



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2nd QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER ENDED 31.12.2017	PRECEDING YEAR CORRESPONDING QUARTER ENDED 31.12.2016	CHANGES	CURRENT YEAR-TO-DATE ENDED 31.12.2017	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2016	CHANGES
	UNAUDITED RM'000	UNAUDITED RM'000	%	UNAUDITED RM'000	UNAUDITED RM'000	%
Revenue	3,034	5,884	(48.4)	5,259	8,183	(35.7)
Cost of sales	(1,861)	(4,360)	57.3	(3,058)	(5,962)	48.7
Gross profit	1,173	1,524	(23.0)	2,201	2,221	(0.9)
Other income	85	517	(83.6)	245	853	(71.3)
Operating expenses	(1,921)	(1,904)	(0.9)	(3,788)	(3,626)	(4.5)
Other operating expenses	(119)	(1)	(11,800.0)	(186)	(1)	(18,500.0)
Finance costs	(7)	(6)	(16.7)	(11)	(12)	8.3
(Loss)/Profit before taxation	(789)	130	(706.9)	(1,539)	(565)	(172.4)
Taxation	191	(15)	1,373.3	32	(87)	136.8
(Loss)/Profit after taxation	(598)	115	(620.0)	(1,507)	(652)	(131.1)
Other comprehensive income/ (expenses) net of tax:						
- Foreign currency translation	15	(27)	155.6	13	(40)	132.5
Total comprehensive (expenses)/income	(583)	88	(762.5)	(1,494)	(692)	(115.9)
(Loss)/Profit after taxation attributable to:-						
Owners of the Company	(598)	115	(620.0)	(1,507)	(652)	(131.1)
Total comprehensive (expenses)/income attributable to:-						
Owners of the Company	(583)	88	(762.5)	(1,494)	(692)	(115.9)
(Loss)/Earnings per share attributable to Owners of the Company (sen):						
Basic	(0.32)	0.09		(0.84)	(0.50)	
Diluted	(0.32)	0.02		(0.84)	(0.50)	

(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 2017 and the accompanying explanatory notes attached to the interim financial statements.)



SPRING GALLERY BERHAD (504718-U)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.12.2017 UNAUDITED RM'000	AS AT 30.6.2017 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	33,674	21,173
Investment properties	800	800
Goodwill	3,693	-
	38,167	21,973
Current assets		
Inventories	4,807	972
Trade and other receivables	55,584	40,796
Development costs	2,529	-
Current tax assets	707	572
Deposits with licensed banks	5,635	14,338
Cash and bank balances	7,174	18,086
	76,436	74,764
TOTAL ASSETS	114,603	96,737
EQUITY AND LIABILITIES		
Equity		
Share capital	76,341	57,147
Share premium	22,577	22,577
Warrants reserve	1,146	1,146
Foreign exchange translation reserve	210	197
Retained profits	5,304	6,811
Total equity	105,578	87,878
Non-current liabilities		
Hire purchase payables	137	192
Deferred tax liabilities	2,331	2,357
	2,468	2,549
Current liabilities		
Trade and other payables	6,438	5,356
Amount owing to contract customers	-	798
Hire purchase payables	119	156
	6,557	6,310
Total liabilities	9,025	8,859
TOTAL EQUITY AND LIABILITIES	114,603	96,737
Net assets per ordinary share (sen)	53.61	54.45

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Share capital →		Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Total Equity/ Attributable to Owners of the Company RM'000
	Ordinary Shares RM'000	Irredeemable Convertible Preference Shares RM'000					
	Balance at 1.7.2017	45,723					
Issuance of shares pursuant to conversion of irredeemable convertible preference shares ("ICPS")	20,084	(890)	-	-	-	-	19,194
Total transactions with Owners of the Company	20,084	(890)	-	-	-	-	19,194
Loss after taxation for the financial period	-	-	-	-	-	(1,507)	(1,507)
Other comprehensive income for the financial period, net of tax	-	-	-	-	13	-	13
Total comprehensive income/(expenses) for the financial period	-	-	-	-	13	(1,507)	(1,494)
Balance at 31.12.2017	65,807	10,534	22,577	1,146	210	5,304	105,578



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

	← Share capital →						Total Equity/ Attributable to Owners of the Company
	Ordinary Shares	Irredeemable Convertible Preference Shares	Share Premium	Warrants Reserve	Foreign Exchange Translation Reserve	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance at 1.7.2016	64,369	24,481	18,002	1,146	223	(31,021)	77,200
Issuance of shares pursuant to conversion of ICPS	3,870	(387)	4,071	-	-	-	7,554
Par value reduction	(32,557)	(12,203)	-	-	-	44,760	-
Total transactions with Owners of the Company	(28,687)	(12,590)	4,071	-	-	44,760	7,554
Loss after taxation for the financial period	-	-	-	-	-	(652)	(652)
Other comprehensive expenses for the financial period, net of tax	-	-	-	-	(40)	-	(40)
Total comprehensive expenses for the financial period	-	-	-	-	(40)	(652)	(692)
Balance at 31.12.2016	35,682	11,891	22,073	1,146	183	13,087	84,062

(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 2017 and the accompanying explanatory notes attached to the interim financial statements.)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	CURRENT PERIOD-TO-DATE ENDED 31.12.2017 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2016 UNAUDITED RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(1,539)	(565)
Adjustments for:-		
Depreciation of investment properties	-	21
Depreciation of property, plant and equipment	538	499
Interest expense	11	12
Equipment written off	-	-
Unrealised loss/(gain) on foreign exchange	114	(253)
Gain on disposal of plant and equipment	-	(6)
Interest income	(175)	(310)
Reversal of inventories written down	-	(40)
Operating loss before working capital changes	(1,051)	(642)
Net change in inventories	(3,835)	(322)
Net change in trade and other receivables	(14,185)	(21,852)
Net change in development costs	(2,529)	-
Net change in trade and other payables	284	1,563
Net change in amount owing to contract customers	(798)	211
Cash flows for operations	(22,114)	(21,042)
Interest paid	(11)	(12)
Income tax paid	(135)	(428)
Net cash for operating activities	(22,260)	(21,482)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	175	310
Acquisition of subsidiaries, net of cash acquired	(6,685)	-
Purchase of property, plant and equipment	(8,752)	(158)
Proceeds from disposal of plant and equipment	-	6
Withdrawal/(Placement) of fixed deposits	1,282	(281)
Net cash for investing activities	(13,980)	(123)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	CURRENT PERIOD-TO-DATE ENDED 31.12.2017 <hr/> UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2016 <hr/> UNAUDITED RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(93)	(87)
Repayment of term loan	(1,219)	-
Proceeds from issuance of shares pursuant to conversion of ICPS	19,194	7,554
Net cash from financing activities	17,882	7,467
Net changes in cash and cash equivalents	(18,358)	(14,138)
Cash and cash equivalents at beginning of period	30,594	40,262
Effect of foreign exchange translation	25	-
Cash and cash equivalents at end of period	<hr/> 12,261	<hr/> 26,124
Cash and cash equivalents at end of financial period comprised:-		
Cash and bank balances	7,174	13,822
Deposits with licensed banks	5,635	14,133
	<hr/> 12,809	<hr/> 27,955
Less: Deposits pledged with licensed banks	(548)	(1,831)
	<hr/> 12,261	<hr/> 26,124

Note:-

* - Amount less than RM1,000

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2017**

**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 2017. 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 2017.

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 2017, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretation with effect from 1 July 2017.

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:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: - Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters - Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

The adoption of the above accounting standards and/or interpretations (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 distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of ‘distinct’ for the purposes of this accounting standard. 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 2017 was not qualified.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The ceramic segment of the Group 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.

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

Total of 35,546,400 ordinary shares (“SGB Shares”) have been issued and listed on the following dates pursuant to the conversion of 35,546,400 ICPS to 35,546,400 SGB Shares by conversion of 1 ICPS and payment of RM0.54 in cash for 1 new SGB Share.

Listing Date	No. of ICPS	No. of SGB Shares
6.7.2017	2,800,000	2,800,000
11.7.2017	6,868,300	6,868,300
31.10.2017	19,623,100	19,623,100
1.11.2017	6,255,000	6,255,000
Total	35,546,400	35,546,400

Save for the above, 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.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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9. SEGMENTAL INFORMATION

The Group has four 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 and trading in nursery and plant.

Construction segment - involved in property construction and other related businesses.

Property investment segment - involved in property investment.

Property development segment - involved in property development and other related services.

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 Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property Investment</u> RM'000	<u>Property Development</u> RM'000	<u>The Group</u> RM'000
Current year quarter ended 31.12.2017						
External revenue	-	3,034	-	-	-	3,034
Results						
Results before following adjustments	(514)	467	(192)	(5)	(166)	(410)
Interest income	32	1	23	-	-	56
Realised loss on foreign exchange	-	(36)	-	-	-	(36)
Unrealised loss on foreign exchange	-	(93)	-	-	-	(93)
Depreciation of property, plant and equipment	(45)	(242)	(12)	-	-	(299)
Segment results	(527)	97	(181)	(5)	(166)	(782)
Finance costs						(7)
Taxation						191
Loss after taxation						<u>(598)</u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property</u> <u>Investment</u> RM'000	<u>Property</u> <u>Development</u> RM'000	<u>The Group</u> RM'000
Current year-to-date ended 31.12.2017						
External revenue	-	4,461	798	-		5,259
Results						
Results before following adjustments	(1,304)	(3)	535	(6)	(194)	(972)
Interest income	105	44	26	-	-	175
Realised loss on foreign exchange	-	(79)	-	-	-	(79)
Unrealised loss on foreign exchange	-	(114)	-	-	-	(114)
Depreciation of property, plant and equipment	(49)	(477)	(12)	-	-	(538)
Segment results	(1,248)	(629)	549	(6)	(194)	(1,528)
Finance costs						(11)
Taxation						32
Loss after taxation						<u>(1,507)</u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>Property</u> <u>Investment</u>	<u>Property</u> <u>Development</u>	<u>The Group</u>
31.12.2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Segment assets	15,590	33,340	23,604	10,081	31,281	113,896
Unallocated assets						707
Consolidated total assets						114,603
Liabilities						
Segment liabilities	546	3,167	1,688	508	785	6,694
Unallocated liabilities						2,331
Consolidated total liabilities						9,025



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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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>Property Investment</u> RM'000	<u>The Group</u> RM'000
Preceding year quarter ended 31.12.2016					
External revenue	-	2,622	3,262	-	5,884
Results					
Results before following adjustments	(508)	226	267	(63)	(78)
Interest income	116	45	-	-	161
Gain on disposal of plant and equipment	-	6	-	-	6
Reversal of inventories written down	-	30	-	-	30
Realised gain on foreign exchange	-	151	-	-	151
Unrealised gain on foreign exchange	-	128	-	-	128
Depreciation of investment properties	11	-	-	(21)	(10)
Depreciation of property, plant and equipment	(15)	(237)	- *	-	(252)
Equipment written off	-	- *	-	-	- *
Segment results	(396)	349	267	(84)	136
Finance costs					(6)
Taxation					(15)
Profit after taxation					<u>115</u>

Note:-

* - Amount less than RM1,000



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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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>Property Investment</u> RM'000	<u>The Group</u> RM'000
Preceding year-to-date ended 31.12.2016					
External revenue	-	3,409	4,774	-	8,183
Results					
Results before following adjustments	(813)	(415)	484	(63)	(807)
Interest income	261	49	-	-	310
Gain on disposal of plant and equipment	-	6	-	-	6
Reversal of inventories written down	-	40	-	-	40
Realised gain on foreign exchange	-	165	-	-	165
Unrealised gain on foreign exchange	-	253	-	-	253
Depreciation of investment properties	-	-	-	(21)	(21)
Depreciation of property, plant and equipment	(29)	(470)	-	-	(499)
Equipment written off	-	- *	-	-	- *
Segment results	(581)	(372)	484	(84)	(553)
Finance costs					(12)
Taxation					(87)
Loss after taxation					<u>(652)</u>

Note:-

* - Amount less than RM1,000



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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9. SEGMENTAL INFORMATION (CONT'D)

31.12.2016	<u>Investment Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property Investment</u> RM'000	<u>The Group</u> RM'000
Assets					
Segment assets	19,335	31,682	29,531	12,322	92,870
Unallocated assets					548
Consolidated total assets					<u>93,418</u>
Liabilities					
Segment liabilities	397	2,204	3,829	503	6,933
Unallocated liabilities					2,423
Consolidated total liabilities					<u>9,356</u>

Geographical Information for Revenue

	Current year quarter ended 31.12.2017 RM'000	Current year-to- date ended 31.12.2017 RM'000
United States	205	260
Europe	626	690
Malaysia	2,203	4,264
Others	-	45
	<u>3,034</u>	<u>5,259</u>



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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**PART A - DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
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10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Save for the following, there were no material events subsequent to the end of the current quarter up to 20 February 2018, being the last practicable date from the date of the issue of this report (“LPD”) that are expected to have an operational or financial impact on the Group.

- i) In relation to the debt settlement agreement between Prinsip Nusantara Sdn. Bhd. (“PNSB”) and Profit Sunland Sdn. Bhd. (“PSSB”), PNSB agreed to settle the debt in full by way of:-
 - a) the transfer of properties for a total consideration of RM13,234,500 to PSSB within 90 days from the date of the agreement; and
 - b) the remittance of cash payment of RM2,062,820 to PSSB on or before 15 November 2017.

PSSB had on 4 January 2018 granted an extension of time for a period of 90 days to PNSB to procure registration of transfer in respect of the properties in favour of PSSB and to forward to PSSB the original issue document of title to the properties in the name of PSSB. The cash payment of RM2,062,820 has been settled by PNSB to PSSB.

- ii) On 26 February 2018, Million Rich Development Sdn. Bhd. (“MRDSB”) had accepted a letter of intent (“LOI”) from Village Roadshow Theme Parks Pty. Limited (“VRS”) in relation for the proposed development and operation of a theme park (“Proposed Development”) on 9 pieces of land with a total land area of approximately 292,795 square meters (“Development Land”) whereby MRDSB was given the rights from Arena Progesif Sdn. Bhd. (“APSB”) and Titanium Hallmark Sdn. Bhd. (“THSB”) to carry out the proposed collaboration for the Proposed Development with the representative and/or theme park operator on the Development Land via the Concept Masterplan Agreements and the Supplemental Agreements as announced on 15 December 2017.

The location and size of the Development Land fulfills VRS’s requirement for the Proposed Development but is subject to the detailed studies by VRS’s recognised feasibility consultants. MRDSB is required to conduct the market analysis and feasibility report for the Proposed Development on the Development Land and the cost of such study shall be borne by MRDSB. VRS will continue to perform the due diligence process on the Proposed Development.

- iii) On 26 January 2018, MRDSB had issued three separate letter(s) of offer to Heritage Land Sdn. Bhd. (“HLSB”), Klebang Property Sdn. Bhd. (“KPSB”) and Heritage Land Development Sdn. Bhd. (“HLDSB”) for the proposed acquisition of 12 pieces of land with a total land area approximately 4,443,556 square feet (“Proposed Acquisition”).

However, on 7 February 2018, MRDSB had received a reply letter from Benalec Sdn. Bhd. (“BSB”) (the immediate holding company of HLSB, KPSB and HLDSB), which the ultimate holding company of BSB is Benalec Holdings Berhad, rejecting the letter(s) of offer issued by MRDSB for the Proposed Acquisition.



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11. CHANGES IN COMPOSITION OF THE GROUP

- i) On 18 July 2017, the Company additionally subscribed for 99,998 new issued ordinary shares of RM1.00 each in MRDSB for a cash consideration of RM99,998 to retain its 100% equity interest. MRDSB is presently engaged in the businesses of property development and other related services.
- ii) On 30 August 2017, the proposed acquisition of 100,000 ordinary shares in Klasik Ikhtiar Sdn. Bhd. (“KISB”) for a total consideration of RM3,500,000 was completed. KISB is principally engaged in the business of property development.
- iii) On 13 October 2017, the proposed acquisition of 2,000,000 ordinary shares in KTG Marine (M) Sdn. Bhd. (“KTG”) for a total consideration of RM2,200,000 was completed. KTG is principally engaged in the business of marine construction and coastal reclamation works.
- iv) On 28 November 2017, the proposed acquisition of 500,000 ordinary shares in Sama Restu Sdn. Bhd. (“SRSB”) for a total consideration of RM1,000,000 was completed. SRSB is principally engaged in the business of trading in nursery and plant.

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 LPD.



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14. RELATED PARTY TRANSACTIONS

	Current year quarter ended 31.12.2017 RM'000	Current year- to-date ended 31.12.2017 RM'000
Professional services rendered by a company in which a director is a common director and has substantial financial interest	40	40
Subscription fee for accounting charged by a company in which a director is a common director	4	4
Rental of office premises charged by a company in which a director is a common director	15	15

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.

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 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
31.12.2017								
<u>Financial Liability</u>								
Hire purchase payables (Non-current)	-	-	-	-	137	-	137	137



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16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The fair values above are for disclosure purposes and have been determined by the relevant cash flows using interest rates for similar instruments ranging from 4.61% to 6.76% (30.6.2017 - 4.61% to 6.76%) per annum at the end of the reporting period.

17. REVIEW OF GROUP PERFORMANCE

	Individual Quarter			Cumulative Period		
	31.12.2017 RM'000	31.12.2016 RM'000	Changes %	31.12.2017 RM'000	31.12.2016 RM'000	Changes %
Revenue						
- Investment holding	-	-	-	-	-	-
- Ceramic	3,034	2,622	15.7	4,461	3,409	30.9
- Construction	-	3,262	(100.0)	798	4,774	(83.3)
- Property investment	-	-	-	-	-	-
- Property development	-	-	-	-	-	-
	3,034	5,884	(48.4)	5,259	8,183	(35.7)
(Loss)/Profit before taxation						
- Investment holding	(527)	(396)	(33.1)	(1,248)	(581)	(114.8)
- Ceramic	94	343	72.7	(636)	(384)	(65.6)
- Construction	(185)	267	(169.2)	545	484	12.6
- Property investment	(5)	(84)	94.0	(6)	(84)	92.9
- Property development	(166)	-	(100.0)	(194)	-	(100.0)
	(789)	130	(707.0)	(1,539)	(565)	(172.4)

The Group's revenue in the current quarter decreased by RM2.85 million as compared to the corresponding quarter ended 31.12.2016. The decrease was mainly due to no revenue derived from the construction segment, as a result of the termination of construction projects in Johor and Kemaman on 5 July 2017 and 25 August 2017 respectively. Meanwhile, the revenue from ceramic segment increased slightly by RM0.41 million as compared to the corresponding quarter ended 31.12.2016 mainly due to the increase in orders from major customers in the current quarter.

For the cumulative period under review, the revenue decreased by RM2.92 million as compared to the corresponding period ended 31.12.2016. The decrease was mainly due to the decrease in revenue derived from construction segment. The revenue from construction segment decreased by RM3.98 million, representing a decrease of 83% as compared to the corresponding period ended 31.12.2016, as a result of the termination of construction projects in Johor and Kemaman on 5 July 2017 and 25 August 2017 respectively. Meanwhile the revenue from ceramic segment increased by RM1.05 million as compared to the corresponding period ended 31.12.2016, as a result of increase in orders from major customers in the current cumulative period.



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17. REVIEW OF GROUP PERFORMANCE (CONT'D)

For the current quarter under review, the Group recorded a loss before taxation of RM0.79 million as compared to a profit before taxation of RM0.13 million in the corresponding quarter ended 31.12.2016. The higher loss was mainly due to higher loss recorded in investment holding segment and construction segment as compared to the corresponding quarter ended 31.12.2016. The higher loss in investment holding segment was due to higher operating costs in the current quarter as compared to the corresponding quarter ended 31.12.2016. There was no revenue for construction segment in the current quarter to cover its operating costs due to the termination of construction projects in Johor and Kemaman in the first quarter ended 30.9.2017, which resulted in loss before taxation of RM0.19 million.

For the current cumulative period under review, the loss before taxation had increased by RM0.97 million, representing an increase of 172% as compared to the corresponding period ended 31.12.2016. The higher loss was due to the decreased profit margin in ceramic segment caused by the increased in natural gas and other production costs as well as loss from investment holding segment in the current cumulative period. The higher loss in investment holding segment was due to the expenses incurred in relation to the acquisition of properties and also the corporate proposals in the current cumulative period while there was none in the corresponding period ended 31.12.2016. Meanwhile the property development segment recorded a loss before taxation of RM0.19 million was due to no revenue derived from the project, i.e. no progress billing as project has yet to commence to cover its operating costs, while there was none in the corresponding period ended 31.12.2016.



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18. MATERIAL CHANGE IN PERFORMANCE AS COMPARED TO PRECEDING QUARTER

	Current quarter ended 31.12.2017 RM'000	Immediate preceding quarter ended 30.9.2017 RM'000	Changes %
Revenue			
- Investment holding	-	-	-
- Ceramic	3,034	1,427	112.6
- Construction	-	798	(100.0)
- Property investment	-	-	-
- Property development	-	-	-
	3,034	2,225	36.4
 (Loss)/Profit before taxation			
- Investment holding	(527)	(722)	(27.0)
- Ceramic	94	(728)	112.9
- Construction	(185)	729	(125.3)
- Property investment	(5)	(1)	(400.0)
- Property development	(166)	(28)	(492.9)
	(789)	(750)	(5.2)

Revenue in the current quarter increased by RM0.81 million, representing an increase of 36% as compared to the preceding quarter mainly due to increase in orders from major customers in the current quarter for ceramic segment. There was no revenue for construction segment in the current quarter as compared to the preceding quarter due to termination of construction projects in Johor and Kemaman in the preceding quarter.

The Group’s loss before taxation increased slightly by RM0.04 million as compared to the preceding quarter. The increase was mainly due to no revenue derived from the construction segment to cover its operating costs which resulted in a loss of RM0.18 million in the current quarter as compared to a profit before taxation of RM0.73 million in the preceding quarter. However, the higher loss in construction segment was partially offset by the increased profit of RM0.82 million in the ceramic segment due to increase of revenue as compared to a loss before taxation of RM0.73 million in the preceding quarter.



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19. COMMENTARY ON PROSPECTS

The Group’s diversification exercise into the property development sector included the acquisition of KISB, where KISB is securing a residential development project from Unit Perumahan Penjawat Awam 1 Malaysia (“PPA1M”) and is expected to be launched by third quarter of year 2018. Strategically, we have also introduced the concept masterplanning services to complement the property development business. In the meantime, MRDSB, a wholly-owned subsidiary of SGB had received a letter of intent from Village Roadshow Theme Parks Pty. Limited for the proposed development and operation of a theme park in Melaka whereby MRDSB was given the rights on the Development Land via the strategic concept masterplanning.

Taking cognisance of SGB Group’s challenges and potential, the company is working to improve the financial performance by regaining and maintaining its momentum to secure more profitable construction, property development projects and seeking other business opportunities, whilst continuing to grow the ceramic business.

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:

	Current year quarter ended 31.12.2017 RM'000	Current year-to- date ended 31.12.2017 RM'000
Current tax expense	(175)	0
Deferred tax expense	(16)	(32)
	<u>(191)</u>	<u>(32)</u>

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate principally due to certain subsidiaries were making losses in the current quarter. The effective tax rate of the Group for the current year-to-date is also lower than the statutory tax rate principally due to certain subsidiaries were making losses and there are also unutilised tax losses carried forward to offset the profit generated by certain subsidiary in the current year-to-date.

22. CORPORATE PROPOSALS

There were no corporate proposal pending for completion as at LPD.



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23. UTILISATION OF PROCEEDS

Rights issue of ICPS with warrants

Rights issue of ICPS with warrants was completed with the listing of 522,500,000 ICPS together with 52,250,000 warrants on the Main Market of Bursa Securities on 19 April 2016 and the details of the utilisation of proceeds raised from the rights issue as at 31 December 2017 are disclosed in the table below:-

Description	Proposed /Revised Utilisation RM'000	Actual Utilisation as at 31 December 2017 RM'000	Timeframe for Utilisation	Deviation RM'000	%	Explanation
Southern City Project - Phase 1B	4,000	4,000	-	-	-	
Construction Project in Johor	8,000	8,000	-	-	-	
PPA1M Project	10,000	1,937	Within 24 months	8,063	80.6	^
Future projects and/or acquisitions	4,500	4,500		-	-	
Working capital	4,178 [#]	4,178		-	-	
Expenses in relation to the rights issue	672 [#]	672	-	-	-	
	31,350	23,287				



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23. UTILISATION OF PROCEEDS (CONT'D)

Notes:-

The variation of the actual amount of expenses for the rights issue was adjusted against the working capital of the Company.

^ *Pending utilisation.*

24. BORROWINGS AND DEBT SECURITIES

The Group's borrowings are as follows:

	<u>As at 31.12.2017</u> RM'000	<u>As at 30.6.2017</u> RM'000
Current - unsecured		
Hire purchase payables	119	156
Non-current - unsecured		
Hire purchase payables	137	192
	<u>256</u>	<u>348</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. (LOSS)/EARNINGS PER SHARE

(i) Basic (loss)/earnings per share

The basic (loss)/earnings per share of the Group is calculated by dividing the (loss)/profit attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the reporting period.

	Individual Quarter	Preceding year	Cumulative Period	Preceding year
	Current year	corresponding	Current year-to-	corresponding
	quarter ended	quarter ended	date ended	period ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
(Loss)/Profit attributable to Owners of the Company (RM'000)	(598)	115	(1,507)	(652)
Weighted average number of ordinary shares ('000)	189,419	132,997	179,985	131,340
Basic (loss)/earnings per share (sen)	(0.32)	0.09	(0.84)	(0.50)



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27. (LOSS)/EARNINGS PER SHARE (CONT'D)

(ii) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share of the Group is calculated by dividing the (loss)/profit attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the reporting period which the weighted average number of ordinary shares has been adjusted to assume full conversion of all dilutive potential ordinary shares.

	Individual Quarter		Cumulative Period	
	Current year	Preceding year	Current year-to-	Preceding year
	quarter ended	corresponding	date ended	corresponding
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
(Loss)/Profit attributable to Owners of the Company (RM'000)	(598)	115	(1,507)	(652)
Weighted average number of ordinary shares ('000)	189,419	132,997	179,985	131,340
Adjustment for assumed conversion of ICPS ('000)	-	498,409	-	-
Adjustment for assumed conversion of warrants ('000)	-	-	-	-
	189,419	631,406	179,985	131,340
Diluted (loss)/earnings per share (sen)	(0.32)	0.02	(0.84)	(0.50)

Note:-

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there is anti-dilutive effect arising from the assumed conversion of the ICPS and exercise of warrant.



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

	Current year quarter ended 31.12.2017	Current year-to-date ended 31.12.2017
	RM'000	RM'000
Interest income	56	175
Other income	40	77
Interest expense	7	11
Amortisation	NA	NA
Depreciation of investment properties	NA	NA
Depreciation of property, plant and equipment	299	538
Impairment loss on other receivable	NA	NA
Inventories written down	NA	NA
Reversal of inventories written down	NA	NA
Deposits written off	NA	NA
Property, plant and equipment written off	NA	NA
Waiver of debts owing by a contract customer	NA	NA
(Loss)/Gain on disposal of plant and equipment	NA	NA
Realised loss on foreign exchange	36	79
Unrealised loss on foreign exchange	93	114
Waiver of debts owing to payables	NA	NA
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA



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29. REALISED AND UNREALISED PROFIT OR LOSSES

The breakdown of the retained profits 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:-

	As at 31.12.2017 RM'000	As at 30.6.2017 RM'000
Total retained profits of the Group:		
- Realised	10,932	13,080
- Unrealised	(2,444)	(2,127)
	<u>8,488</u>	<u>10,953</u>
Less: Consolidation Adjustments	(3,184)	(4,142)
	<u>5,304</u>	<u>6,811</u>

Dated: 27 February 2018