain on foreign exchange	(499)	(560)
Operating profit before working capital changes	<hr/> 1,591	<hr/> 1,507
Net change in inventories	(1,151)	(945)
Net change in trade and other receivables	(8,831)	(2,823)
Net change in trade and other payables	3,993	2,030
Net change in amount owing to a contract customers	482	-
Net change in related parties	7	468
Cash flows (for)/from operations	<hr/> (3,909)	<hr/> 237
Interest paid	(17)	(6)
Income tax paid	(158)	(9)
<b>Net cash (for)/from operating activities</b>	<hr/> (4,084)	<hr/> 222
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Interest received	46	1
Purchase of equipment	(798)	(95)
Proceeds from disposal of plant and equipment	-	41
Placement of fixed deposits	(42)	(1,200)
Net cash for investing activities	(794)	(1,253)
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Repayment of hire purchase payables	(83)	(33)
Repayment to a related party	-	(142)
Advances from a director	-	77
<b>Net cash for financing activities</b>	(83)	(98)



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)**

	<b>CURRENT PERIOD-TO-DATE ENDED 31.12.2015 UNAUDITED RM'000</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2014 UNAUDITED RM'000</b>
<b>Net changes in cash and cash equivalents</b>	(4,961)	(1,129)
<b>Cash and cash equivalents at beginning of period</b>	10,141	4,201
<b>Effect of foreign exchange translation</b>	1	1
<b>Cash and cash equivalents at end of period</b>	<u>5,181</u>	<u>3,073</u>
<b>Cash and cash equivalents at end of financial period comprised:-</b>		
Cash and bank balances	5,181	3,073
Fixed deposits with licensed banks	<u>1,550</u>	<u>1,508</u>
	6,731	4,581
Less: Fixed deposits pledged with licensed banks	<u>(1,550)</u>	<u>(1,508)</u>
	<u>5,181</u>	<u>3,073</u>

*Note:-*

\* - Amount less than RMI,000

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)  
QUARTERLY REPORT FOR THE 2<sup>ND</sup> QUARTER ENDED 31 DECEMBER 2015**

**PART A - DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING  
STANDARD 134 AND INTERNATIONAL ACCOUNTING STANDARD 34**

**1. BASIS OF PREPARATION**

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard 134: *Interim Financial Reporting* (“MFRS 134”), International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 30 June 2015. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2015.

**2. CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2015, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretation with effect from 1 July 2015.

The Group has not applied in advance the following accounting standards (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

<b>MFRSs (Including The Consequential Amendments)</b>	<b>Effective Date</b>
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
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities - Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016



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**2. CHANGES IN ACCOUNTING POLICIES (CONT'D)**

The adoption of the above accounting standards (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application, except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking ‘expected loss’ impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group’s investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

**3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors’ report on the audited financial statements for the financial year ended 30 June 2015 was not qualified.

**4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The ceramic business is cyclical in nature as it is affected by the seasonal pattern of the importing countries.

**5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no items affecting assets, liabilities, equity, net income or cash flows during the current financial period under review that were unusual because of their nature, size or incidence.



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**6. CHANGE IN ESTIMATES OF AMOUNTS REPORTED IN PRIOR INTERIM PERIODS  
OF THE CURRENT FINANCIAL PERIOD OR IN PRIOR FINANCIAL YEARS**

There were no significant changes in estimates of amounts reported in prior interim periods or prior financial period that have a material effect in the current financial period under review.

**7. DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchase, resale and repayment of debt and equity securities since the last annual reporting date.

**8. DIVIDENDS**

No dividend was paid during the current financial period under review.

**9. SEGMENTAL INFORMATION**

The Group has two main business segments as follows:-

Ceramic segment - involved in the retail, trading, manufacturing, exporting and marketing of pottery, porcelain products and ceramics wares and ornaments.

Construction segment - involved in property construction and related businesses.

The Group operates principally in Malaysia.





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**9. SEGMENTAL INFORMATION (CONT'D)**

Segmental information is provided based on business segments, as follows:

	<u>Investment</u>			
	<u>Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>The Group</u>
	RM'000	RM'000	RM'000	RM'000
<b>Current year quarter ended 31.12.2015</b>				
External revenue	-	6,931	3,494	10,425
<b>Results</b>				
Results before following adjustments	(275)	1,695	239	1,659
Interest income	-	44	-	44
Reversal of inventories written down	-	8	-	8
Realised loss on foreign exchange	-	(47)	-	(47)
Unrealised loss on foreign exchange	-	(89)	-	(89)
Depreciation of property, plant and equipment	(9)	(231)	-	*
Segment results	(284)	1,380	239	1,335
Finance costs				(16)
Taxation				(500)
Profit after taxation				819
<b>Current year-to-date ended 31.12.2015</b>				
External revenue	-	7,676	6,356	14,032
<b>Results</b>				
Results before following adjustments	(392)	1,124	558	1,290
Interest income	-	46	-	46
Reversal of inventories written down	-	13	-	13
Realised gain on foreign exchange	-	301	-	301
Unrealised gain on foreign exchange	-	499	-	499
Bad debts written off	-	-	*	-
Depreciation of property, plant and equipment	(9)	(443)	-	*
Plant and equipment written off	-	-	*	-
Segment results	(401)	1,540	558	1,697
Finance costs				(32)
Taxation				(571)
Profit after taxation				1,094

Note:-

\* - Amount less than RM1,000



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**9. SEGMENTAL INFORMATION (CONT'D)**

	<u>Investment Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>The Group</u> RM'000
<b>31.12.2015</b>				
<b>Assets</b>				
Segment assets	1,005	39,749	7,963	48,717
Unallocated assets				249
Consolidated total assets				<u>48,966</u>
<b>Liabilities</b>				
Segment liabilities	592	4,292	3,884	8,768
Unallocated liabilities				3,281
Consolidated total liabilities				<u>12,049</u>
	<u>Investment Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>The Group</u> RM'000	
<b>Preceding year corresponding quarter ended 31.12.2014</b>				
External revenue		-	7,767	7,767
<b>Results</b>				
Results before following adjustments		(94)	1,866	1,772
Interest income		-	1	1
Realised gain on foreign exchange		-	101	101
Unrealised gain on foreign exchange		-	468	468
Amortisation of prepaid land lease payments		-	(1)	(1)
Depreciation of property, plant and equipment		-	(262)	(262)
Equipment written off		-	(8)	(8)
		<u>(94)</u>	<u>2,165</u>	<u>2,071</u>
Finance costs				(4)
Taxation				-
Profit after taxation				<u>2,067</u>



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**9. SEGMENTAL INFORMATION (CONT'D)**

	<u>Investment</u>		
	<u>Holding</u>	<u>Ceramic</u>	<u>The Group</u>
	RM'000	RM'000	RM'000
<b>Preceding year corresponding period ended 31.12.2014</b>			
External revenue	-	10,170	10,170
<b>Results</b>			
Results before following adjustments	(133)	1,577	1,444
Interest income	-	1	1
Gain on disposal of plant and equipment	-	5	5
Realised gain on foreign exchange	-	63	63
Unrealised gain on foreign exchange	-	560	560
Amortisation of prepaid land lease payments	-	(2)	(2)
Depreciation of property, plant and equipment	-	(520)	(520)
Equipment written off	-	(8)	(8)
	<hr/>	<hr/>	<hr/>
	(133)	1,676	1,543
Finance costs			(6)
Taxation			-
Profit after taxation			<hr/> <hr/>
			1,537
	<u>Investment</u>		
	<u>Holding</u>	<u>Ceramic</u>	<u>The Group</u>
	RM'000	RM'000	RM'000
<b>31.12.2014</b>			
<b>Assets</b>			
Segment assets	102	42,902	43,004
Tax refundable			24
Consolidated total assets			<hr/> <hr/>
			43,028
<b>Liabilities</b>			
Segment liabilities	955	5,424	6,379
Deferred tax liabilities			2,729
			<hr/> <hr/>
			9,108



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**9. SEGMENTAL INFORMATION (CONT'D)**

**Geographical Information for Revenue**

	<b>Current year quarter ended 31.12.2015</b>	<b>Current year-to- date ended 31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
United States	5,618	5,886
Australia	243	530
Europe	777	777
Malaysia	3,758	6,810
Others	29	29
	<u>10,425</u>	<u>14,032</u>

**10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD**

Save for those disclosed in Note 22, there were no material events subsequent to the end of the current quarter up to 22 February 2016, being the last practicable date from the date of the issue of this report that are expected to have an operational or financial impact on the Group.

**11. CHANGES IN COMPOSITION OF THE GROUP**

On 18 August 2015, the Company acquired two (2) ordinary shares, representing 100% of the total issued and paid-up share capital of Million Rich Resources Sdn Bhd (“MRRSB”) for a total consideration of RM2.00. MRRSB was incorporated on 10 August 2015. MRRSB is presently dormant and the intended principal activities are property development, property investment and general trading.



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**12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no material changes in contingent liabilities since the last annual reporting date and there were no contingent assets since the last annual reporting date.

**13. CAPITAL COMMITMENTS**

There were no capital commitments as at the end of the current quarter.

**14. RELATED PARTY TRANSACTIONS**

There were no related party transactions during the current financial period under review.

**15. CHANGES IN FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES,  
TRANSFERS AND CLASSIFICATIONS**

There have been no significant changes in the business or economic circumstances that affect the fair value of the Group’s financial assets and financial liabilities in the current financial period under review.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)  
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**16. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. The fair values are determined by discounting rates equal to the current market interest rate plus appropriate credit rating, where necessary.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
31.12.2015								
<u>Financial Asset</u>								
Trade receivables (Non-current)	-	-	-	-	484	-	484	484
<u>Financial Liabilities</u>								
Trade payables (Non-current)	-	-	-	-	431	-	431	431
Hire purchase payables (Non- current)	-	-	-	-	423	-	423	423

The fair values above are for disclosure purposes and have been determined using the following basis:-

- (a) The fair values of hire purchase payables are determined by the relevant cash flows using interest rates for similar instruments ranging from 4.61% to 6.76% (30.6.2015 - 4.61% to 6.76%) per annum at the end of the reporting period; and
- (b) The fair values of trade receivables (non-current) and trade payables (non-current) are determined using discounted cash flow projections based on a borrowing rate of 9.00%. The discount rate equals to the current market interest rate plus appropriate credit rating.



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**PART B - DISCLOSURE NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING  
REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

**17. REVIEW OF GROUP PERFORMANCE**

	Individual Quarter		Cumulative Period	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Revenue				
- Investment holding	-	-	-	-
- Ceramic	6,931	7,767	7,676	10,170
- Construction	3,494	-	6,356	-
	10,425	7,767	14,032	10,170
Profit/(Loss) before taxation				
- Investment holding	(284)	(94)	(401)	(133)
- Ceramic	1,372	2,161	1,523	1,670
- Construction	231	-	543	-
	1,319	2,067	1,665	1,537

The Group’s revenue in the current quarter increased by 34% as compared to the corresponding quarter ended 31.12.2014. The increase was due to revenue derived from construction segment (i.e., progress billing for development project in Kemaman) amounting to RM3.49 million in the current quarter. There was no revenue derived from the construction segment in the corresponding quarter ended 31.12.2014. The revenue from ceramic segment decreased by RM0.84 million, representing a decrease of 11% as compared to the corresponding quarter ended 31.12.2014. The decreased revenue in ceramic segment was mainly due to loss of some orders from major customers to competitors in the current quarter.

For the cumulative period under review, the Group’s revenue increased by RM3.86 million, representing an increase of 38% as compared to the corresponding cumulative period ended 31.12.2014. The increase was contributed by the revenue derived from construction segment (i.e., progress billing for development project in Kemaman) amounting to RM6.36 million in the current cumulative period. There was no revenue derived from the construction segment in the corresponding cumulative period ended 31.12.2014. Meanwhile the decreased revenue in ceramic segment was mainly due to loss of some orders from major customers to competitors in the current cumulative period.

For the current quarter under review, the Group’s profit before taxation decreased by RM0.75 million as compared to the corresponding quarter ended 31.12.2014. The decrease in profit was mainly due to the decreased profit in ceramic segment. The decreased revenue in ceramic segment was not able to cover more fixed operating costs and resulted in the decrease in profit in the current quarter. Apart from the decreased revenue, the decreased profit in ceramic segment also due to the loss on foreign exchange amounting to RM0.14 million in the current quarter as compared to a gain on foreign exchange amounting to RM0.57 million in the corresponding quarter ended 31.12.2014.



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**17. REVIEW OF GROUP PERFORMANCE (CONT'D)**

For the cumulative period under review, the Group’s profit before taxation increased by RM0.13 million as compared to the corresponding cumulative period ended 31.12.2014. The increase in profit was due to the profit amounting to RM0.54 million derived from the development project in construction segment. Meanwhile the profit in ceramic segment decreased by RM0.15 million which mainly due to loss of some orders from major customers to competitors in the current cumulative period.

**18. MATERIAL CHANGE IN PERFORMANCE AS COMPARED TO PRECEEDING QUARTER**

	<b>Current quarter ended 31.12.2015 RM'000</b>	<b>Immediate preceding quarter ended 30.9.2015 RM'000</b>
Revenue		
- Investment holding	-	-
- Ceramic	6,931	745
- Construction	3,494	2,862
	10,425	3,607
Profit/(Loss) before taxation		
- Investment holding	(284)	(117)
- Ceramic	1,372	151
- Construction	231	312
	1,319	346

Revenue in the current quarter increased by RM6.82 million, representing an increase of 189% as compared to the preceding quarter which mainly contributed by the increase in export sales in ceramic segment. Current quarter was a peak season for ceramic business whereby the demand was affected by the seasonal pattern of the importing countries. The revenue in construction segment also increased by RM0.63 million as compared to the preceding quarter mainly due to higher percentage of completion for the development project in current quarter.

The Group’s profit before taxation increased by RM0.97 million as compared to the preceding quarter which mainly contributed by ceramic segment. With the increase in export sales in the current quarter, the profit generated by ceramic segment was able to cover more fixed operating costs and contributed to higher profit as compared to the preceding quarter.





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**19. COMMENTARY ON PROSPECTS**

The Group, being export orientated, with major customers based in United States may enjoy benefits from the movement in foreign currency in event that United States Dollar becomes stronger in relation to Ringgit Malaysia. However, foreign currency risk is being monitored closely on an ongoing basis to ensure that the Group’s exposure is at an acceptable level.

The Group will also from time to time look for more opportunities and when appropriate, implement the necessary changes, to include diversifying its income stream. The Group had been awarded managing contractor agreement in relation to the development project in Kemaman. This project will be able to deliver long-term sustainable value to shareholders.

The Management is aggressively taking steps to negotiate and source a few new business opportunities in relation to construction activities, which aims to strengthen the Group’s foothold on the construction sector in order to contribute positive prospects for the Group.

Notwithstanding the Group’s intention to diversify into the construction sector, the Group will continue to focus on the existing businesses. Nevertheless, the Group will, from time to time, review the business of our Group strategically, and where appropriate, implement the necessary changes to the corporate structure within, with a view to strengthen and grow our Group’s business. Management anticipates that the overall outlook for the Group’s performance for the current financial period will be challenging due to the uncertainties in the current economic condition.

**20. PROFIT FORECAST OR PROFIT GUARANTEE**

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



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**21. TAXATION**

The tax expense is as follows:

	<b>Current year quarter ended 31.12.2015 RM'000</b>	<b>Current year-to- date ended 31.12.2015 RM'000</b>
Current tax expense	517	605
Deferred tax expense	(17)	(34)
	<u>500</u>	<u>571</u>

The effective tax rate of the Group for the current quarter and current year-to-date is higher than the statutory tax rate principally due to certain subsidiaries were making profit in the current quarter and current year-to-date and some of the operating expenses were not tax deductible.

**22. CORPORATE PROPOSALS**

On 30 November 2015, the Group announced the following proposals:

- (i) Proposed renounceable rights issue of up to 522,500,000 new irredeemable convertible preference shares of RM0.05 each in SGB (“ICPS”) on the basis of five (5) ICPS for every one (1) existing ordinary share of RM0.50 each in SGB (“SGB Share” or “Share”) held, together with up to 52,250,000 free detachable warrants (“Warrants”) on the basis of one (1) Warrant for every ten (10) ICPS (“Proposed Rights Issue of ICPS with Warrants”);
- (ii) Proposed diversification of the business of SGB and its subsidiaries (“SGB Group” or “Group”) to include property construction and related businesses (“Proposed Diversification”);
- (iii) Proposed increase in the authorised share capital of SGB from RM100,000,000 comprising 200,000,000 SGB Shares to RM550,000,000 comprising 1,000,000,000 SGB Shares and 1,000,000,000 ICPS (“Proposed Increase in Authorised Share Capital”); and
- (iv) Proposed amendments to the Memorandum and Articles of Association of SGB to facilitate the Proposed Rights Issue of ICPS with Warrants and the Proposed Increase in Authorised Share Capital (“Proposed Amendments”).



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**22. CORPORATE PROPOSALS (CONT'D)**

The listing application was submitted to Bursa Securities on 1 December 2015 and on 20 January 2016, the Group announced that Bursa Securities had vide its letter dated 19 January 2016, approved the following:

- (i) Admission to the Official List and the listing and quotation of up to 522,500,000 ICPS and up to 52,250,000 Warrants to be issued pursuant to the Proposed Rights Issue of ICPS with Warrants;
- (ii) Listing and quotation of up to 522,500,000 new ordinary shares of RM0.50 each to be issued pursuant to the conversion of the ICPS; and
- (iii) Listing and quotation of up to 52,250,000 new ordinary shares of RM0.50 each to be issued pursuant to the exercise of the Warrants.

The approval by Bursa Securities for the Proposed Rights Issue of ICPS with Warrants is subject to the following conditions:

- (i) SGB and TA Securities Holdings Berhad (“TA Securities”), being the principal adviser, must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Rights Issue of ICPS with Warrants;
- (ii) SGB and TA Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue of ICPS with Warrants;
- (iii) SGB and TA Securities to furnish Bursa Securities with a written confirmation of compliance with the terms and conditions of Bursa Securities’ approval upon the completion of the Proposed Rights Issue of ICPS with Warrants;
- (iv) SGB to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the conversion of the ICPS and/or exercise of the Warrants as at the end of each quarter together with a detailed computation of listing fees payable; and
- (v) Bursa Securities’ comments to be incorporated in the draft circular to shareholders.

Other than the above, there were no other corporate proposals as at 22 February 2016 (the latest practicable date not earlier than seven (7) days from the date of issue of this report) pending for completion.



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**23. UTILISATION OF PROCEEDS**

Private Placement

The Proposed Private Placement had completed on 29 April 2015 following the listing of and quotation for 9,500,000 new SGB Shares on the Main Market of Bursa Securities.

<b>Description</b>	<b>Revised Proposed Utilisation<sup>^</sup> RM'000</b>	<b>Actual Utilisation as at 31.12.2015 RM'000</b>	<b>Revised Timeframe for Utilisation</b>	<b>Deviation RM'000 %</b>		<b>Explanation</b>
Working capital	1,288	1,288	-	-	-	
Estimated expenses in relation to the Private Placement	98	98	-	-	-	
Development project	3,602	3,576	By 29 July 2016	26	0.72	*
	<b>4,988</b>	<b>4,962</b>				

Notes:-

<sup>^</sup> The Company had on 30 July 2015 announced that the Board approved to re-allocate the balance of the proceeds raised from the private placement of approximately RM3.60 million as part of the funding for the development project's capital commitment in order to reduce its dependence on bank borrowings.

\* Pending utilisation



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**24. BORROWINGS AND DEBT SECURITIES**

The Group’s borrowings are as follows:

	<u>As at 31.12.2015</u>	<u>As at 30.6.2015</u>
	<u>RM'000</u>	<u>RM'000</u>
Current - unsecured		
Hire purchase payables	157	153
Non-current - unsecured		
Hire purchase payables	423	510
	<u>580</u>	<u>663</u>

**25. CHANGES IN MATERIAL LITIGATION**

The Directors were not aware of any material litigation, which, if enforced, may have a material impact on the profit or net asset value of the Group.

**26. PROPOSED DIVIDEND**

There were no dividends proposed or declared by the Company for the current financial period under review.



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**27. EARNINGS PER SHARE**

The basic earnings per share of the Group were calculated by dividing the net profit attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the reporting period.

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31.12.2015	Preceding year corresponding quarter ended 31.12.2014	Current year-to- date ended 31.12.2015	Preceding year corresponding period ended 31.12.2014
Profit attributable to Owners of the Company (RM'000)	819	2,067	1,094	1,537
Weighted average number of ordinary shares ('000)	104,500	95,000	104,500	95,000
Basic earnings per share (sen)	0.78	2.18	1.05	1.62

Diluted earnings per share was not computed as there were no outstanding potential ordinary shares to be issued as at the end of the reporting period.



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**28. NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	<b>Current year quarter 31.12.2015</b>	<b>Current year-to-date ended 31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	44	46
Other income	24	46
Imputed interest expense	8	15
Interest expense	8	17
Amortisation	NA	NA
Depreciation of property, plant and equipment	240	452
Provision for and write off of receivables	NA	- *
Provision for and write off of inventories	NA	NA
Reversal of inventories written down	8	13
Plant and equipment written off	NA	- *
Gain or loss on disposal of quoted or unquoted investment	NA	NA
Gain on disposal of plant and equipment	NA	NA
Impairment of assets	NA	NA
Realised (loss)/gain on foreign exchange	(47)	301
Unrealised (loss)/gain on foreign exchange	(89)	499
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA

*Note:-*

\* - Amount less than RM1,000



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**29. REALISED AND UNREALISED PROFIT OR LOSSES**

The breakdown of the accumulated losses of the Group as at the end of reporting period into realised and unrealised profits or losses is presented in accordance with the directive issued by Bursa Securities is as follows:-

	<b>As at 31.12.2015 RM'000</b>	<b>As at 30.6.2015 RM'000</b>
Total accumulated losses of the Group:		
- Realised	(11,187)	(12,989)
- Unrealised	(2,506)	(2,345)
	<u>(13,693)</u>	<u>(15,334)</u>
Less: Consolidation Adjustments	(14,313)	(13,766)
	<u>(28,006)</u>	<u>(29,100)</u>

**30. REVIEW BY EXTERNAL AUDITORS**

The Board had engaged the external auditors to review and report on the condensed consolidated financial statements of SGB for the current quarter and 6 months period ended 31 December 2015 in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

The external auditors reported to the Board that nothing has come to their attention that causes them to believe that the said condensed consolidated financial statements were not prepared, in all material respects, in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. The report was made to the Board in accordance to the terms of reference with the external auditors and for no other purpose.

**31. AUTHORISATION FOR ISSUE**

The interim financial report for the period under review is authorised and approved for issue and announcement to Bursa Securities by SGB’s Board in accordance with a resolution of the directors on 26 February 2016.

**By Order of the Board**  
Dated: 29 February 2016