

THIS ABRIDGED PROSPECTUS (“AP”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. If you have sold or transferred all your shares in Spring Gallery Berhad (“SGB” or the “Company”), you should immediately hand this AP together with the Notice of Provisional Allotment (“NPA”) and Rights Subscription Form (“RSF”) (collectively referred to as “Documents”) to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue of ICPS with Warrants (as defined herein) to our share registrar, Mega Corporate Services Sdn Bhd (“Share Registrar”) at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Documents are only despatched to our shareholders (“Entitled Shareholders”) whose names appear in our Record of Depositors as at 5.00 p.m. on 21 March 2016 (“Entitlement Date”) at their registered addresses in Malaysia. The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than Malaysia. No action has been or will be taken to ensure that the Rights Issue of ICPS with Warrants or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue of ICPS with Warrants in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renounees/transferees (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional advisers as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue of ICPS with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renounees/transferees (if applicable) should note the additional terms and restrictions as set out in Section 3 of this AP. Neither our Company nor TA Securities Holdings Berhad (“TA Securities”) shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation made by the Entitled Shareholders, and/or their renounees/transferees (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholder and/or his renounee/transferee (if applicable) is a resident.

A copy of this AP has been registered with the Securities Commission Malaysia (“SC”). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of ICPS with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this AP, together with the NPA and RSF, has also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

Our shareholders have approved the Rights Issue of ICPS with Warrants at the Extraordinary General Meeting held on 1 March 2016. Bursa Malaysia Securities Berhad (“Bursa Securities”) had vide its letter dated 19 January 2016 approved the admission of the Warrants (as defined herein) to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the ICPS (as defined herein) and the new SGB Shares (as defined herein) to be issued upon the conversion of the ICPS and exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of ICPS with Warrants. Admission of the Warrants to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the ICPS, Warrants and new SGB Shares to be issued upon conversion of the ICPS and exercise of the Warrants on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of ICPS with Warrants. Neither Bursa Securities nor the SC takes any responsibility for the correctness of any statement made or opinions expressed in the Documents. The listing of and quotation for the ICPS and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the Central Depository System accounts of the Entitled Shareholders and/or their renounees/transferees (if applicable) have been duly credited and notices of allotment have been despatched to the Entitled Shareholders and/or their renounees/transferees (if applicable).

Our Board of Directors (“Board”) has seen and approved all the documentation relating to this Rights Issue of ICPS with Warrants. Our Board collectively and individually accepts full responsibility for the accuracy of the information given and confirms that, after having made all reasonable inquiries, and to the best of our Board’s knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these Documents false or misleading.

TA Securities, being the Adviser for the Rights Issue of ICPS with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of ICPS with Warrants.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 6 HEREIN.



SPRING GALLERY BERHAD

(Company No. 504718-U)

(Incorporated in Malaysia under the Companies Act, 1965)

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 AS AT 5.00 P.M. ON 21 MARCH 2016 AT AN ISSUE PRICE OF RM0.06 PER ICPS, TOGETHER WITH UP TO 52,250,000 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF ONE (1) WARRANT FOR EVERY TEN (10) ICPS

Adviser



TA SECURITIES

A MEMBER OF THE TA GROUP

TA SECURITIES HOLDINGS BERHAD (14948-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME

Entitlement date	:	Monday, 21 March 2016 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of ICPS	:	Monday, 28 March 2016 at 5.00 p.m.
Transfer of provisional allotment of ICPS	:	Thursday, 31 March 2016 at 4.00 p.m.
Acceptance and payment	:	Tuesday, 5 April 2016 at 5.00 p.m.*
Excess application and payment	:	Tuesday, 5 April 2016 at 5.00 p.m.*

* or such later date and time as our Board may decide at its absolute discretion and announce not less than two (2) market days before the stipulated date and time

This Abridged Prospectus is dated 21 March 2016

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this AP unless stated otherwise.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE ICPS AND WARRANTS TO THE OFFICIAL LIST OF THE MAIN MARKET OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR THE ICPS, WARRANTS AND THE NEW SHARES TO BE ISSUED PURSUANT TO THE CONVERSION OF THE ICPS AND EXERCISE OF THE WARRANTS ON THE MAIN MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF ICPS WITH WARRANTS.

THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

WE AND OUR ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS AP.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP and the accompanying appendices:

“2 nd MCA”	: Second Managing Contractor Agreement
“5D-VWAP”	: Five (5)-day volume weighted average market price
“Act”	: Companies Act, 1965 as amended from time to time and any re-enactment thereof
“Amendments”	: Amendments to the Memorandum of Association of our Company which took effect on 1 March 2016
“Announcement”	: The announcement of, amongst others, the Rights Issue of ICPS with Warrants dated 30 November 2015
“Announcement LPD”	: 25 November 2015, being the latest practicable date prior to the Announcement
“AP”	: This Abridged Prospectus issued by our Company dated 21 March 2016
“Board”	: Our Board of Directors
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“CDS”	: Central Depository System
“Code”	: Malaysian Code on Take-Overs and Mergers 2010 as amended from time to time and any re-enactment thereof
“Conversion Ratio” and “Conversion Price”	: Conversion ratio and conversion price of the ICPS which have been fixed at either ten (10) ICPS to be converted into one (1) SGB Share or a combination of one (1) ICPS and RM0.54 in cash for one (1) SGB Share
“Corporate Exercises”	: Rights Issue of ICPS with Warrants, Diversification, Increase in Authorised Share Capital and Amendments, collectively
“Deed Poll”	: The document constituting the Warrants dated 7 March 2016
“Director”	: A person falling within the meaning given in Section 2(1) of the Capital Markets and Services Act 2007
“Diversification”	: Diversification of the business of our Group to include property construction and related businesses
“EBITDA”	: Earnings before interest, taxation, depreciation and amortisation
“EGM”	: Extraordinary general meeting of our Company held on 1 March 2016
“Entitled Shareholders”	: Our shareholders whose names appear in our Company’s Record of Depositors on the Entitlement Date
“Entitlement Date”	: 21 March 2016 at 5.00 p.m. being the date and time on which our shareholders must be registered on the Record of Depositors in order to be entitled to the Rights Issue of ICPS with Warrants
“EPS”	: Earnings per SGB Share

DEFINITIONS (CONT'D)

“FPE”	:	Financial period ended/ending, as the case may be
“FYE”	:	Financial year ended/ending, as the case may be
“GP”	:	Gross profit
“Greenfield” or “Undertaking Shareholder”	:	Greenfield Hills Sdn Bhd
“GST”	:	Malaysian goods and services tax
“ICPS”	:	Up to 522,500,000 new irredeemable convertible preference shares to be issued pursuant to the Rights Issue of ICPS with Warrants
“Increase in Authorised Share Capital”	:	Increase in authorised share capital of our Company 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 which took effect on 1 March 2016
“Issue Price”	:	The issue price of RM0.06 per ICPS
“JVM”	:	JV Muhibbah Sdn Bhd
“LAT”	:	Loss after tax
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	26 February 2016, being the latest practicable date prior to the registration of this AP
“LPS”	:	Loss per SGB Share
“Market Day”	:	A day on which Bursa Securities is open for the trading of securities
“Maximum Scenario”	:	Assuming all Entitled Shareholders fully subscribe for their ICPS entitlements
“MCA”	:	Managing Contractor Agreement
“Minimum Scenario”	:	Assuming only the Undertaking Shareholder fully subscribes for its ICPS entitlement based on its Undertaking
“Minimum Subscription Level”	:	Minimum level of subscription of 161,500,000 ICPS together with 16,150,000 Warrants pursuant to the Undertaking
“NA”	:	Net assets attributable to ordinary equity holders of our Company
“NPA”	:	Notice of Provisional Allotment in relation to the Rights Issue of ICPS with Warrants
“NTA”	:	Net tangible assets
“Official List”	:	A list specifying all securities listed which have been admitted for listing on the Main Market of Bursa Securities and not removed
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“PSSB”	:	Profit Sunland Sdn Bhd, a wholly-owned subsidiary of our Company
“Record of Depositors”	:	A record of securities holders provided by Bursa Depository under the Rules of Bursa Depository

DEFINITIONS (CONT'D)

“Rights Issue of ICPS with Warrants”	:	Renounceable rights issue of up to 522,500,000 ICPS on the basis of five (5) ICPS for every one (1) existing SGB Share held, together with up to 52,250,000 Warrants on the basis of one (1) Warrant for every ten (10) ICPS subscribed at the Entitlement Date
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RSF”	:	Rights Subscription Form in relation to the Rights Issue of ICPS with Warrants
“Rules of Bursa Depository”	:	Rules of Bursa Depository including the rules in relation to a central depository as described in Section 2 of the SICDA
“SC”	:	Securities Commission Malaysia
“SGB” or “Company”	:	Spring Gallery Berhad
“SGB Group” or “Group”	:	SGB and our subsidiaries, collectively
“SGB Shares” or “Shares”	:	Ordinary shares of RM0.50 each in our Company
“Share Registrar”	:	Mega Corporate Services Sdn Bhd
“SICDA”	:	Securities Industry (Central Depositories) Act, 1991 as amended from time to time and any re-enactment thereof
“Southern City Project – Phase 1B”	:	Development of a piece of land held under Lot 13551, PN7386, Mukim Cukai, Daerah Kemaman, Terengganu, measuring approximately 3.82 acres into two (2) blocks of eighteen (18)-storey medium end residential buildings with a total of two hundred sixty four (264) units of apartments located at Jalan Jakar, Kemaman, Terengganu
“Southern City Project – Phase 2”	:	Development of a piece of land held under Lot 13550, PN7385, Mukim Cukai, Daerah Kemaman, Terengganu, measuring approximately 31,850 square meters into:- <ul style="list-style-type: none"> (a) a three (3)-storey shopping complex with two (2)-floor sub-basement parking (consists of six hundred fifty (650) parking lots), totalling five (5) floors; and (b) a twelve (12)-storey hotel building with two hundred forty (240) rooms on the shopping complex.
“TA Securities” or the “Adviser”	:	TA Securities Holdings Berhad
“TEAP”	:	Theoretical ex-all price
“TERP”	:	Theoretical ex-rights price
“Undertaking”	:	Written unconditional and irrevocable undertaking dated 30 November 2015 from the Undertaking Shareholder that it will subscribe in full for its entitlement of the ICPS with Warrants, and that it will not dispose any of its SGB Shares following the date of the Announcement up to the Entitlement Date of the Rights Issue of ICPS with Warrants
“Warrants”	:	Up to 52,250,000 free detachable warrants to be issued pursuant to the Rights Issue of ICPS with Warrants

DEFINITIONS (CONT'D)

All references to “**our Company**” and/or “**SGB**” in this AP are to Spring Gallery Berhad. References to “**our Group**” and/or “**SGB Group**” are to SGB and our subsidiaries and references to “**we**”, “**us**” “**our**” and “**ourselves**” are to SGB and where the context does require, shall include our subsidiaries.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this AP shall be reference to Malaysian time, unless otherwise specified.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Age	Nationality	Profession
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria <i>(Chairman / Independent Non-Executive Director)</i>	79 Jalan SS 3/43 Seaport 47300 Petaling Jaya Selangor	55	Malaysian	Company Director
Datuk Lim Chaing Cheah <i>(Chief Executive Officer / Executive Director)</i>	Unit No. 2005 Summervilla Condominium Wangsa Baiduri 47500 Subang Jaya Selangor	65	Malaysian	Company Director
Lim Yoon Loy <i>(Executive Director)</i>	No. 91, Jalan Pesona Taman Johor Jaya 81100 Johor Bahru Johor	53	Malaysian	Company Director
Kuan Poh Huat <i>(Executive Director)</i>	#09-01 Blok B Pangsapuri Perling Jalan Undan 8, Taman Perling 81200 Johor Bahru, Johor	47	Malaysian	Company Director
Tang Nai Soon <i>(Independent Non-Executive Director)</i>	13, Jalan Idaman 6/4 Taman Nusa Idaman 79100 Nusajaya Johor	46	Malaysian	Company Director
Amirul Azhar Bin Baharom <i>(Independent Non-Executive Director)</i>	41A Elitis Mentari Valencia 47000 Sungai Buloh Selangor	42	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria	Chairman	Chairman / Independent Non-Executive Director
Amirul Azhar Bin Baharom	Member	Independent Non-Executive Director
Tang Nai Soon	Member	Independent Non-Executive Director

COMPANY SECRETARIES

: Lam Sook Ching (MAICSA 7006942)
Low Bee Kheng (MAICSA 7060813)
49-B, Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka
Tel. no. : 06-281 5300
Fax. no. : 06-281 5332

REGISTERED OFFICE

: 49-B, Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka
Tel. no. : 06-281 5300
Fax. no. : 06-281 5332

CORPORATE DIRECTORY (CONT'D)

- HEAD/MANAGEMENT OFFICE/
PRINCIPAL PLACE OF BUSINESS** : 9.01, 9th Floor, Persoft Tower
6B, Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya
Selangor
Tel. no. : 03-7880 8817
Fax. no. : 03-7880 9917
Website : www.spring-gallery.com.my
E-mail address : info@spring-gallery.com.my
- SHARE REGISTRAR** : Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel. no. : 03-2692 4271
Fax. no. : 03-2732 5388 / 2732 5399
- AUDITORS AND REPORTING
ACCOUNTANTS** : Crowe Horwath
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel. no. : 03-2788 9999
Fax. no. : 03-2788 9998
- SOLICITORS FOR THE RIGHTS
ISSUE OF ICPS WITH WARRANTS** : Messrs Peter Ling & Van Geyzel
B-19-4, Tower B, Northpoint Office Suites
Mid Valley City, No. 1 Medan Syed Putra Utara
59200 Kuala Lumpur
Tel. no. : 03-2282 3080
Fax. no. : 03-2201 9880
- PRINCIPAL BANKERS** : Malayan Banking Berhad
No. 18A, Jalan 14/14, Section 14
46100 Petaling Jaya
Selangor
Tel. no. : 03-7960 7270 / 7955 1439
Fax. no. : 03-7956 5001
- United Overseas Bank (Malaysia) Bhd.
North Area Centre
1s Floor, 64E-H, Lebuhraya
10200 Pulau Pinang
Tel. no. : 04-258 8188
Fax. no. : 04-262 9119 / 258 8166
- ADVISER FOR THE RIGHTS ISSUE
OF ICPS WITH WARRANTS** : TA Securities Holdings Berhad
32nd Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
Tel. no. : 03-2072 1277
Fax. no. : 03-2026 0127
- STOCK EXCHANGE LISTING** : Main Market of Bursa Securities



SPRING GALLERY BERHAD
(Company No. 504718-U)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

49-B, Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka

21 March 2016

Our Board of Directors:

Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria (*Chairman/Independent Non-Executive Director*)
Datuk Lim Chaing Cheah (*Chief Executive Officer/Executive Director*)
Lim Yoon Loy (*Executive Director*)
Kuan Poh Huat (*Executive Director*)
Tang Nai Soon (*Independent Non-Executive Director*)
Amirul Azhar Bin Baharom (*Independent Non-Executive Director*)

To: Our Entitled Shareholders

Dear Sir/Madam,

RIGHTS ISSUE OF ICPS WITH WARRANTS

1. INTRODUCTION

Our shareholders had, at the EGM held on 1 March 2016, approved the Rights Issue of ICPS with Warrants.

A certified true extract of the ordinary resolution in relation to the Rights Issue of ICPS with Warrants passed at the EGM is set out in Appendix I of this AP.

On 19 January 2016, Bursa Securities had given its approval for the:

- (i) admission to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the ICPS and Warrants; and
- (ii) listing of and quotation for the new SGB Shares to be issued pursuant to the conversion of the ICPS and the exercise of the Warrants,

on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

	Conditions imposed	Status of compliance
(i)	Our Company and TA Securities, being the principal adviser, must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of ICPS with Warrants;	To be complied
(ii)	Our Company and TA Securities to inform Bursa Securities upon the completion of the Rights Issue of ICPS with Warrants;	To be complied
(iii)	Our Company 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 Rights Issue of ICPS with Warrants;	To be complied
(iv)	Our Company 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	To be complied
(v)	Bursa Securities' comments to be incorporated in the circular.	Complied

On 7 March 2016, TA Securities had on our behalf announced that the Entitlement Date has been fixed on 21 March 2016 at 5.00 p.m. and the other relevant dates pertaining to the Rights Issue of ICPS with Warrants.

No person is authorised to give any information or to make any representation not contained in this AP in connection with the Rights Issue of ICPS with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or by TA Securities in connection with the Rights Issue of ICPS with Warrants.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

2. DETAILS OF THE RIGHTS ISSUE OF ICPS WITH WARRANTS

The Rights Issue of ICPS with Warrants entails the issuance of up to 522,500,000 ICPS on the basis of five (5) ICPS for every one (1) existing SGB Share held, together with up to 52,250,000 Warrants on the basis of one (1) Warrant for every ten (10) ICPS subscribed by the Entitled Shareholders at an issue price of RM0.06 per ICPS.

The ratios of five (5) ICPS for every one (1) existing SGB Share and one (1) Warrant for every ten (10) ICPS were arrived at after taking into consideration, among others, the following:

- (i) the issue price of the ICPS of RM0.06 each and the funding requirements of our Group, as detailed in Section 2.1(a) and Section 5 of this AP, respectively. At the ratio of five (5) ICPS for every one (1) existing SGB Share and issue price of RM0.06 per ICPS, the Rights Issue of ICPS with Warrants will raise up to RM31.35 million for the purposes set out in Section 5 of this AP.
- (ii) the rationale for the Rights Issue of ICPS with Warrants, as set out in Section 4 of this AP; and
- (iii) to ensure compliance with paragraph 6.50 of the Listing Requirements which states that "*all outstanding warrants, where exercised, does not exceed 50% of the issued and paid-up share capital of the listed issuer (excluding treasury shares and before the exercise of the warrants) at all times.*"

In arriving at the ratio of one (1) Warrant for every ten (10) ICPS subscribed for, our Board had ensured that the potential aggregate number of new SGB Shares arising from the exercise of Warrants will not exceed 50% of the issued and paid-up capital of our Company (excluding treasury shares (if any) and before the exercise of the said warrants) at all times.

The ICPS with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounees (if applicable). It is the intention of our Board to allocate the excess ICPS in a fair and equitable manner on a basis specified under Section 3.7 herein. The entitlements for the ICPS with Warrants are renounceable in full or in part. The Warrants will be immediately detached from the ICPS upon issuance and be separately traded from the ICPS on the Main Market of Bursa Securities. The renunciation of ICPS by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the ICPS pursuant to the Rights Issue of ICPS with Warrants. However, if the Entitled Shareholders decide to accept only part of their ICPS entitlements, they shall be entitled to the Warrants in proportion to their acceptances of the ICPS entitlements. Any unsubscribed ICPS with the attached Warrants shall be offered to other Entitled Shareholders and/or their renounees (if applicable) under the excess ICPS with Warrants application.

In determining our shareholders' entitlements to the Warrants, any fractional entitlements shall be dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional allotted ICPS with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of ICPS with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional ICPS with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional ICPS with Warrants, as well as to apply for the excess ICPS with Warrants if you choose to.

Any dealing in our securities will be subject to the SICDA and the Rules of Bursa Depository. Accordingly, the ICPS with Warrants and new Shares to be issued arising from the conversion of the ICPS and exercise of the Warrants will be credited directly to the respective CDS Accounts of the successful applicants and exercising Warrant holders (as the case may be). No physical share certificates and warrant certificates will be issued to the Entitled Shareholders and/or their renounees/transferees, if applicable. A notice of allotment will be despatched to the successful applicants within eight (8) Market Days from the last date of acceptance and payment for the Rights Issue of ICPS with Warrants and a notice of allotment will be despatched to the exercising Warrant holders within eight (8) Market Days after the date of receipt of the subscription form together with the requisite payment (for exercise of Warrants) from the date of exercise of the Warrants.

2.1 Basis of determining the Issue Price of the ICPS and exercise price of the Warrants

(a) ICPS

The issue price of RM0.06 per ICPS is arrived at after taking into consideration the following:

- (i) the 5D-VWAP of SGB Shares up to and including the Announcement LPD of RM0.6736;
- (ii) the par value of each SGB Share of RM0.50;
- (iii) the Conversion Ratio and Conversion Price of the ICPS which have been fixed at either ten (10) ICPS to be converted into one (1) SGB Share or a combination of one (1) ICPS and RM0.54 in cash for one (1) SGB Share;
- (iv) the rationale for the Rights Issue of ICPS with Warrants, as set out in Section 4 of this AP; and
- (v) the funding requirements of our Group, as detailed in Section 5 of this AP.

The Conversion Price of RM0.60 is at a discount of approximately RM0.0368 or 5.78% to the TEAP of RM0.6368 per SGB Share, calculated based on the 5D-VWAP of SGB Shares up to and including the Announcement LPD of RM0.6736. The TEAP is based on the conversion ratio of ten (10) ICPS to be converted into one (1) new SGB Share.

The Conversion Price will enable the Entitled Shareholders to further increase their equity participation in our Company at a predetermined price.

(b) Warrants

The Warrants will be issued at no cost to the Entitled Shareholders who successfully subscribed for the ICPS.

The exercise price of RM0.60 per Warrant is arrived at after taking into consideration the following:

- (a) the TERP of RM0.6491 per SGB Share, calculated based on the 5D-VWAP of SGB Shares up to and including the Announcement LPD of RM0.6736; and
- (b) the par value of each SGB Share of RM0.50.

The exercise price of RM0.60 per Warrant is at a discount of RM0.0491 or 7.56% to the TERP of RM0.6491 per SGB Share, calculated based on the 5D-VWAP of SGB Shares up to and including of the Announcement LPD of RM0.6736. The TERP is based on the conversion ratio of ten (10) ICPS to be converted into one (1) new SGB Share.

2.2 Salient terms of the ICPS

The salient terms of the ICPS are as follows:

Terms	Details
Issue size	: Up to 522,500,000 ICPS.
Issue price	: RM0.06 per ICPS.
Par value	: RM0.05 per ICPS.
Dividend rate	: Our Company has full discretion over the declaration of dividends, if any, and over the dividend rate which will be calculated based on the nominal value of the ICPS. Dividends declared and payable annually in arrears are non-cumulative and shall be in priority over the ordinary shares of our Company.
Tenure	: Five (5) years commencing from and inclusive of the date of issue of the ICPS.
Maturity date	: The day immediately preceding the fifth (5 th) anniversary from the date of issue of the ICPS. If such a day falls on a non-market day, then the maturity date would be the preceding market day.
Redemption	: Not redeemable for cash.
Board lot	: For the purpose of trading on Bursa Securities, one (1) board lot of ICPS shall comprise one hundred (100) ICPS, or such other denomination as determined by Bursa Securities from time to time.

Terms	Details
Form and denomination	: The ICPS will be issued in registered form and will be constituted by our Company's Memorandum and Articles of Association.
Conversion rights	: (a) Each ICPS carries the entitlement to be converted into new SGB Shares at the Conversion Ratio through the surrender of the ICPS. (b) No adjustment to the Conversion Price shall be made for any declared and unpaid dividends on the ICPS surrendered for conversion. (c) If the conversion results in a fractional entitlement to ordinary shares of our Company, such fractional entitlement shall be disregarded and no refund or credit, whether in the form of the ICPS, cash or otherwise, shall be given in respect of the disregarded fractional entitlement.
Conversion period	: (a) The ICPS may be converted at any time within five (5) years commencing on and including the date of issue of the ICPS up to and including the maturity date, as determined by the Conversion Ratio and Conversion Price. (b) Any remaining ICPS that are not converted by the maturity date shall be automatically converted into new SGB Shares at the conversion ratio of ten (10) ICPS to be converted into one (1) new SGB Share.
Conversion Ratio and Conversion Price	: The Conversion Ratio and Conversion Price have been fixed at either ten (10) ICPS to be converted into one (1) new SGB Share or a combination of one (1) ICPS and RM0.54 in cash for one (1) new SGB Share.
Ranking of the ICPS and liquidation preference	: The ICPS shall rank <i>pari passu</i> amongst themselves and shall rank in priority to any other class of shares in the capital of our Company. In the event of liquidation, dissolution, winding-up, reduction of capital or other repayment of capital: (a) The ICPS shall confer on the holders the rights to receive in priority to the holders of ordinary shares in our Company, cash repayment in full of the amount of any non-cumulative preferential dividend that has been declared and remaining in arrears. After the payment of any dividends to the holders of ICPS, the remaining assets shall be distributed first to the holders of ICPS in full of the amount which is equal to the issue price for each ICPS, provided that there shall be no further right to participate in any surplus capital or surplus profits of our Company. (b) In the event that our Company has insufficient assets to permit payment of the full issue price to the ICPS holders, the assets of our Company shall be distributed pro rata on an equal priority, to the ICPS holders in proportion to the amount that each ICPS holder would otherwise be entitled to receive.

Terms	Details
<p>Ranking of new SGB Shares to be issued pursuant to the conversion of the ICPS</p>	<p>: All new SGB Shares to be issued pursuant to the conversion of the ICPS shall, upon allotment and issuance, rank <i>pari passu</i> in all respects with the existing SGB Shares except that such new SGB Shares shall not be entitled to any dividends, rights, allotments and/or other distribution, the entitlement date of which is prior to the date of allotment and issuance of the new SGB Shares arising from the conversion of the ICPS.</p>
<p>Adjustment to Conversion Price and Conversion Ratio</p>	<p>: The Conversion Price and/or Conversion Ratio will be adjusted at the determination of our Company, in all or any of the following events:</p> <ul style="list-style-type: none"> (a) an alteration to the par value of SGB Shares by reason of consolidation or subdivision; or (b) a bonus issue of fully paid-up ordinary shares by our Company or any other capitalisation issue for accounting purposes; or (c) a capital distribution to shareholders made by our Company whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is loss or unrepresented by assets; or (d) a rights issue of ordinary shares by our Company; or (e) any other circumstances that our Board deems necessary, including circumstances such as the issuance of shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund) by our Company to the Shareholders or an offer or invitation to Shareholders made by our Company by way of rights whereby Shareholders acquire or subscribe for securities convertible into shares, or rights to acquire or subscribe for shares. In any event, our Board would consult its appointed advisors and/or auditors before deciding whether such adjustments are required,

provided that any adjustment to the Conversion Price will be rounded down to the nearest one sen (RM0.01) and under no circumstances shall any adjustment result in the Conversion Price falling below the par value of SGB Shares. No adjustment to the Conversion Price and/or Conversion Ratio will be made unless the computation has been certified by the external auditors of our Company.

Terms	Details
Rights of ICPS holders	: ICPS holders are not entitled to any voting right or participation in any rights, allotments and/or other distribution in our Company except in the following circumstances until and unless such holders convert their ICPS into new Shares: <ul style="list-style-type: none"> (a) when the dividend or part of the dividend on the ICPS is in arrears for more than six (6) months; (b) on a proposal to reduce our Company's share capital; (c) on a proposal for sanctioning the sale of the whole of our Company's property, business and undertaking; (d) on a proposal that directly affects their rights and privileges attached to the ICPS; (e) on a proposal to wind-up our Company; and (f) during the winding-up of our Company.
Listing	: The ICPS will be listed and traded on the Main Market of Bursa Securities. Approval has been obtained from Bursa Securities for the admission of the ICPS to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the ICPS and the new SGB Shares to be issued pursuant to the conversion of the ICPS on the Main Market of Bursa Securities.
Transfer	: The ICPS will be transferable only by instrument in writing in the usual or common form or such other form as our Directors and the relevant authorities may approve. As the ICPS will be listed on and traded on the Main Market of Bursa Securities, they will be deposited in a central depository system and will be subject to the rules of such system.
Modification of rights	: Our Company may from time to time with the consent or sanction of all the holders of the ICPS make modifications to the terms of which in the opinion of our Company are not materially prejudicial to the interest of the holders of the ICPS or are to correct a manifest error or to comply with mandatory provisions of the laws of Malaysia and the relevant regulations.
Governing law	: The laws of Malaysia.

2.3 Salient terms of the Warrants

The salient terms of the Warrants are as follows:

Terms	Details
Issue size	: Up to 52,250,000 Warrants.
Form and denomination	: The free Warrants will be issued in registered form and will be constituted by the Deed Poll.

Terms	Details
Exercise period	: The Warrants may be exercised at any time within five (5) years commencing on and including the date of issuance of the Warrants until 5.00 p.m. on the expiry date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
Exercise price	: The exercise price of the Warrants is fixed at RM0.60 each.
Expiry date	: The day falling five (5) years from and including the date of issue of the Warrants, provided that if such day falls on a day which is not a market day, then on the preceding market day.
Exercise rights	: Each Warrant entitles the registered holder to subscribe for one (1) new SGB Share at any time during the exercise period at the exercise price (subject to adjustments in accordance with the provisions of the Deed Poll).
Mode of exercise	: The registered holder of the Warrants is required to lodge an exercise form, as set out in the Deed Poll, with our Company's registrar, duly completed, signed and stamped together with payment of the exercise price for the new SGB Shares subscribed for by banker's draft or cashier's order or money order or postal order in Ringgit Malaysia drawn on a bank or post office operating in Malaysia.
Board lot	: For the purpose of trading on Bursa Securities, one (1) board lot of Warrant shall comprise one hundred (100) Warrants carrying the right to subscribe for one hundred (100) new SGB Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time.
Adjustments in the exercise price and/or number of the Warrants	: The exercise price and/or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital by reason of any issue of shares, consolidation, subdivision, conversion or capital distribution in accordance with the provisions of the Deed Poll.
Provision for changes in the terms of the Warrants	: Any modification to the Deed Poll (including the form and content of the global warrant certificate) may be effected only by Deed Poll, executed by our Company and expressed to be supplemental to the Deed Poll, and only if the requirement of Condition 6 of the Deed Poll has been complied with. Any modification shall however be subject to the approval of Bursa Securities (if so required).
Rights of the Warrant holders	: The new SGB Shares arising from the exercise of the Warrants are not entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the new SGB Shares upon the exercise of the Warrants. The Warrant holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in our Company until and unless such Warrant holders exercise their Warrants into new SGB Shares.

Terms	Details
Rights in the event of winding-up, liquidation, compromise and/or arrangement	<p>: If a resolution is passed for a members' voluntary winding-up of our Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then:</p> <p>(i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrant holder (or some person designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the Warrant holders; and</p> <p>(ii) in any other case, every Warrant holder shall be entitled upon and subject to the conditions at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of our Company or the granting of the court order approving the compromise or arrangement (as the case may be), to exercise their Warrants by submitting the exercise form duly completed authorising the debiting of his Warrants together with payment of the relevant exercise price to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the exercise rights to the extent specified in the exercise form(s) and had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly.</p>
Listing status	<p>: The Warrants will be listed and traded on the Main Market of Bursa Securities. Approval has been obtained for the admission of Warrants to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Warrants and the new SGB Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.</p>
Governing law	<p>: The laws of Malaysia.</p>

2.4 Ranking of the new SGB Shares to be issued pursuant to the conversion of the ICPS and/or the exercise of the Warrants

The new SGB Shares to be issued arising from the conversion of the ICPS and/or exercise of the Warrants shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing SGB Shares, save and except that the new SGB Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the new SGB Shares arising from the conversion of the ICPS and/or exercise of the Warrants.

2.5 Minimum subscription level and shareholders' undertakings

The Rights Issue of ICPS with Warrants will be implemented based on the Minimum Subscription Level. Our Company will raise minimum gross proceeds of RM9.69 million from the issuance of 161,500,000 ICPS at an issue price of RM0.06 each.

The Minimum Subscription Level was determined by our Board after considering the funding requirements of our Group as set out in Section 5 of this AP, among other factors.

In order to achieve the Minimum Subscription Level, our Company has obtained a written unconditional and irrevocable undertaking dated 30 November 2015 from the Undertaking Shareholder, that it will subscribe in full for its entitlement of 161,500,000 ICPS with 16,150,000 Warrants, as set out in the table below, and also that it will not dispose any of its SGB Shares following the Announcement up to the Entitlement Date of the Rights Issue of ICPS with Warrants.

Details of the Undertaking are as follows:

Undertaking Shareholder	As at the LPD		ICPS Entitlement		Warrants Entitlement	
	No. of SGB Shares held	%	No. of ICPS	% ⁽¹⁾	No. of Warrants	% ⁽²⁾
Greenfield ⁽³⁾	32,300,000	30.91	161,500,000	30.91	16,150,000	30.91

Notes:

- (1) Percentage based on 522,500,000 ICPS available for subscription.
- (2) Percentage based on 52,250,000 Warrants to be issued.
- (3) The shareholdings of the directors and substantial shareholders of Greenfield as at the LPD are as follows:

Name	Position/ interest held in Greenfield	No. of ordinary shares of RM1 each in Greenfield	%
Lim Yoon Loy	Director/Substantial shareholder	600,000	60.00
Goh Tee Fong	Director/Substantial shareholder	400,000	40.00
		1,000,000	100.00

The Undertaking Shareholder has confirmed that it has sufficient financial resources to subscribe for its full entitlement of 161,500,000 ICPS pursuant to the Undertaking. As the Adviser for the Rights Issue of ICPS with Warrants, TA Securities has verified the confirmation made by the Undertaking Shareholder.

No underwriting will be arranged for the ICPS with Warrants since the Rights Issue of ICPS with Warrants will be implemented on a minimum subscription basis.

The subscription of the ICPS by the Undertaking Shareholder based on its Undertaking will not give rise to any mandatory general offer obligations pursuant to the Code.

However, if Greenfield converts its ICPS and/or Warrants into new SGB Shares to the extent of increasing its aggregate shareholding in our Company to more than thirty-three percent (33%), Greenfield will be obliged under Part III of the Code to undertake a mandatory general offer for all the remaining SGB Shares and convertible securities not already held by Greenfield after the conversion of the ICPS. At this juncture, Greenfield has yet to decide on its course of action in the event it triggers the provisions of the Code. Nevertheless, Greenfield does not intend to trigger such an obligation and has given its confirmation to observe and comply at all times with the provisions of the Code.

2.6 Details of other corporate exercises

As at the LPD, save for the Rights Issue of ICPS with Warrants, there is no outstanding corporate proposal which has been announced but pending completion.

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF ICPS WITH WARRANTS

3.1 General

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional ICPS with Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue of ICPS with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional ICPS with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional ICPS with Warrants, as well as to apply for excess ICPS with Warrants if you choose to do so.

3.2 NPA

The provisionally allotted ICPS with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisional ICPS with Warrants will be by book entries through the CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renounees (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

3.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the provisional ICPS with Warrants is at **5.00 p.m. on 5 April 2016**, or such extended date and time as our Board may decide at its absolute discretion. Where the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date.

3.4 Procedure for full acceptance and payment by Entitled Shareholders and acceptance by renounees/transferees

If you wish to accept your entitlement to the provisional ICPS with Warrants, the acceptance of and payment for the provisional ICPS with Warrants must be made on the respective RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this AP, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

Renounees who wish to accept the provisional ICPS with Warrants must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our Registered Office or from the Bursa Securities' website at <http://www.bursamalaysia.com> and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders also applies to renounees who wish to accept the provisional ICPS with Warrants.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ICPS WITH WARRANTS, EXCESS APPLICATION FOR THE ICPS WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEES (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

If you wish to accept your entitlement/acceptance, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions provided in the RSF. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST** or **DELIVERED BY HAND AND/OR COURIER** at the following address:

Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Tel. no. : 03-2692 4271
Fax. no. : 03-2732 5388 / 2732 5399

so as to arrive **not later than 5.00 p.m. on 5 April 2016**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

One (1) RSF can only be used for acceptance of provisional ICPS with Warrants standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for separate CDS Account(s). If successful, the ICPS with Warrants subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by our Share Registrar for the ICPS with Warrants, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your renounees (if applicable) should take note that a trading board lot for the ICPS and Warrants comprises one hundred (100) ICPS and one hundred (100) Warrants, respectively. Successful applicants of the ICPS will be given the Warrants on the basis of one (1) Warrant for every ten (10) ICPS successfully subscribed for. The minimum number of security that can be subscribed for or accepted is five (5) ICPS for every one (1) existing SGB Share held. The minimum number of Warrant that can be issued and allotted with the accepted ICPS is one (1) Warrant.

If acceptance of and payment for the provisional ICPS with Warrants is not received by our Share Registrar by **5.00 p.m. on 5 April 2016**, being the last time and date for acceptance of and payment for the provisional ICPS with Warrants, or any other extended date and time as may be determined and announced by our Board, you will be deemed to have declined the provisional entitlement made to you and it will be cancelled. In the event that the ICPS with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such ICPS with Warrants to the applicants who have applied for the excess ICPS with Warrants in the manner as set out in Section 3.7 of this AP. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. Our Board reserves the right not to accept any application or to accept any application in part without providing any reason.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website at <http://www.bursamalaysia.com>, our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "SGB RIGHTS ICPS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE OF ICPS WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR ICPS WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPACHED BY ORDINARY POST TO THEM OR THEIR RENOUNCES/TRANSFEREES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF ICPS WITH WARRANTS.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPACHED TO THE APPLICANT WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF ICPS WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN ON BURSA DEPOSITORY'S RECORD OF DEPOSITORS AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

3.5 Procedure for part acceptance by Entitled Shareholders and renounces/transferees

You must complete both Part I(A) of the RSF by specifying the number of the ICPS with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.4 of this AP.

The portion of the provisional ICPS with Warrants that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the provisional ICPS with Warrants.

3.6 Procedure for sale/transfer of provisional ICPS with Warrants

As the provisional ICPS with Warrants are prescribed securities, you may dispose of or transfer all or part of your entitlement to the ICPS with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the provisional ICPS with Warrants standing to the credit of your CDS Accounts. To dispose or transfer all or part of your entitlement to the provisional ICPS with Warrants, you may sell such entitlement in the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have sold or transferred only part of the provisional ICPS with Warrants, you may still accept the balance of the provisional ICPS with Warrants by completing Parts I(A) and II of the RSF. Please refer to Section 3.4 of this AP for the procedure, acceptance and payment.

In disposing/transferring all or part of your provisionally ICPS with Warrants, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient provisional ICPS with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

3.7 Procedure for application of excess ICPS with Warrants

You and/or your renounees (if applicable) who accepted the provisional ICPS with Warrants may apply for excess ICPS with Warrants by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forward it (together with a separate remittance for the full amount payable in respect of the excess ICPS with Warrants applied for) to our Share Registrar **not later than 5.00 p.m. on 5 April 2016**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

PAYMENT FOR THE EXCESS ICPS WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 3.4 OF THIS AP, WHERE THE BANKER'S DRAFT(S)/CASHIER'S ORDER(S)/MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "SGB EXCESS RIGHTS ICPS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

It is the intention of our Board to allot the excess ICPS with Warrants, if any, on a fair and equitable basis and in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, on a pro-rata basis and in board lots, to our Entitled Shareholders who have applied for the excess ICPS with Warrants, based on their respective shareholdings in our Company as at the Entitlement Date;
- (iii) thirdly, on a pro-rata basis and in board lots, to our Entitled Shareholders who have applied for excess ICPS with Warrants, based on the quantum of their respective excess application; and
- (iv) lastly, on a pro-rata basis and in board lots, to our transferees and/or renounees who have applied for excess ICPS with Warrants, based on the quantum of their respective excess application.

In the event of any excess ICPS with Warrants after the above allocations, the balance will be allotted in the process set out in (ii) to (iv) above.

Nevertheless, our Board reserves the right to allot any excess ICPS with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis and that the intention of our Board as set out in Section 3.7 (i) to (iv) above are achieved. Our Board also reserves the right to accept any excess ICPS with Warrants application, in full or in part, without assigning any reason.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

3.8 Notice of allotment

Upon allotment of the ICPS with Warrants in respect of your acceptance and/or your renounee's/transferee's acceptance (if applicable) and excess ICPS with Warrants application (if any), the ICPS with Warrants shall be credited directly into the respective CDS Account. No physical share certificates and warrant certificates will be issued in respect of the ICPS with Warrants. However, a notice of allotment will be despatched to you and/or your renounees/transferees (if applicable), by ordinary post within eight (8) Market Days from the last date of acceptance and payment for the ICPS with Warrants and excess ICPS with Warrants application, or such other period as may be prescribed or allowed by Bursa Securities, at the address shown on the Record of Depositors at your own risk.

Where any application for the ICPS with Warrants is not accepted due to non-compliance with the terms of the Rights Issue of ICPS with Warrants or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest to you within fifteen (15) Market Days from the last date and time for acceptance and payment of the ICPS with Warrants by ordinary post to the address shown on the Record of Depositors at your own risk.

Please note that a completed RSF and the payment thereof once lodged with our Share Registrar for the Rights Issue of ICPS with Warrants cannot be withdrawn subsequently.

3.9 Form of issuance

Bursa Securities has prescribed that our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the ICPS with Warrants and the new Shares to be issued arising from the conversion of the ICPS and exercise of the Warrants are prescribed securities and as such the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the ICPS with Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. Your subscription for the ICPS with Warrants shall mean your consent to receiving such ICPS with Warrants as deposited securities which will be credited directly into your CDS Account. No physical share certificate or warrant certificate will be issued to you under the Rights Issue of ICPS with Warrants. Instead, the ICPS with Warrants will be credited directly into your CDS Accounts, and notices of allotment will be sent to you in the manner as stated in Section 3.8.

Any person who has purchased the provisional ICPS with Warrants or to whom provisional ICPS with Warrants has been transferred and intends to subscribe for the ICPS with Warrants must state his/her CDS Account number in the space provided in the RSF. The ICPS with Warrants will be credited directly as prescribed or deposited securities into his/her CDS Account upon allotment and issue.

The excess ICPS with Warrants, if allotted to the successful applicant who applies for excess ICPS with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the excess ICPS with Warrants will be made on a fair and equitable basis as disclosed in Section 3.7 of this AP.

3.10 Laws of foreign jurisdictions

This AP and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue of ICPS with Warrants will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to the Rights Issue of ICPS with Warrants.

Foreign Entitled Shareholders and/or their renounees/transferees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of ICPS with Warrants only to the extent that it would be lawful to do so.

TA Securities, our Company and our Directors and officers would not, in connection with the Rights Issue of ICPS with Warrants, be in breach of, responsible or liable under the laws of any jurisdiction to which that foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are or may be subject to. He shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. TA Securities, our Company and our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/or their renounees/transferees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

The foreign Entitled Shareholders and/or their renounees/transferees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company and/or TA Securities in respect of their rights and entitlements under the Rights Issue of ICPS with Warrants. Such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of ICPS with Warrants.

By signing the RSF, the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) TA Securities, our Company and our Directors and officers that:

- (i) our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue of ICPS with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renounees/transferees (if applicable) is or may be subject to;

- (ii) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the provisional ICPS with Warrants;
- (iii) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation of the provisional ICPS with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;
- (iv) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are aware that the ICPS with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have received a copy of this AP and have been provided the opportunity to post such questions to the representatives and receive answers thereto as the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) deem necessary in connection with the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) decision to subscribe for or purchase the ICPS with Warrants. However, any information relevant to an investment shall be contained in this AP; and
- (vi) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the ICPS with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the ICPS with Warrants.

Persons receiving this AP, the NPA and the RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the ICPS with Warrants from any such application by foreign Entitled Shareholders and/or their renounees/transferees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the ICPS with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

4. RATIONALE FOR THE RIGHTS ISSUE OF ICPS WITH WARRANTS

After considering various available fund raising methods, our Board is of the opinion that the Rights Issue of ICPS with Warrants is appropriate as:

- (i) it will allow our Company to raise funds without the need to immediately service interest payments, compared to bank borrowings;
- (ii) it will enable our Group to raise funds for the purposes set out in Section 5 of this AP, which are expected to contribute positively to the future earnings of our Group and improve our financial performance;

- (iii) the issuance of ICPS will minimise the immediate dilution effect on the EPS, which would otherwise have an immediate impact if it were a rights issue of ordinary shares instead, as the ICPS are expected to be converted over a period of time during the conversion period. The Undertaking will allow our Company to raise the required funds without incurring underwriting costs;
- (iv) the issuance of ICPS will allow our Company to have discretion in declaring dividends for the ICPS depending on our Group's future profitability and cash flows without being burdened by a fixed funding cost;
- (v) it provides an opportunity for our existing shareholders to increase their equity participation in our Company by converting the ICPS or exercising the Warrants into new SGB Shares; and
- (vi) The Undertaking will allow the Undertaking Shareholder to extend its support for the Rights Issue of ICPS with Warrants which will facilitate the raising of necessary funds for our Group without incurring underwriting costs.

5. UTILISATION OF PROCEEDS

At the issue price of RM0.06 per ICPS, the gross proceeds from the Rights Issue of ICPS with Warrants will be utilised in the following manner based on the scenarios as illustrated below:

	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected time frame for utilisation of proceeds (from the date of listing of ICPS)
Southern City Project – Phase 1B	(1)	2,750	4,000	Within 18 months
Southern City Project – Phase 2	(1)	4,270	23,680	Within 30 months
Working capital	(2)	2,000	3,000	Within 18 months
Estimated expenses in relation to the Corporate Exercises	(3)	670	670	Within 1 month
Total estimated proceeds		9,690	31,350	

Notes:

- (1) Our Group intends to utilise up to RM27.68 million of the proceeds for the following property construction projects:

Construction Project		Minimum Scenario RM'000	Maximum Scenario RM'000
Southern City Project – Phase 1B	(a)	2,750	4,000
Southern City Project – Phase 2	(b)	4,270	23,680
		<u>7,020</u>	<u>27,680</u>

Upon execution of the MCA and the 2nd MCA, PSSB is appointed as the managing contractor to provide professional project management facilities and to act as the managing contractor for JVM for the purposes of the Southern City Project – Phase 1B and Southern City Project – Phase 2, respectively, and be responsible for the administration, management, consulting, reporting, communication, co-ordination of construction and marketing of the Southern City Project – Phase 1B and Southern City Project – Phase 2 throughout the management period.

- (a) The estimated contract cost for the Southern City Project – Phase 1B is approximately RM65.79 million. The balance of the estimated contract cost of RM63.04 million (under the Minimum Scenario) or RM61.79 million (under the Maximum Scenario) is expected to be funded by internally generated funds and/or bank borrowings. The amounts to be funded by internally generated funds and/or bank borrowings cannot be ascertained at this juncture, as the estimated contract cost will be incurred throughout the duration of the respective project management periods for MCA and 2nd MCA. Our Group will utilise internally generated funds wherever possible prior to obtaining bank borrowings.
- (b) The estimated contract cost for the Southern City Project – Phase 2 is approximately RM124.20 million. The balance of the estimated contract cost of RM119.93 million (under the Minimum Scenario) or RM100.52 million (under the Maximum Scenario) is expected to be funded by internally generated funds and/or bank borrowings. The amounts to be funded by internally generated funds and/or bank borrowings cannot be ascertained at this juncture, as the estimated contract cost will be incurred throughout the duration of the respective project management periods for MCA and 2nd MCA. Our Group will utilise internally generated funds wherever possible prior to obtaining bank borrowings.

Any surplus arising from the proceeds allocated for the projects as a result of, among others, termination of contracts and/or delays in the projects will be adjusted to the proceeds allocated for any of the other said project and/or other future projects depending on their respective funding requirements.

- (2) Our Group intends to utilise RM2.00 million (under the Minimum Scenario) or RM3.00 million (under the Maximum Scenario) for our Group's working capital requirements as follows:

Working capital	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Office and administrative expenses ^(a)	1,620	2,500
Other payables and professional fees ^(b)	380	500
Total	2,000	3,000

- (a) Comprises our Group's office and administrative expenses which include but are not limited to staff costs, directors' fees and non-fee emoluments, office rental, utilities and other office expenses.
- (b) Comprises other payables such as upkeep of office expenses and professional fees (e.g., audit fees, company secretarial fees, tax agent fees and other professional fees).

The above allocations are estimates and are interchangeable in the event there is any shortfall or surplus for any category of working capital.

- (3) The estimated expenses consist of professional fees, fees payable to the relevant authorities, expenses to convene EGM, printing, advertising and other ancillary expenses. Any surplus or shortfall for the estimated expenses in relation to the Corporate Exercises will be adjusted accordingly against the working capital (i.e., staff costs) of our Company.

The proceeds to be raised from the issuance of the ICPS will depend on the number of ICPS to be issued. Any variation in the actual proceeds raised will be adjusted against the proceeds allocated for working capital purposes of our Group.

Before the proceeds are utilised, they will be placed in deposits with financial institutions or short-term money market instruments as our Board may deem fit. Any interest income or any gain arising from the short-term money market instruments will be used as working capital of our Group. This would include staff costs, other administration and operating expenses.

The proceeds our Company will raise from the conversion of the ICPS or exercise of the Warrants will depend on the number of ICPS converted and the number of Warrants exercised.

Proceeds raised from the exercise of the Warrants and the conversion of ICPS shall be utilised for the working capital of our Group, with the timeframe and utilisation breakdown depending on the number of exercised Warrants and converted ICPS as well as the timing thereof.

6. RISK FACTORS

You and/or your renounees/transferees (if applicable) should consider carefully the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue of ICPS with Warrants.

6.1 Risks relating to our business and industry

(i) Operational/ business risks

Presently, our Group is principally involved in the business of investment holding, manufacturing and trading of ceramic wares, marketing of pottery and porcelain products, ceramic wares and ornaments as well as retail, trading and wholesale of all kinds of clay products such as pottery, ceramics and porcelain products. Our Group has also ventured into the property construction and related businesses and our shareholders had, at the EGM held on 1 March 2016 approved the Diversification. Therefore, our Group is subject to risks inherent to the ceramics and construction industries in which we operate.

These may include constraints in labour supply, increases in raw material costs, changes in economic and business conditions, property construction schedule risk (i.e., late completion or primarily risks associated with the completion of the property construction works within planned schedules), project defects, dependency on operating permits, licenses, certificates and/or regulatory approvals, fluctuations in the prices of building materials (such as metal, petrol and other petroleum related products and cements), availability of building materials and labour, adverse weather conditions, changes in the demand and supply of property and changes in the regulatory framework industry governing the construction sector.

Pursuant to the MCA and 2nd MCA, liquidated and ascertained damages totalling RM13,500 and RM27,500 shall be imposed on PSSB for each day of delay in the completion of Southern City Project – Phase 1B and Southern City Project – Phase 2 respectively, beyond the expected completion date. The daily rates of damages are derived in accordance with the PAM 2006 Standard Form of Building Contract for the respective contract values of RM75.0 million and RM147.0 million.

There is no assurance these risks, if they materialise, will not affect the performance of our Group.

(ii) Competition

Our Group faces competition in both the local and global markets as well as from existing players and/ or potential new entrants into the ceramics industry. Our success is dependent upon, among others our continuing efforts to improve our manufacturing processes and manufacturing efficiency, standards and quality of our products.

Our Group also faces direct competition within the property construction industry. As a new entrant into the industry, we lack the track record and brand recognition that existing players in the industry may already enjoy.

There is no assurance that any changes to the competitive environment will not have a material adverse effect on our Group's business.

(iii) Construction cost risks

PSSB was awarded the Southern City Project – Phase 1B and Southern City Project – Phase 2 on a firm priced contract sum basis and therefore any changes in materials' prices, labour productivity, labour costs and other associated construction risks are passed on to PSSB as the managing contractor for the two (2) projects.

The MCA and 2nd MCA provide for variation orders, which may result in upward or downward adjustments to the total contract value. Any variation order, which is strictly to be approved by JVM, may result in additional expenditure and cost to be incurred by PSSB and thus may have an impact on the respective project's profit margin.

(iv) Supply of raw materials and products

A continuous supply of raw materials and products is essential to ensure the smooth running of the clay products manufacturing process and business of our Group. Our Group sources its raw materials and products from local and overseas suppliers and any shortages of raw materials and products may adversely affect our Group's clay products business activities. There were no shortages of raw materials and products for our clay products manufacturing process and business of our Group in the past. However, there can be no assurance that there will be no shortages of raw materials and products in the future and that it will not materially affect the performance of our Group.

(v) Dependence on third party contractors and/or suppliers

Our property construction and related businesses is dependent on the support of third party contractors and/or suppliers to ensure the continuous supply of labour and construction materials.

Any substantial limitation or sub-standard performance of the third party contractors and their inability to supply sufficient labour, whether skilled or unskilled, and quality services, the increase in the cost of labour and building materials will inevitably disrupt the progress and/or quality of our Group's operation and may cause adverse effects on our profitability.

(vi) Dependence on key personnel

Our Group's sustainability in our businesses (i.e., ceramics and property construction industry) depends largely on the abilities, skills, experience and competency of our existing Directors and the key management personnel. There is no management agreement entered into between the key management personnel and our Group. The loss of our Directors and/or any of the relevant key management personnel without suitable and timely replacement, or the inability of our Group to attract and retain other qualified personnel, could adversely affect our Group's business operations and consequently, its revenue and profitability.

(vii) Dependence on licenses and permits

Our Group's ability to continue with its property construction and related businesses is highly reliant on the licenses and permits granted by the Government. Our Group would be adversely affected if it loses its licenses. Our Group may lose its licenses in the event that it is in breach of the relevant rules and regulations and/or conditions imposed by the relevant authorities. There were no loss of licenses for our Group's property construction and related businesses in the past. The licenses are subjected to periodic renewal/assessment by the relevant authorities and the terms and conditions for renewal may change from time to time. As such, there is no assurance that our Group will be able to maintain the licenses currently held by it.

(viii) Financing risks

As disclosed in Section 5 of this AP, the Southern City Project – Phase 1B and Southern City Project – Phase 2 will be funded through a combination of proceeds raised from the Rights Issue of ICPS with Warrants, internally-generated funds and/or bank borrowings. If bank borrowings are secured to fund the construction costs, the gearing level of our Group will increase and any material increase in interest rates may significantly increase project costs which would adversely affect our Group's financial performance.

(ix) Foreign exchange risk

Our Group is exposed to foreign exchange risk being export orientated (mainly for our ceramic business), with major customers based in the United States. As such, any fluctuation in foreign exchange rate would have an impact on our Group's profitability.

(x) Political, economic and environmental considerations

Adverse changes in political, economic and regulatory conditions in Malaysia could materially affect the financial position of our Group. Amongst the political, economic and regulatory uncertainties are the risks of economic downturn, unfavourable monetary and fiscal policy changes, exchange control regulations or introduction of new rules or regulation, changes in interest rates, inflation, taxation and political situation.

Much of the above changes are beyond our Group's control. There can be no assurance that any adverse economic, political and regulatory developments will not materially affect the performance of our Group.

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6.2 Risks relating to the Rights Issue of ICPS with Warrants

(i) No prior market for the ICPS

The ICPS comprises a new issuance of securities for which there is currently no public market. No assurance can be given that an active market for the ICPS will develop upon or subsequent to the listing of and quotation for the ICPS on the Main Market of Bursa Securities or, if developed, that such a market will be sustainable or adequately liquid during the tenure of the ICPS.

The market price of the ICPS, like other securities traded on Bursa Securities, is subject to fluctuations and will be influenced by, amongst others, prevailing market sentiments, volatility of the stock market, the market price of the underlying SGB Shares, interest rate movements, trades of substantial amounts of the ICPS on Bursa Securities in the future, corporate developments as well as the future prospects of the ceramics and property construction industry.

There is no assurance that the market price of the ICPS will trade at or above its issue price of RM0.06 subsequent to its listing.

(ii) Investment and capital market risk

The market price of the ICPS is influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of SGB Shares, the outlook for the ceramics and property construction industry, changes in regulatory requirements or market conditions, the financial performance and fluctuations in our Group's operating results. In addition, the performance of the local stock market (where our Shares are listed) is dependent on the economic and political condition in Malaysia as well as external factors such as, amongst others, the performance of the world bourses, flows of foreign funds and prices of commodities. In view of this, there can be no assurance that the ICPS will trade above the Issue Price for the ICPS or TEAP upon or subsequent to the listing of and quotation for the ICPS on the Main Market of Bursa Securities.

The market price of the Warrants may be influenced by, amongst others, the market price of SGB Shares, and the remaining exercise period of the Warrants and the volatility of SGB Shares. There can be no assurance that the Warrants will be "in-the-money" during the exercise period of the Warrants. In the event the Warrants are not exercised during the exercise period, the unexercised Warrants will lapse and cease thereafter to be valid for any purpose.

(iii) Delay in or failure of the Rights Issue of ICPS with Warrants

The Rights Issue of ICPS with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of force majeure events or circumstances which are beyond the control of our Company arising prior to the implementation of the Rights Issue of ICPS with Warrants. Such events or circumstances include, *inter alia*, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations and changes in political leadership.

In this respect, all proceeds arising from the Rights Issue of ICPS with Warrants will be refunded without interest to the Entitled Shareholders and/or their renounees/transferees (if applicable) in the event the Rights Issue of ICPS with Warrants is aborted and if such monies are not repaid within fourteen (14) days after SGB becomes liable, we will repay such monies with interest at the rate of ten percent (10%) per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the Capital Markets and Services Act 2007. Notwithstanding the above, our Company will exercise our best endeavor to ensure the successful implementation of the Rights Issue of ICPS with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue of ICPS with Warrants.

In the event that the ICPS have been allotted to the successful Entitled Shareholders and/or their renounees/transferees (if applicable) and the Rights Issue of ICPS with Warrants is subsequently cancelled or terminated, a return of monies to the shareholders can only be achieved by way of cancellation of our share capital as provided under the Act. Such cancellation requires the approval of our shareholders by way of special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. There can be no assurance that such monies can be returned within a short period of time or at all under such circumstances.

(iv) Forward-looking statements

Certain statements in this AP are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this AP are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, amongst others, the risk factors as set out in this section. In view of the above, the inclusion of any forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

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7. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy remains resilient despite a more challenging external environment, including moderate global growth, declining commodity prices and volatility in financial markets. Real GDP grew by 5.3% during the first (1st) half of 2015 supported by steady domestic demand, particularly private sector expenditure. Exports and imports contracted by 1.4% and 2%, respectively, during the first eight (8) months of the year. However, exports of manufactured goods registered modest growth led by demand mainly for electrical and electronic products.

As a small and highly open economy, Malaysia is vulnerable to developments in the external environment. However, the structural reforms undertaken over the years to diversify the economy and strengthen the financial system, have placed the economy on a stronger footing as well as enhanced its resilience to weather the external challenges. Real GDP is expected to register a growth of 4.5% - 5.5% in 2015 (2014: 6%) supported by resilient domestic economic activity. The national income, as measured by the gross national income, is estimated to increase by 5.5% to RM1.13 trillion with income per capita growing by 4.2% to RM36,397 (2014: 8.6%; RM1.07 trillion; 7.2%; RM34,945).

The projection for growth in 2016 takes into account concerns over the severity of growth slowdown in emerging markets, particularly China. Other downside risks include declining commodity prices, rising volatility in financial markets and depreciating currencies of emerging economies.

Against the backdrop of increased uncertainty in the global economy, growth in the Malaysian economy will be driven by domestic demand, with private expenditures as the main anchor, while public expenditure will increase moderately.

Strong economic fundamentals such as benign inflation and stable employment supported by an accommodative monetary policy are expected to support growth. Thus, the Malaysian economy is expected to remain on a steady growth path, expanding between 4% - 5% in 2016. On the supply side, growth though moderating, is expected to be broad-based supported by expansion in all sectors of the economy, led by the services and manufacturing sector. Thus, the nominal gross national income per capita is expected to increase by 5.6% to RM38,438 in 2016 (2015: 4.2%; RM36,397).

(Source: Economic Report 2015/2016, Ministry of Finance Malaysia)

7.2 Overview and outlook of the ceramics industry

Worldwide ceramics markets are increasingly diversified, poised to represent significant size as every segment continues to grow. Ceramic segments include roof tiles, floor tiles, bricks, sanitary pottery, ceramic garden pots and ornaments, ceramic table wares, ceramic insulation, glass, cement, and refractory clay bricks. There are many different types of ceramic tiles including refractory tiles, technical tiles, ornamental tiles, roofing tiles, and tiles made into stands.

Ceramics covers a broad range of sectors within the building industry. Ceramics sub-sectors are being impacted by the need for the availability of raw materials and the high costs of energy.

The ceramics sector is faced with a number of competitiveness challenges, many of which have been fuelled by globalisation. Increased environmental regulation continues to be an issue. A key competitiveness factor for the ceramics sector is increased environmental regulation and control. The relatively high energy-intensity of ceramics production, brought about by the need to heat kilns up to 2000 degrees Celsius, makes the reduction of carbon dioxide emissions challenging.

The global ceramics market is anticipated to grow over the forecast period owing to rapid augmentation in every segment. This industry covers a wide range of sectors within the building industry. High cost of raw materials and increased need for availability of raw materials are impacting the ceramics market.

Vendors in the ceramics industry will need to invest in high quality production processes, logistics systems that guarantee fast delivery and the development of innovative products in order to keep market share.

7.3 **Overview and outlook of the property and construction industry in Malaysia and Terengganu**

Malaysia

The construction sector is projected to increase by 8.4% in 2016 (2015: 8.8%), largely driven by infrastructure projects. Meanwhile, the non-residential subsector is expected to expand led by ongoing construction of commercial buildings. Growth in the residential subsector is expected to be supported by ongoing Government initiatives to provide affordable housing.

The real estate and business services subsector expanded by 6.9% during the first six months of 2015 (January – June 2014: 7.9%). The real estate segment increased by 5.4% (January – June 2014: 5.8%). Growth was mainly contributed by a rebound in industrial property transactions (4.7%) while commercial property transactions moderated to 1.6% (January – June 2014: -3.3%; 6.5%). This helped to cushion the decline in the residential property transactions. In 2015, growth of the subsector is projected to record 7.9% (2014: 8%).

Value-added of the construction sector grew at a moderate pace of 7.7% during the first half of 2015 (January – June 2014: 14.5%) on slower civil engineering and residential activities. The highest share was contributed by the residential (27.7%) followed by civil engineering (27.1%), non-residential (26.4%) and specialised construction activities (18.8%) subsectors. The total value of construction work completed during the first half of 2015 expanded by 11.6% to RM56 billion with 20,056 construction projects registered (January – June 2014: 15.7%; RM50 billion; 19,649 projects). The non-residential subsector contributed 34.7% to the value of construction work, followed by civil engineering (30.4%), residential (30.2%) and specialised construction activities (4.7%) subsectors. Amid the moderate growth outlook, the construction sector is expected to expand by 8.8% in 2015 (2014: 11.8%).

The residential subsector expanded moderately by 9.8% (January – June 2014: 22.1%) partly due to the decline in new housing approvals which decreased by 32.9% to 66,770 units (January – June 2014: 37.3%; 99,461 units), reflecting cautious sentiment among housing developers amid a challenging environment.

The total value of property transactions declined by 6.6% to RM76.6 billion, while volume contracted by 3.5% to 186,661 transactions during the first six months of 2015 (January – June 2014: 19.3%; RM82 billion; 3.3%; 193,403 transactions).

Market activity of residential property moderated in H1 2015 as reflected by the decline in transactions and value. Residential property transactions declined by 2.6% to 119,604 while the value fell by 9.7% to RM36.4 billion in H1 2015 (H1 2014: 2.3%; 122,830 transactions; 19.4%; RM40.3 billion). Residential new launches were down by 44.1% to 27,231 units in H1 2015 (H1 2014: 56.3%; 31,155 units) amid cautious sentiment of developers. The residential overhang increased by 8.9% to 10,473 units in H1 2015 compared with H1 2014 (-16%; 11,491 units). Unsold residential units under construction rose by 32.7% year-on-year to 67,126 units in H1 2015 (H1 2014: 4.7%; 50,588 units), with Johor accounting for the highest overhang at 23.3%.

(Source: Economic Report 2015/2016, Ministry of Finance Malaysia)

Terengganu

Terengganu state's property market moderated in H1 2015. There were 11,171 transactions recorded worth of RM1.48 billion. Against H1 2014, number of transactions increased by 2.7%, whilst value of transactions increased marginally by 14.3%. Residential sub-sector remained the main sector, dominating 64.1% of the total transactions, followed by agricultural (16.4%), development land (16.7%), commercial (2.5%) and industrial (0.3%) sub-sectors.

Prices of residential property were generally stable with uptrend noted in choice locations. As at Q2 2015, the All House Price Index for the state stood at 267.5 points, up by 5.3% from 254.0 points in Q2 2014.

The residential overhang was less promising as the numbers increased by 53.9% to 100 units worth RM27.80 billion. Likewise, the unsold under construction (827 units) and not constructed (460 units) increased by 31.4% and more than six-fold respectively.

Shop overhang was minimal. There were 14 units worth RM11.06 million, decreased by 41.7% in volume and 45.9% in value. However, the unsold under construction recorded an increase of 76.8% (99 units).

(Source: Property Market Report First Half 2015, Terengganu, Valuation and Property Services Department, Economic Report 2015/2016, Ministry of Finance Malaysia)

7.4 Prospects of our Group

Our Group has been facing challenges in its core business of manufacturing and trading of ceramic wares, marketing of pottery and porcelain products, ceramic wares and ornaments as well as retail, trading and wholesale of all kinds of clay products such as pottery, ceramics, porcelain products, in view of increasing competition for the past few years. Our current business in the ceramic industry basically involves only one sub-sector of the whole industry, namely the manufacture and distribution of the earthenware ceramic pots for indoor and outdoor use. The outlook for this sub-sector of the industry is expected to be challenging for 2016 and 2017, in view of the expected economic slowdown in China and Europe, and in particular, in emerging countries such as Malaysia and its ASEAN neighbours. Therefore our market is very much dependent on the United States as our main market sector and we are working tirelessly to service and sustain our customer base in this market.

Taking cognisance of this, our Group has made efforts to improve its financial performance and position which include, among others, our Group's execution of the MCA and 2nd MCA which will lead to our Group's diversification of business to include the property construction and related businesses.

Our Group's construction projects, consisting of Southern City Project – Phase 1B for the construction of two (2) blocks of 18-storey apartment buildings (MCA) and Southern City Project – Phase 2 for the construction of a shopping complex and hotel (2nd MCA), are located at Cukai Town in Kemaman, Terengganu.

Kemaman is a district in Terengganu, on the east coast of Malaysia facing the South China Sea. It is bordered by Dungun district to the north and the state of Pahang to the south and west. It is the southern gateway to the state of Terengganu.

Kemaman's economy is supported by modern industrial activities in oil and gas sector, ports and logistics sector and steel industry. Notable developments consist of Teluk Kanjung Industrial Park, Petronas Refinery Plants, Petronas Chemical Plants and Eastern Steel Plant.

Kemaman is also strategically located between the two prominent ports namely Kemaman Supply Base Port and Kuantan Port. Other economic activities in the area include tourism and popular tourist destinations namely Cherating Beach and Kijal Beach within 20km from Kemaman. The tourism scene along the coastal way of Kemaman is popular with many well-established hotels and resorts.

The success of MCA and the 2nd MCA will be vital for the future of our Company as it may lead to future property construction and related businesses for our Group.

Being in an area that is already fairly mature in development would be advantageous towards the success of the Southern City Project – Phase 1B and Southern City Project – Phase 2. Prospective buyers are likely to favourably consider the track record of the earlier developments and the accessibility of the Southern City Project – Phase 1B and Southern City Project – Phase 2 which are located within an existing successful and developed area.

As Terengganu is flood-prone during the monsoon season, apartments and condominiums are highly sought after. Kemaman town had been affected by floods for the past three (3) consecutive years. The Southern City Kemaman is a strategic development located at one of the highly visible main roads, being a prominent local landmark, which has not been affected by floods during the monsoon season.

Our Board is positive on the outlook of the property and construction industry and is confident that our Company's venture into the property construction and related businesses will enable our Group to diversify its income streams as well as enhance our Group's profitability and shareholder value.

8. EFFECTS OF THE RIGHTS ISSUE OF ICPS WITH WARRANTS

8.1 Issued and paid-up share capital

The pro forma effects of the Rights Issue of ICPS with Warrants on our issued and paid-up share capital is as follows:

Issued and paid-up share capital	Minimum Scenario		Maximum Scenario	
	No. of SGB Shares	RM	No. of SGB Shares	RM
As at the LPD	104,500,000	52,250,000	104,500,000	52,250,000
New SGB Shares from full conversion of ICPS	16,150,000 ⁽¹⁾	8,075,000	522,500,000 ⁽²⁾	261,250,000
	120,650,000	60,325,000	627,000,000	313,500,000
New SGB Shares from full exercise of Warrants	16,150,000	8,075,000	52,250,000	26,125,000
Enlarged	136,800,000	68,400,000	679,250,000	339,625,000

Notes:

- (1) Assuming Conversion Ratio of every ten (10) ICPS for one (1) new SGB Share.
- (2) Assuming Conversion Ratio of a combination of one (1) ICPS and RM0.54 in cash for one (1) new SGB Share.

8.2 NA, NTA and gearing

The pro forma effects of the Rights Issue of ICPS with Warrants on the NA, NTA and gearing of our Group based on the audited consolidated financial statements of our Company as at 30 June 2015 is as follows:

Minimum Scenario

	(Audited) As at 30 June 2015 (RM)	(I) After Rights Issue of ICPS with Warrants (RM)	(II) After (I) and full conversion of ICPS ⁽⁴⁾ (RM)	(III) After (II) and full exercise of Warrants (RM)
Share capital	52,250,000	52,250,000	60,325,000	68,400,000
Share premium	12,499,956	13,170,406 ⁽¹⁾⁽²⁾⁽³⁾	13,170,406	15,059,956 ⁽⁵⁾
Foreign exchange translation reserve	216,828	216,828	216,828	216,828
Warrant reserve	-	274,550 ⁽²⁾	274,550	-
ICPS	-	8,075,000 ⁽³⁾	-	-
Accumulated losses	(29,099,896)	(29,099,896)	(29,099,896)	(29,099,896)
Shareholders' funds / NA	35,866,888	44,886,888	44,886,888	54,576,888
No. of SGB Shares in issue	104,500,000	104,500,000	120,650,000	136,800,000
NA per SGB Share (RM)	0.34	0.43	0.37	0.40
NTA per SGB Share (RM)	0.34	0.43	0.37	0.40
Total borrowings (RM)	662,827	662,827	662,827	662,827
Gearing (times)	0.02	0.01	0.01	0.01

Notes:

- (1) After deducting RM670,000 as the estimated expenses in relation to the Corporate Exercises.
- (2) Arising from the issuance of Warrants which are assumed to have a fair value of RM0.2366 each based on the Black Scholes Model. Share premium account will be debited as a corresponding entry to the warrant reserve. The warrant reserve amount will be transferred to the share premium account upon the exercise or expiry of the Warrants.
- (3) Arising from the issuance of 161,500,000 ICPS at RM0.06 each.
- (4) Assuming full conversion of 161,500,000 ICPS into 16,150,000 SGB Shares.
- (5) Assuming full exercise of 16,150,000 Warrants at RM0.60 each.

Maximum Scenario

	(Audited) As at 30 June 2015 (RM)	(I) After Rights Issue of ICPS with Warrants (RM)	(II) After (I) and full conversion of ICPS ⁽⁴⁾ (RM)	(III) After (II) and full exercise of Warrants (RM)
Share capital	52,250,000	52,250,000	313,500,000	339,625,000
Share premium	12,499,956	16,166,706 ⁽¹⁾⁽²⁾⁽³⁾	63,191,706	69,304,956 ⁽⁵⁾
Foreign exchange translation reserve	216,828	216,828	216,828	216,828
Warrant reserve	-	888,250 ⁽²⁾	888,250	-
ICPS	-	26,125,000 ⁽³⁾	-	-
Accumulated losses	(29,099,896)	(29,099,896)	(29,099,896)	(29,099,896)
Shareholders' funds / NA	35,866,888	66,546,888	348,696,888	380,046,888
No. of SGB Shares in issue	104,500,000	104,500,000	627,000,000	679,250,000
NA per SGB Share (RM)	0.34	0.64	0.56	0.56
NTA per SGB Share (RM)	0.34	0.64	0.56	0.56
Total borrowings (RM)	662,827	662,827	662,827	662,827
Gearing (times)	0.02	0.01	Neg	Neg

Notes:

Neg: Negligible.

- (1) After deducting RM670,000 as the estimated expenses in relation to the Corporate Exercises
- (2) Arising from the issuance of Warrants which are assumed to have a fair value of RM0.2366 each based on the Black Scholes Model. Share premium account will be debited as a corresponding entry to the warrant reserve. The warrant reserve amount will be transferred to the share premium account upon the exercise or expiry of the Warrants.
- (3) Arising from the issuance of 522,500,000 ICPS at RM0.06 each.
- (4) Assuming full conversion of 522,500,000 ICPS with RM282,150,000 cash into 522,500,000 SGB Shares.
- (5) Assuming full exercise of 52,250,000 Warrants at RM0.60 each.

8.3 Earnings and EPS

The Rights Issue of ICPS with Warrants is not expected to have any material effect on the consolidated earnings and EPS of our Group for the FYE 30 June 2016 as it is only expected to be completed in the first (1st) half of 2016 with the resulting proceeds to be utilised within thirty (30) months from the date of the ICPS listing. The Rights Issue of ICPS with Warrants is expected to contribute positively to the future earnings of our Group when the benefits of the utilisation of proceeds are realised.

The EPS of our Company will be diluted as a result of the increase in the number of issued SGB Shares arising from the conversion of ICPS and/or the exercise of the Warrants in the future.

The effect of any ICPS conversion and Warrant exercise on our Company's consolidated EPS would depend on the Conversion Ratio and the returns generated from the utilisation of proceeds arising from the issuance of ICPS, conversion of the ICPS with cash option and the exercise of Warrants.

For illustration purposes, assuming the Rights Issue of ICPS with Warrants is completed on 1 July 2015, being the commencement for the FYE 30 June 2015, the EPS of our Group shall be as follows:

Minimum Scenario

	(Audited) As at 30 June 2015	(I) After the Rights Issue of ICPS with Warrants	(II) After (I) and assuming full conversion of ICPS	(III) After (II) and full exercise of Warrants
LAT attributable to our equity holders (RM)	(1,363,149)	(1,363,149)	(1,363,149)	(1,363,149)
No. of SGB Shares in issue	104,500,000	104,500,000	120,650,000	136,800,000
No. of ICPS in issue	-	161,500,000	-	-
No. of Warrants in issue	-	16,150,000	16,150,000	-
Basic LPS (sen)	(1.30) ⁽¹⁾	(1.30)	(1.13)	(1.00)
Diluted LPS (sen)	N/A	(1.00)	(1.00)	N/A

Notes:

N/A Not applicable as our Company does not have any dilutive potential ordinary shares.

(1) Being the LAT attributable to our equity holders divided by the total number of SGB Shares in issue for the FYE 30 June 2015.

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Maximum Scenario

	(Audited) As at 30 June 2015	(I) After the Rights Issue of ICPS with Warrants	(II) After (I) and assuming full conversion of ICPS	(III) After (II) and full exercise of Warrants
LAT attributable to our equity holders (RM)	(1,363,149)	(1,363,149)	(1,363,149)	(1,363,149)
No. of SGB Shares in issue	104,500,000	104,500,000	627,000,000	679,250,000
No. of ICPS in issue	-	522,500,000	-	-
No. of Warrants in issue	-	52,250,000	52,250,000	-
Basic LPS (sen)	(1.30) ⁽¹⁾	(1.30)	(0.22)	(0.20)
Diluted LPS (sen)	N/A	(0.20)	(0.20)	N/A

Notes:

N/A Not applicable as our Company does not have any dilutive potential ordinary shares.

(1) Being the LAT attributable to our equity holders divided by the total number of SGB Shares in issue for the FYE 30 June 2015.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds from the Rights Issue of ICPS with Warrants, cash in hand, funds generated from our operation and banking facilities available, our Group will have adequate working capital for the next twelve (12) months from the date of this AP.

9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of RM0.56 million, all of which are interest-bearing and from local financial institutions as follows:

	As at the LPD (RM'000)
Short-term borrowings:	
Hire purchase payables	159
Long-term borrowings:	
Hire purchase payables	405

Our Group has no non-interest bearing and foreign currency-denominated borrowings as at the LPD.

Our Group did not default on the payment of any interest or principal sums in respect of any borrowing, throughout the past one (1) FYE 30 June 2015, and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

As at the LPD, there is no contingent liability incurred by our Company or our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group.

9.4 Material commitments

As at the LPD, there is no material commitment incurred by our Company or our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group.

10. TERMS AND CONDITIONS

The issuance of the ICPS with Warrants is governed by the terms and conditions set out in this AP, the Deed Poll, the NPA and the RSF enclosed herewith.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and behalf of the Board of
SPRING GALLERY BERHAD



LIM YOON LOY
Executive Director

CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF ICPS WITH WARRANTS PASSED AT OUR EGM HELD ON 1 MARCH 2016

SPRING GALLERY BERHAD

(Company No: 504718-U)
(Incorporated in Malaysia)

CERTIFIED TRUE COPY



8 MAR 2016

**EXTRACT OF MINUTES OF EXTRAORDINARY GENERAL MEETING
OF THE COMPANY HELD ON 1 MARCH 2016**

LAM SOOK CHING
SECRETARY
MAICSA 7006942

AS ORDINARY RESOLUTION 2

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 522,500,000 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 SUBSCRIBED AT AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ("PROPOSED RIGHTS ISSUE OF ICPS WITH WARRANTS")

RESOLVED:-

THAT subject to and conditional upon the passing of Special Resolution 1 and Ordinary Resolution 1 and the approvals of all relevant parties and/or authorities being obtained (where required), the Board be and is hereby authorised:

- (i) to provisionally issue and allot by way of a renounceable rights issue of up to 522,500,000 ICPS at an issue price of RM0.06 each on the basis of five (5) ICPS for every one (1) existing SGB Share held, together with up to 52,250,000 Warrants on the basis of one (1) Warrant for every ten (10) ICPS subscribed by the shareholders of SGB whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board;
- (ii) to enter into and execute the deed poll in relation to the Proposed Rights Issue of ICPS with Warrants ("Deed Poll") and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give full effect to the aforesaid Deed Poll; and
- (iii) to utilise the proceeds to be derived from the Proposed Rights Issue of ICPS with Warrants in the manner as set out in Section 3 of the Circular and to vary the manner and/or purpose of utilisation of such proceeds as they may deem fit and in the best interest of the Company.

THAT the shareholders' fractional entitlements to the Warrants under the Proposed Rights Issue of ICPS with Warrants, if any, shall be disregarded and dealt with by the Board in such manner at the absolute discretion of the Board as they may deem fit or expedient and in the best interest of the Company.

THAT the ICPS with Warrants which are not taken up or validly taken up shall be made available for excess applications by the entitled shareholders and/or their renounee(s) (if applicable) and such excess ICPS with Warrants shall be allocated in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

Dated this - 8 MAR 2016

CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF ICPS WITH WARRANTS PASSED AT OUR EGM HELD ON 1 MARCH 2016 (CONT'D)

CERTIFIED TRUE COPY

SPRING GALLERY BERHAD
EXTRACT OF MINUTES OF EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD ON 1 MARCH 2016
RE: PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 522,500,000 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 SUBSCRIBED AT MAR 2016
AN ENTITLEMENT DATE TO BE DETERMINED LATER

LAM SOOK CHING
SECRETARY
MAICSA 7006942

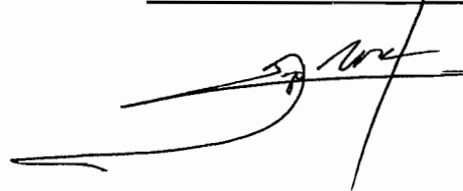
- 2 -

THAT the new SGB Shares to be issued arising from the conversion of the ICPS and/or exercise of the Warrants shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing SGB Shares, save and except that the new SGB Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the new SGB Shares arising from the conversion of the ICPS and/or exercise of the Warrants.


AND THAT the Board be and is hereby authorised to take all such necessary steps to give full effect to the Proposed Rights Issue of ICPS with Warrants with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue of ICPS with Warrants.

Dated this - 8 MAR 2016

CERTIFIED TRUE COPY



KUAN POH HUAT
Director



LIM YOON LOY
Director

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated on 3 February 2000 under the Act as a public limited company under the name of APP Industries Berhad. On 6 August 2003, our Company was listed on the then Second Board of Bursa Securities and is currently listed on the Main Market of Bursa Securities. On 29 June 2011, our Company changed its name from APP Industries Berhad to PFCE Berhad. On 6 December 2014, our Company changed its name from PFCE Berhad to Spring Gallery Berhad.

Our Group is principally involved in the business of investment holding, manufacturing and trading of ceramic wares, marketing of pottery and porcelain products, ceramic wares and ornaments as well as retail, trading and wholesale of all kinds of clay products such as pottery, ceramics and porcelain products. Our Group is also involved in property construction and related businesses.

Further details of the principal activities of our subsidiary companies are set out in Section 6 of this Appendix.

2. SHARE CAPITAL

Our authorised and issued and paid-up share capital as at 1 March 2016 are as follows:

Type	No. of SGB Shares/ ICPS	Par value RM	Total RM
Authorised share capital			
- SGB Shares	1,000,000,000	0.50	500,000,000
- ICPS	1,000,000,000	0.05	50,000,000
			<u>550,000,000</u>
Issued and paid-up share capital			
- SGB Shares	104,500,000	0.50	52,250,000
- ICPS	-	0.05	-
			<u>52,250,000</u>

The changes in our issued and paid-up share capital for the past three (3) years up to the LPD are as follows:

Date of allotment	No. of Shares allotted	Par value (RM)	Description	Cumulative issued and paid- up share capital (RM)
27 April 2015	9,500,000	0.50	Cash (from private placement)	104,500,000

3. BOARD OF DIRECTORS

Please refer to the Corporate Directory on page 1 of this AP for details of the members of our Board.

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INFORMATION ON OUR COMPANY (CONT'D)
4. DIRECTORS' SHAREHOLDINGS

The pro forma effects of the Rights Issue of ICPS with Warrants on the shareholdings of our Directors based on our Record of Depositors as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD				(I) Assuming full conversion of ICPS*				(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Lim Chaing Cheah	-	-	-	-	-	-	-	-	-	-	-	-
Lim Yoon Loy	-	-	32,300,000 ⁽¹⁾	30.91	-	-	48,450,000	40.16	-	-	64,600,000	47.22
Kuan Poh Huat	9,500,000	9.09	-	-	9,500,000	7.87	-	-	9,500,000	6.94	-	-
Tang Nai Soon	-	-	-	-	-	-	-	-	-	-	-	-
Amirul Azhar Bin Baharom	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

* Assuming the Conversion Ratio of ten (10) ICPS into one (1) new SGB Share.

(1) Deemed interested under Section 6A of the Act by virtue of his direct interest in Greenfield.

INFORMATION ON OUR COMPANY (CONT'D)

Maximum Scenario

Name	As at the LPD				(I) Assuming full conversion of ICPS*				(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Lim Chaing Cheah	-	-	-	-	-	-	-	-	-	-	-	-
Lim Yoon Loy	-	-	32,300,000 ⁽¹⁾	30.91	-	-	193,800,000	30.91	-	-	209,950,000	30.91
Kuan Poh Huat	9,500,000	9.09	-	-	57,000,000	9.09	-	-	61,750,000	9.09	-	-
Tang Nai Soon	-	-	-	-	-	-	-	-	-	-	-	-
Amirul Azhar Bin Baharom	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

* Assuming the Conversion Ratio of one (1) ICPS and RM0.54 cash into one (1) new SGB Share.

(1) Deemed interested under Section 6A of the Act by virtue of his direct interest in Greenfield.

INFORMATION ON OUR COMPANY (CONT'D)**5. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

The pro forma effects of the Rights Issue of ICPS with Warrants on the shareholding of our substantial shareholders based on our Record of Depositors as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD			(I) Assuming full conversion of ICPS*			(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of SGB Shares	%	No. of SGB Shares	No. of SGB Shares	%	No. of SGB Shares	No. of SGB Shares	%	No. of SGB Shares	%
Greenfield	32,300,000	30.91	-	48,450,000	40.16 [^]	-	64,600,000	47.22 [^]	-	-
Kuan Poh Huat	9,500,000	9.09	-	9,500,000	7.87	-	9,500,000	6.94	-	-
Innofarm Sdn Bhd	17,461,900	16.71	-	17,461,900	14.47	-	17,461,900	12.76	-	-

Notes:

* Assuming the Conversion Ratio of ten (10) ICPS into one (1) new SGB Share.

[^] The subscription of the ICPS by the Undertaking Shareholder based on its Undertaking dated 30 November 2015, will not give rise to any mandatory general offer obligations pursuant to the Code.

However, if Greenfield converts its ICPS and/or Warrants into new SGB Shares to the extent of increasing its aggregate shareholding in SGB to more than thirty-three percent (33%), Greenfield will be obliged under Part III of the Code to undertake a mandatory general offer for all the remaining SGB Shares and convertible securities not already held by Greenfield after the conversion of the ICPS. Greenfield does not intend to trigger such an obligation and has given its confirmation to observe and comply at all times with the provisions of the Code.

INFORMATION ON OUR COMPANY (CONT'D)

Maximum Scenario

Name	As at the LPD				(I) Assuming full conversion of ICPS*				(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%	No. of SGB Shares	%
Greenfield	32,300,000	30.91	-	-	193,800,000	30.91	-	-	209,950,000	30.91	-	-
Kuan Poh Huat	9,500,000	9.09	-	-	57,000,000	9.09	-	-	61,750,000	9.09	-	-
Innofarm Sdn Bhd	17,461,900	16.71	-	-	104,771,400	16.71	-	-	113,502,350	16.71	-	-

Notes:

* Assuming the Conversion Ratio of one (1) ICPS and RM0.54 cash into one (1) new SGB Share.

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INFORMATION ON OUR COMPANY (CONT'D)

6. SUBSIDIARY AND ASSOCIATED COMPANIES

The details of our subsidiary companies as at the LPD are as follows:

Company	Date and place of incorporation	Principal activities	Issued and paid-up share capital (RM)	Effective equity interest (%)
Asian Pottery Manufactures Sdn Bhd	20 June 1980, Malaysia	Dormant	800,002	100
Oriwina Sdn Bhd	23 April 1996, Malaysia	Manufacturing and trading of ceramic wares	850,000	100
Asian Pottery (Penang) Sdn Bhd	29 August 1978, Malaysia	Marketing of pottery and porcelain products, ceramic wares and ornaments	1,300,002	100
Asian Earthenware Sdn Bhd	7 May 1990, Malaysia	Dormant	500,002	100
Asian Porcelain Sdn Bhd	23 September 1985, Malaysia	Dormant	1,500,000	100
Metro Craft Sdn Bhd	16 April 1996, Malaysia	Dormant	2	100
Asian Pottery Home & Garden Sdn Bhd	4 May 1996, Malaysia	Retail, trading and wholesale of all kinds of clay products such as pottery, ceramics and porcelain products	150,000	100
Asiarise Holdings Sdn Bhd	2 May 1996, Malaysia	Dormant	350,000	100
APPI Sdn Bhd	23 September 2011, Malaysia	Dormant	2	100
Guangxi Asian Pottery co. Ltd	23 February 2006, The People's Republic of China	Dormant	3,676,604	100
Sunmark Point Sdn Bhd	28 May 2014, Malaysia	Investment holding	2	100
PSSB	7 May 2015, Malaysia	Construction	2,000,000	100
Million Rich Resources Sdn Bhd	10 August 2015, Malaysia	Dormant	50,000	100

We do not have any associated companies as at the LPD.

INFORMATION ON OUR COMPANY (CONT'D)

7. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements for the FYE 31 December 2012 ("FYE 2012"), eighteen (18)-month FPE 30 June 2014 ("FPE 2014"), and FYE 30 June 2015 ("FYE 2015"), as well as for the six (6)-month FPE 31 December 2014 and six (6)-month FPE 31 December 2015, are summarised as follows:

	← Unaudited →		← Audited →		
	Six (6)-month FPE 31 December 2015 (RM'000)	Six (6)-month FPE 31 December 2014 (RM'000)	FYE 2015 (RM'000)	FPE 2014* (RM'000)	FYE 2012 (RM'000)
Continuing operations:					
Revenue ⁽¹⁾	14,032	10,170	22,988	27,885	11,834
GP	4,202	4,149	8,924	10,392	3,651
Other income	906	793	2,805	988	496
Administrative expenses	(2,991)	(2,615)	(5,796)	(8,786)	(4,871)
Selling and distribution expenses	(419)	(662)	(2,781)	(1,786)	(1,019)
Other expenses	(1)	(122)	(4,440)	(7,535)	(401)
Profit / (Loss) from operations	1,697	1,543	(1,288)	(6,727)	(2,144)
Finance costs	(32)	(6)	(18)	(108)	(74)
PBT / (LBT)	1,665	1,537	(1,306)	(6,835)	(2,218)
Taxation	(571)	-	(57)	179	(190)
Profit / (Loss) from continuing operations	1,094	1,537	(1,363)	(6,656)	(2,408)
Loss from discontinued operations	-	-	-	(19,848)	3,748
PAT / (LAT)	1,094	1,537	(1,363)	(26,504)	1,340
PAT / (LAT) attributable to:					
Equity holders of our Company	1,094	1,537	(1,363)	(11,348)	28
Non-controlling interests	-	-	-	(15,156)	1,312
PAT / (LAT)	1,094	1,537	(1,363)	(26,504)	1,340
EBITDA / (LBITDA)	2,088	2,064	(11)	(24,441)	4,393
Weighted average number of Shares in issue ('000)	104,500	95,000	96,640	95,000	89,750
Basic EPS / (LPS) ⁽²⁾ (sen):					
- from continuing operations	1.05	1.62	(1.41)	(7.01)	(2.68)
- from discontinued operations	-	-	-	(4.94)	2.71
Diluted EPS / (LPS) (sen):					
- from continuing operations	N/A	N/A	N/A	N/A	N/A
- from discontinued operations	N/A	N/A	N/A	N/A	N/A
GP margin (%)	29.95	40.80	38.82	37.27	30.85
PBT / (LBT) margin (%)	11.87	15.11	(5.68)	(24.51)	(18.74)

INFORMATION ON OUR COMPANY (CONT'D)

	← Unaudited →		← Audited →		
	Six (6)-month FPE 31 December 2015 (RM'000)	Six (6)-month FPE 31 December 2014 (RM'000)	FYE 2015 (RM'000)	FPE 2014* (RM'000)	FYE 2012 (RM'000)
PAT / (LAT) margin (%)	7.80	15.11	(5.93)	(23.87)^	(20.35)^
Dividend (sen)	-	-	-	-	-

Notes:

N/A Not applicable

* On 9 January 2014, our Company announced the change of our financial year end from 31 December to 30 June. The first set of financial statements reflecting the change was made up from 1 January 2013 to 30 June 2014, covering a period of 18 months. Following the change in the year end, there are no comparative figures for preceding year presented.

^ Computed based on loss after tax from continuing operations over revenue.

(1) Revenue consists of the following:

	FYE 2012	FPE 2014	FYE 2015	Six (6)-month FPE 31 December	
				2014	2015
	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations					
- Sale of goods	11,834	27,663	22,988	10,170	7,676
- Rendering of services	-	222	-	-	-
- Managing contractor	-	-	-	-	6,356
Discontinued operations					
- Contract revenue	123,552	197	-	-	-
Total	135,386	28,082	22,988	10,170	14,032

Source: Annual reports and quarterly report for the respective financial years/period.

	FYE 2012	FPE 2014	FYE 2015	Six (6)-month FPE 31 December	
				2014	2015
	RM'000	RM'000	RM'000	RM'000	RM'000
Export	9,840	24,171	21,640	9,407	7,222
Local	125,546	3,911	1,348	763	6,810
Total	135,386	28,082	22,988	10,170	14,032

(2) Being the PAT/(LAT) attributable to owners of our Company divided by weighted average number of Shares in issue for the financial periods/years under review.

(i) **Eighteen (18)-month FPE 2014 vs FYE 2012**

Our Group's revenue decreased by RM107.30 million or 79.26% from RM135.39 million in FYE 2012 to RM28.08 million in the eighteen (18)-month FPE 2014 (the annualised revenue for the eighteen (18)-month FPE 2014 was RM18.72 million). The decrease in revenue was mainly due to the completion of the oil and gas project undertaken by a 65% owned subsidiary of SGB namely PFCE Offshore Worldwide Sdn Bhd ("POW") in early 2013 (which in turn became non-active). POW has since been disposed off, in line with the overall objective of our Group to streamline our operations by disposing of non-active assets, as announced on 6 May 2014 and 8 May 2014.

INFORMATION ON OUR COMPANY (CONT'D)

Our Group's GP and GP margin from continuing operations increased from approximately RM3.65 million and 30.85% in FYE 2012 to approximately RM10.39 million and 37.27% in the eighteen (18)-month FPE 2014, respectively. The increase in GP margin is mainly due to higher economies of scale achieved through higher volume of export sales of ceramics products.

Our Group recorded other income from continuing operations for the eighteen (18)-month FPE 2014 of approximately RM0.99 million compared to the FYE 2012 of approximately RM0.50 million. The other income comprised mainly of gain on foreign exchange.

As a result, our Group reported a LAT of RM26.50 million in the eighteen (18)-month FPE 2014 compared to the PAT of RM1.34 million in FYE 2012 (the annualised loss for the eighteen (18)-month FPE 2014 was RM17.67 million). The loss was also mainly due to a general impairment of RM22.28 million made for a long outstanding oil and gas debtor being PFC Engineering Sdn Bhd.

(ii) FYE 2015 vs. Eighteen (18)-month FPE 2014

Our Group's revenue decreased by RM5.09 million or 18.14% from RM28.08 million in the eighteen (18)-month FPE 2014 to RM22.99 million in the FYE 2015 (the annualised revenue for the eighteen (18)-month FPE 2014 was RM18.72 million) due to the additional six (6) months of revenue recorded in the eighteen (18)-month FPE 2014. Our Group's revenue for FYE 2015 was RM4.27 million higher than the annualised revenue for the eighteen (18)-month FPE 2014 due to the increase in export sales of RM5.53 million, from RM16.11 million for the annualised eighteen (18)-month FPE 2014 to RM21.64 million for the FYE 2015. Local sales for the annualised eighteen (18)-month FPE 2014 and FYE 2015 were RM2.61 million and RM1.35 million, respectively.

Our Group's GP decreased from approximately RM10.39 million in eighteen (18)-month FPE 2014 to approximately RM8.92 million. The decrease is due to the additional six (6) months of revenue recorded in the eighteen (18)-month FPE 2014 which resulted in a higher GP in the eighteen (18)-month FPE 2014. GP margin did not vary significantly from 37.27% in the eighteen (18)-month FPE 2014 to 38.82% in the FYE 2015.

Our Group recorded other income for the FYE 2015 of approximately RM2.81 million compared to the eighteen (18)-month FPE 2014 of approximately RM0.99 million. The other income comprised mainly of gain on foreign exchange.

Our Group's LAT decreased by RM25.14 million from RM26.50 million for the eighteen (18)-months FPE 2014 to RM1.36 million for the FYE 2015 (the annualised LAT for the eighteen (18)-months FPE 2014 was RM17.67 million). The decrease in LAT was mainly due to:

- (a) no impairment loss on amount owing by a related party in FYE 2015 as opposed to RM22.28 million in the eighteen (18)-months FPE 2014; and
- (b) no impairment loss on goodwill in the FYE 2015 as opposed to RM2.58 million in the eighteen (18)-months FPE 2014.

(iii) Six (6)-month FPE 31 December 2015 vs. Six (6)-month FPE 31 December 2014

Our Group's revenue increased by RM3.86 million or 37.97% from RM10.17 million in the six (6)-month FPE 31 December 2014 to RM14.03 million in the six (6)-month FPE 31 December 2015. The increase in revenue is mainly due to revenue received from progress billing of Southern City Project – Phase 1B amounting to approximately RM6.36 million which was reduced by the decrease in sales of ceramics products by approximately RM2.49 million.

INFORMATION ON OUR COMPANY (CONT'D)

Despite the significant increase in revenue, our Group recorded only a slight increase in GP from approximately RM4.15 million in six (6)-month FPE 31 December 2014 to approximately RM4.20 million in the six (6)-month FPE 31 December 2015. GP margin decreased significantly from 40.80% in the six (6)-month FPE 31 December 2014 to 29.95% in the six (6)-month FPE 31 December 2015. The decrease was mainly due to lower GP margin from the construction project (i.e., Southern City Project – Phase 1B) as compared to the GP margin from the retail, trading and wholesale of clay products.

Our Group recorded other income for the six (6)-month FPE 31 December 2014 of approximately RM0.79 million compared to the six (6)-month FPE 31 December 2015 of approximately RM0.91 million. The other income comprised mainly of gain on foreign exchange.

Our Group's PAT decreased by RM0.44 million from RM1.54 million for the six (6)-month FPE 31 December 2014 to RM1.09 million for the six (6)-month FPE 31 December 2015. The decrease in PAT was mainly due to tax expenses amounting to RM0.57 million for the six (6)-month FPE 31 December 2015. There were no tax expenses for the six (6)-month FPE 31 December 2014 as our Group has unutilised tax losses for that period.

8. HISTORICAL PRICES OF SGB SHARES

The monthly highest and lowest transacted market prices of SGB Shares for the past twelve (12) months are as follows:

	Highest (RM)	Lowest (RM)
2015		
March	0.605	0.380
April	0.610	0.510
May	0.685	0.520
June	0.700	0.565
July	0.690	0.640
August	0.680	0.595
September	0.645	0.600
October	0.695	0.620
November	0.735	0.640
December	0.690	0.660
2016		
January	0.670	0.600
February	0.630	0.605

The last transacted market price of SGB Shares on 27 November 2015 (being the last trading date prior to the Announcement) was RM0.665.

The last transacted market price of SGB Shares on 26 February 2016 (being the LPD) was RM0.635.

The last transacted market price of SGB Shares on 16 March 2016 (being the last day on which SGB Shares were traded prior to the ex-date of the Rights Issue of ICPS with Warrants) was RM0.645.

(Source: Bloomberg Finance L.P.)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON



Crowe Horwath AF 1018
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Our Ref: AUD/CSU1/CTW/CLPC

7 March 2016

The Board of Directors
SPRING GALLERY BERHAD
9.01, 9th Floor, Persoft Tower
6B, Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya
Selangor

Strictly Private and Confidential

Dear Sir/Madam,

**SPRING GALLERY BERHAD ("SGB")
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of SGB and its subsidiaries (the "SGB Group") as at 30 June 2015 together with the accompanying notes thereto, (which we have stamped for the purpose of identification), which have been prepared by the Board of Directors for illustrative purposes, in relation to the 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 ("Rights Issue of ICPS with Warrants").

The Pro Forma Consolidated Statements of Financial Position are compiled by the Board of Directors to illustrate the impact of the event or transaction on the basis set out on Note 1 of the Pro Forma Consolidated Statements of Financial Position.

As part of this process, information about the financial position has been extracted by the Board of Directors from the relevant financial statements for the financial year ended 30 June 2015, on which audit reports have been published.

DIRECTORS' RESPONSIBILITIES FOR THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out on Note 1 of the Pro Forma Consolidated Statements of Financial Position.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)



OUR RESPONSIBILITIES

Our responsibility is to express an opinion as required by Bursa Malaysia Securities Berhad, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material aspects, by the Board of Directors of SGB on the basis of the applicable criteria.

We conducted our work in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors have compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the Pro Forma Consolidated Statements of Financial Position is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of the Company in the compilation of Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- (i) the related pro forma adjustments give appropriate effect to those criteria; and
- (ii) the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of SGB, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS
AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER
THEREON (CONT'D)**



OUR RESPONSIBILITIES (CONT'D)

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis of our opinion.

OPINION

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been properly compiled, in all material respects, on the basis of the applicable criteria.

OTHER MATTERS

We understand that this letter is issued for the sole purpose of inclusion in the Abridged Prospectus to Shareholders in connection with the Corporate Exercise. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A handwritten signature in black ink, appearing to be the initials "CH".

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be "Chong Tuck Wai".

Chong Tuck Wai
Approval No: 3023/03/17 (J)
Chartered Accountant

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)

	Note	Audited as at 30.6.2015 RM	Initiated For Identification Purposes Only		
			Pro Forma I Rights Issue of ICPS with Warrants RM	Pro Forma II After Pro Forma I and full conversion of ICPS RM	Pro Forma III After Pro Forma II and full exercise of Warrants RM
ASSETS					
NON-CURRENT ASSET					
Property, plant and equipment		24,952,480	24,952,480	24,952,480	24,952,480
CURRENT ASSETS					
Inventories		1,608,572	1,608,572	1,608,572	1,608,572
Trade receivables		2,767,966	2,767,966	2,767,966	2,767,966
Other receivables, deposits and prepayments		1,892,788	1,892,788	1,892,788	1,892,788
Amount owing by a related party		7,374	7,374	7,374	7,374
Tax recoverable		29,000	29,000	29,000	29,000
Fixed deposits with licensed banks		1,508,158	1,508,158	1,508,158	1,508,158
Cash and bank balances	2	10,141,455	19,161,455	19,161,455	28,851,455
		17,955,313	26,975,313	26,975,313	36,665,313
TOTAL ASSETS		42,907,793	51,927,793	51,927,793	61,617,793

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)

SPRING GALLERY BERHAD ("SGB")
 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2015 (CONT'D)
 MINIMUM SCENARIO (CONT'D)

	Note	Audited as at 30.6.2015 RM	Pro Forma I Rights Issue of ICPS with Warrants RM	Pro Forma II After Pro Forma I and full conversion of ICPS RM	Pro Forma III After Pro Forma II and full exercise of Warrants RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	3	52,250,000	52,250,000	60,325,000	68,400,000
Warrants reserve	4	-	274,550	274,550	-
Share premium	5	12,499,956	13,170,406	13,170,406	15,059,956
Foreign exchange translation reserve		216,828	216,828	216,828	216,828
Irredeemable convertible preference share ("ICPS")	6	-	8,075,000	-	-
Accumulated losses		(29,099,896)	(29,099,896)	(29,099,896)	(29,099,896)
TOTAL EQUITY		35,866,888	44,886,888	44,886,888	54,576,888
NON-CURRENT LIABILITIES					
Hire purchase payables		509,893	509,893	509,893	509,893
Deferred tax liabilities		2,604,133	2,604,133	2,604,133	2,604,133
		3,114,026	3,114,026	3,114,026	3,114,026

Initiated For Identification Purposes Only



Crowe Horwath

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)

SPRING GALLERY BERHAD ("SGB")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)

MINIMUM SCENARIO (CONT'D)

	Note	Audited as at 30.6.2015 RM	Pro Forma I			Pro Forma II			Pro Forma III			
			Rights Issue of ICPS with Warrants RM	After Pro Forma I and full conversion of ICPS RM	After Pro Forma II and full exercise of Warrants RM	After Pro Forma I and full conversion of ICPS RM	After Pro Forma II and full exercise of Warrants RM	After Pro Forma III and full exercise of Warrants RM				
CURRENT LIABILITIES												
Trade payables		1,009,620	1,009,620	1,009,620	1,009,620	1,009,620	1,009,620	1,009,620	1,009,620	1,009,620	1,009,620	1,009,620
Other payables and accruals		2,721,305	2,721,305	2,721,305	2,721,305	2,721,305	2,721,305	2,721,305	2,721,305	2,721,305	2,721,305	2,721,305
Hire purchase payables		152,934	152,934	152,934	152,934	152,934	152,934	152,934	152,934	152,934	152,934	152,934
Provision for taxation		43,020	43,020	43,020	43,020	43,020	43,020	43,020	43,020	43,020	43,020	43,020
		<u>3,926,879</u>	<u>3,926,879</u>	<u>3,926,879</u>	<u>3,926,879</u>	<u>3,926,879</u>	<u>3,926,879</u>	<u>3,926,879</u>	<u>3,926,879</u>	<u>3,926,879</u>	<u>3,926,879</u>	<u>3,926,879</u>
TOTAL LIABILITIES		<u>7,040,905</u>	<u>7,040,905</u>	<u>7,040,905</u>	<u>7,040,905</u>	<u>7,040,905</u>	<u>7,040,905</u>	<u>7,040,905</u>	<u>7,040,905</u>	<u>7,040,905</u>	<u>7,040,905</u>	<u>7,040,905</u>
TOTAL EQUITY AND LIABILITIES		<u>42,907,793</u>	<u>51,927,793</u>	<u>51,927,793</u>	<u>51,927,793</u>	<u>51,927,793</u>	<u>51,927,793</u>	<u>51,927,793</u>	<u>51,927,793</u>	<u>51,927,793</u>	<u>51,927,793</u>	<u>61,617,793</u>
Number of SGB shares		104,500,000	104,500,000	104,500,000	120,650,000	120,650,000	120,650,000	120,650,000	120,650,000	120,650,000	120,650,000	136,800,000
Net assets per share (RM)		0.34	0.43	0.43	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.40
Total interest-bearing borrowings		662,827	662,827	662,827	662,827	662,827	662,827	662,827	662,827	662,827	662,827	662,827
Gearing (times)		0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)

SPRING GALLERY BERHAD ("SGB")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)


MAXIMUM SCENARIO

	Note	Audited as at 30.6.2015 RM			
			Pro Forma I Rights Issue of ICPS with Warrants RM	Pro Forma II After Pro Forma I and full conversion of ICPS RM	Pro Forma III After Pro Forma II and full exercise of Warrants RM
ASSETS					
NON-CURRENT ASSET					
Property, plant and equipment		24,952,480	24,952,480	24,952,480	24,952,480
CURRENT ASSETS					
Inventories		1,608,572	1,608,572	1,608,572	1,608,572
Trade receivables		2,767,966	2,767,966	2,767,966	2,767,966
Other receivables, deposits and prepayments		1,892,788	1,892,788	1,892,788	1,892,788
Amount owing by a related party		7,374	7,374	7,374	7,374
Tax recoverable		29,000	29,000	29,000	29,000
Fixed deposits with licensed banks		1,508,158	1,508,158	1,508,158	1,508,158
Cash and bank balances	2	10,141,455	40,821,455	322,971,455	354,321,455
		17,955,313	48,635,313	330,785,313	362,135,313
TOTAL ASSETS		42,907,793	73,587,793	355,737,793	387,087,793

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)

SPRING GALLERY BERHAD ("SGB")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)

MAXIMUM SCENARIO (CONT'D)

				
		Pro Forma I	Pro Forma II	Pro Forma III
		Rights Issue of ICPS with Warrants	After Pro Forma I and full conversion of ICPS	After Pro Forma II and full exercise of Warrants
	Audited as at 30.6.2015	RM	RM	RM
Note				
EQUITY AND LIABILITIES				
EQUITY				
Share capital	3	52,250,000	313,500,000	339,625,000
Warrants reserve	4	-	888,250	-
Share premium	5	12,499,956	63,191,706	69,304,956
Foreign exchange translation reserve		216,828	216,828	216,828
Irredeemable convertible preference share ("ICPS")	6	-	-	-
Accumulated losses		(29,099,896)	(29,099,896)	(29,099,896)
TOTAL EQUITY		35,866,888	348,696,888	380,046,888
NON-CURRENT LIABILITIES				
Hire purchase payables		509,893	509,893	509,893
Deferred tax liabilities		2,604,133	2,604,133	2,604,133
		3,114,026	3,114,026	3,114,026

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)

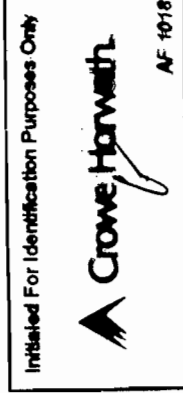
SPRING GALLERY BERHAD ("SGB")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)

MAXIMUM SCENARIO (CONT'D)

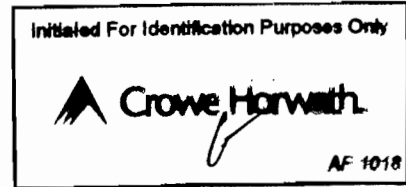
	Note	Audited as at 30.6.2015 RM	Pro Forma I Rights Issue of ICPS with Warrants RM	Pro Forma II After Pro Forma I and full conversion of ICPS RM	Pro Forma III After Pro Forma II and full exercise of Warrants RM
CURRENT LIABILITIES					
Trade payables		1,009,620	1,009,620	1,009,620	1,009,620
Other payables and accruals		2,721,305	2,721,305	2,721,305	2,721,305
Hire purchase payables		152,934	152,934	152,934	152,934
Provision for taxation		43,020	43,020	43,020	43,020
TOTAL LIABILITIES		3,926,879	3,926,879	3,926,879	3,926,879
TOTAL EQUITY AND LIABILITIES		42,907,793	73,587,793	355,737,793	387,087,793
Number of SGB shares		104,500,000	104,500,000	627,000,000	679,250,000
Net assets per share (RM)		0.34	0.64	0.56	0.56
Total interest-bearing borrowings		662,827	662,827	662,827	662,827
Gearing (times)		0.02	0.01	Neg	Neg

Note:

Neg - Negligible



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)



**SPRING GALLERY BERHAD ("SGB")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

1. Basis Of Preparation

1.1 Pro Forma Consolidated Statements of Financial Position

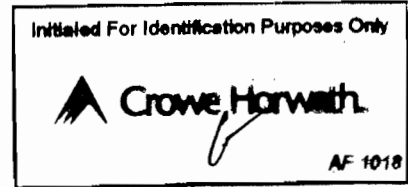
The Pro Forma Consolidated Statements of Financial Position of SGB have been prepared based on the audited Consolidated Statements of Financial Position of SGB as at 30 June 2015. The Pro Forma Consolidated Statements of Financial Position have been prepared solely for illustrative purposes, to show the effects of the 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 ("Rights Issue of ICPS with Warrants");

The financial statements used in the preparation of the Pro Forma Consolidated Statements of Financial Position have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards in Malaysia and the auditors' report on the said financial statements was not qualified.

The Pro Forma Consolidated Statements of Financial Position have been prepared based on the accounting policies and bases consistent with those adopted by SGB in the preparation of its audited consolidated financial statements.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)



**SPRING GALLERY BERHAD ("SGB")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)**

1. Basis Of Preparation (Cont'd)

1.2. Minimum Scenario

1.2(a) Pro Forma I – Rights Issue of ICPS with Warrants

Pro Forma I incorporates the effects of the renounceable rights issue of 161,500,000 ICPS at an issue price of RM0.06 per ICPS together with 16,150,000 Warrants on the basis of one (1) Warrant for every ten (10) ICPS subscribed to raise gross proceeds of RM9,690,000. It also incorporates the effects of the estimated expenses of RM670,000 in relation to the Rights Issue of ICPS with Warrants.

The proceeds arising from the Rights Issue of ICPS with Warrants will be utilised in the following manner:-

	Amount RM'000
Construction Project:	
- Southern City Project - Phase 1B	* 2,750
- Southern City Project - Phase 2	* 4,270
Working capital	* 2,000
Estimated expenses in relation to the Corporate Exercise	670
Total estimated proceeds	<u>9,690</u>

* For illustrative purpose, the proceeds are included in cash and bank balances.

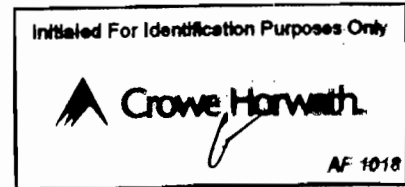
1.2(b) Pro Forma II – Full conversion of ICPS

Pro Forma II incorporates the effects of Pro Forma I and assumes that 161,500,000 ICPS at the issue price of RM0.06 per ICPS are fully converted into 16,150,000 SGB Shares at the conversion ratio of ten (10) ICPS into one (1) new SGB Share without additional consideration by the ICPS holders.

1.2(c) Pro Forma III – Full exercise of Warrants

Pro Forma III incorporates the effects of Pro Forma II and assumes that all 16,150,000 Warrants are fully exercised into 16,150,000 SGB Shares at the exercise price of RM0.60 per Share.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)



SPRING GALLERY BERHAD ("SGB")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)

1. Basis Of Preparation (Cont'd)

1.3. Maximum Scenario

1.3(a) Pro Forma I – Rights Issue of ICPS with Warrants

Pro Forma I incorporates the effects of the renounceable rights issue of 522,500,000 ICPS at an issue price of RM0.06 per ICPS on the basis of five (5) ICPS for every one (1) existing SGB Share held, together with 52,250,000 Warrants on the basis of one (1) Warrant for every ten (10) ICPS subscribed to raise gross proceeds of RM31,350,000. It also incorporates the effects of the estimated expenses of RM670,000 in relation to the Rights Issue of ICPS with Warrants.

The proceeds arising from the Rights Issue of ICPS with Warrants will be utilised in the following manner:-

	Amount
	RM'000
Construction Project:	
- Southern City Project - Phase 1B	* 4,000
- Southern City Project - Phase 2	* 23,680
Working capital	* 3,000
Estimated expenses in relation to the Corporate Exercise	670
Total estimated proceeds	<u>31,350</u>

* For illustrative purposes, the proceeds are included in cash and bank balances.

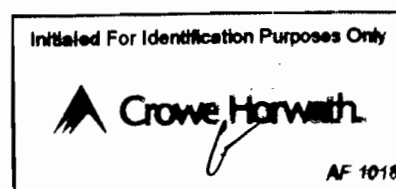
1.3(b) Pro Forma II – Full conversion of ICPS

Pro Forma II incorporates the effects of Pro Forma I and assumes that 522,500,000 ICPS are fully converted into 522,500,000 SGB Shares at the conversion ratio of one (1) ICPS and RM0.54 in cash for one (1) new SGB Share.

1.3(c) Pro Forma III – Full exercise of Warrants

Pro Forma III incorporates the effects of Pro Forma II and assumes that 52,250,000 Warrants are fully exercised into 52,250,000 SGB Shares at the exercise price of RM0.60 per Share.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)



SPRING GALLERY BERHAD ("SGB")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)

2. Cash and bank balances

The movements in the cash and bank balances of SGB are as follows:

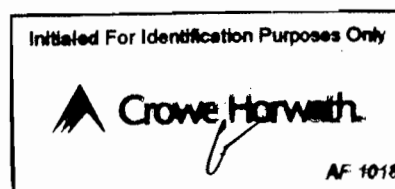
Minimum Scenario

	Amount RM
Audited as at 30 June 2015	10,141,455
Proceeds from the Rights Issue of ICPS with Warrants	9,690,000
Estimated expenses relating to the Corporate Exercise	(670,000)
As per Pro Forma I/II	19,161,455
Proceeds from the full exercise of Warrants	9,690,000
As per Pro Forma III	28,851,455

Maximum Scenario

	Amount RM
Audited as at 30 June 2015	10,141,455
Proceeds from the Rights Issue of ICPS with Warrants	31,350,000
Estimated expenses relating to the Corporate Exercise	(670,000)
As per Pro Forma I	40,821,455
Proceeds from the full conversion of ICPS	282,150,000
As per Pro Forma II	322,971,455
Proceeds from the exercise of Warrants	31,350,000
As per Pro Forma III	354,321,455

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)



SPRING GALLERY BERHAD ("SGB")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)

3. Share Capital

The movements in the issued and paid-up share capital of SGB are as follows:

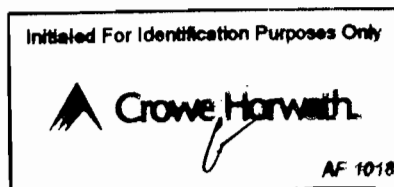
Minimum Scenario

	Number of Ordinary Shares	Amount RM
Audited as at 30 June 2015/As per Pro Forma I	104,500,000	52,250,000
Full conversion of ICPS	16,150,000	8,075,000
As per Pro Forma II	120,650,000	60,325,000
Full exercise of Warrants	16,150,000	8,075,000
As per Pro Forma III	136,800,000	68,400,000

Maximum Scenario

	Number of Ordinary Shares	Amount RM
Audited as at 30 June 2015/As per Pro Forma I	104,500,000	52,250,000
Full conversion of ICPS	522,500,000	261,250,000
As per Pro Forma II	627,000,000	313,500,000
Full exercise of Warrants	52,250,000	26,125,000
As per Pro Forma III	679,250,000	339,625,000

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)



SPRING GALLERY BERHAD ("SGB")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)

4. Warrants Reserve

Minimum Scenario

	Number of Warrants	Amount RM
Audited as at 30 June 2015 Arising from Rights Issue of ICPS with Warrants	-	-
	16,150,000	274,550
As per Pro Forma I/II Full exercise of Warrants	16,150,000 (16,150,000)	274,550 (274,550)
As per Pro Forma III	-	-

Maximum Scenario

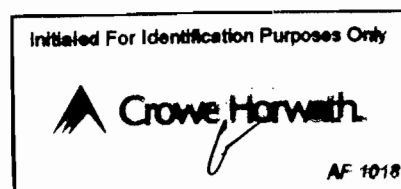
	Number of Warrants	Amount RM
Audited as at 30 June 2015 Arising from Rights Issue of ICPS with Warrants	-	-
	52,250,000	888,250
As per Pro Forma I/II Full exercise of Warrants	52,250,000 (52,250,000)	888,250 (888,250)
As per Pro Forma III	-	-

The allocated fair value of Warrants that is credited to a warrants reserve is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of Warrants.

The value of the Warrants is based on the relative fair values of the ordinary shares by reference to the critical assumptions comprising:-

Theoretical ex-rights price of SGB Share	: RM0.6257
Exercise price	: RM0.60
Assumed expiry date	: 25 February 2021
Volatility	: Historical volatility of last past 180 days prior to 26 February 2016 was 34.651%
Dividend	: Nil

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)



SPRING GALLERY BERHAD ("SGB")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)

5. Share Premium

Minimum Scenario

	Amount RM
Audited as at 30 June 2015	12,499,956
Arising from issuance of ICPS	1,615,000
Arising from Warrants reserve	(274,550)
Estimated expenses relating to the Corporate Exercise*	(670,000)
	<hr/>
As per Pro Forma I	13,170,406
Full conversion of ICPS	-
	<hr/>
As per Pro Forma II	13,170,406
Full exercise of Warrants	274,550
Issuance of new shares on full exercise of Warrants	1,615,000
	<hr/>
As per Pro Forma III	15,059,956

Maximum Scenario

	Amount RM
Audited as at 30 June 2015	12,499,956
Arising from issuance of ICPS	5,225,000
Arising from Warrants reserve	(888,250)
Estimated expenses relating to the Corporate Exercise *	(670,000)
	<hr/>
As per Pro Forma I	16,166,706
Full conversion of ICPS	47,025,000
	<hr/>
As per Pro Forma II	63,191,706
Full exercise of Warrants	888,250
Issuance of new shares on full exercise of Warrants	5,225,000
	<hr/>
As per Pro Forma III	69,304,956

Note:

* The estimated expenses related to the Corporate Exercise of RM670,000 will be written off against the share premium account under Section 60 of the Companies Act, 1965.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2015 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)

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**SPRING GALLERY BERHAD ("SGB")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)**

6. ICPS

Minimum Scenario

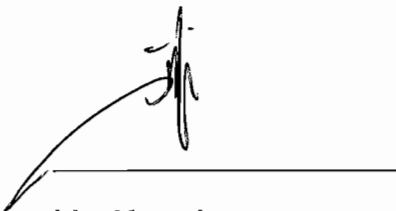
	Number of ICPS	Amount RM
Audited as at 30 June 2015	-	-
Arising from issuance of ICPS	161,500,000	8,075,000
As per Pro Forma I	161,500,000	8,075,000
Full conversion of ICPS	(161,500,000)	(8,075,000)
As per Pro Forma II/III	-	-

Maximum Scenario

	Number of ICPS	Amount RM
Audited as at 30 June 2015	-	-
Arising from issuance of ICPS	522,500,000	26,125,000
As per Pro Forma I	522,500,000	26,125,000
Full conversion of ICPS	(522,500,000)	(26,125,000)
As per Pro Forma II/III	-	-

APPROVAL BY THE BOARD OF DIRECTORS

Approved by the Board of Directors

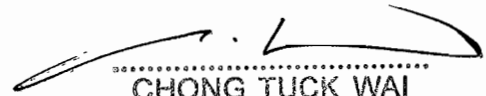


Lim Yoon Loy
Executive Director

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON

ATTESTED COPY

CERTIFIED TRUE COPY



CHONG TUCK WAI
Partner
Crowe Horwath AF 1018
Chartered Accountants

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

FINANCIAL REPORT

for the financial year ended 30 June 2015

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2015.

CHANGE OF NAME

On 6 December 2014, the Company changed its name from PFCE Berhad to Spring Gallery Berhad.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Loss after taxation for the financial year	(1,363,149)	(4,614,832)
Attributable to:- Owners of the Company	(1,363,149)	(4,614,832)

DIVIDENDS

No dividend was paid since the end of the previous financial period and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (*CONT'D*)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

DIRECTORS' REPORT

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) the Company increased its authorised share capital from RM50,000,000 to RM100,000,000 by the creation of 100,000,000 new ordinary shares of RM0.50 each;
- (b) the Company increased its issued and paid-up share capital from RM47,500,000 to RM52,250,000 by the allotment of 9,500,000 new ordinary shares of RM0.50 each at an issue price of RM0.525 per ordinary share via a private placement to eligible investors for a total cash consideration of RM4,987,500 to fund the Group's development project and for the purpose of working capital. The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company; and
- (c) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 36 to the financial statements. At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances 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.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

DIRECTORS' REPORT**DIRECTORS**

The directors who served since the date of the last report are as follows:-

Datuk Lim Chaing Cheah
Ahmad Ruslan Zahari Bin Zakaria
Amirul Azhar Bin Baharom
Kuan Poh Huat (Appointed on 6.5.2015)
Tang Nai Soon (Appointed on 7.5.2015)
Lim Yoon Loy (Appointed on 8.5.2015)
Tee Guan Pian (Resigned on 5.1.2015)
Kamarul Bahrain Bin Mohd Johan (Resigned on 6.5.2015)
Ong Teng Kek (Resigned on 25.5.2015)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	< -----Number Of Ordinary Shares Of RM0.50 Each----- >			
	At 1.7.2014/ Date of Appointment	Bought	Sold	At 30.6.2015
<i>Direct Interest In The Company</i>				
Kuan Poh Huat	9,500,000	-	-	9,500,000
<i>Indirect Interest In The Company</i>				
Lim Yoon Loy [#]	32,300,000	-	-	32,300,000

Deemed interested under Section 6A of the Companies Act 1965 by virtue of his direct interest in Greenfield Hills Sdn. Bhd.

By virtue of their interests in the Company, Lim Yoon Loy is deemed to have interests in shares in its related corporations during the financial year in accordance with Section 6A of the Companies Act 1965 in Malaysia.

The other directors holding office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 33 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 38 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 39 to the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

DIRECTORS' REPORT

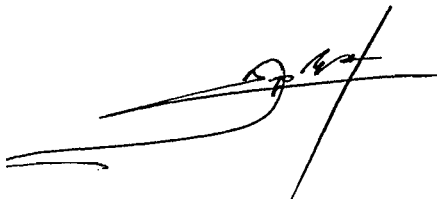
AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 20 OCT 2015



Datuk Lim Chaing Cheah



Kuan Poh Huat

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

STATEMENT BY DIRECTORS

We, Datuk Lim Chaing Cheah and Kuan Poh Huat, being two of the directors of Spring Gallery Berhad (Formerly Known As PFCE Berhad), state that, in the opinion of the directors, the financial statements set out on pages 11 to 85 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 30 June 2015 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 41, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 20 OCT 2015



Datuk Lim Chaing Cheah



Kuan Poh Huat

STATUTORY DECLARATION

I, Datuk Lim Chaing Cheah, I/C No. 500514-07-5263, being the director primarily responsible for the financial management of Spring Gallery Berhad (Formerly Known As PFCE Berhad), do solemnly and sincerely declare that the financial statements set out on pages 11 to 85 are, to the best of my knowledge and belief, 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
Datuk Lim Chaing Cheah, I/C No. 500514-07-5263,
at Kuala Lumpur in the Federal Territory
on this 20 OCT 2015




Datuk Lim Chaing Cheah

Before me

Rabin & Associates
C-12-5
Blok C, Ting. 12 Unit 5
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 012-3008300

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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12 Jalan Yap Kwan Seng
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SPRING GALLERY BERHAD**

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

Report on the Financial Statements

We have audited the financial statements of Spring Gallery Berhad (Formerly Known As PFCE Berhad), which comprise the statements of financial position as at 30 June 2015 of the Group and of the Company, and the statements of profit or 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 85.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SPRING GALLERY BERHAD (CONT'D)**

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of a subsidiary of which we have not acted as auditors, which is indicated in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 41 on page 86 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SPRING GALLERY BERHAD (CONT'D)**

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No : 504718 - U

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be "CH" or similar initials.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

20 OCT 2015

Kuala Lumpur

A handwritten signature in black ink, appearing to be "Chong Tuck Wai".

Chong Tuck Wai
Approval No: 3023/03/17 (J)
Chartered Accountant

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No: 504718 - U

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2015

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	30,442,762	34,419,291
Property, plant and equipment	7	24,952,480	27,968,400	-	-
Prepaid land lease payments	8	-	174,776	-	-
Goodwill	9	-	-	-	-
		24,952,480	28,143,176	30,442,762	34,419,291
CURRENT ASSETS					
Inventories	10	1,608,572	2,588,976	-	-
Trade receivables	11	2,767,966	2,286,835	-	-
Other receivables, deposits and prepayments	12	1,892,788	1,114,324	1,650	61,625
Amount owing by subsidiaries	13	-	-	480,622	703,908
Amount owing by a related party	14	7,374	340,059	-	-
Tax recoverable		29,000	15,400	-	-
Fixed deposits with licensed banks	15	1,508,158	308,158	-	-
Cash and bank balances		10,141,455	4,200,674	4,087,918	3,612
		17,955,313	10,854,426	4,570,190	769,145
TOTAL ASSETS		42,907,793	38,997,602	35,012,952	35,188,436

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No: 504718 - U

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2015 (CONT'D)

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	52,250,000	47,500,000	52,250,000	47,500,000
Share premium		12,499,956	12,360,794	12,499,956	12,360,794
Foreign exchange translation reserve	17	216,828	195,061	-	-
Accumulated losses		(29,099,896)	(27,736,747)	(30,082,096)	(25,467,264)
TOTAL EQUITY		35,866,888	32,319,108	34,667,860	34,393,530
NON-CURRENT LIABILITIES					
Hire purchase payables	18	509,893	83,482	-	-
Deferred tax liabilities	19	2,604,133	2,728,791	-	-
		3,114,026	2,812,273	-	-
CURRENT LIABILITIES					
Trade payables	20	1,009,620	938,745	-	-
Other payables and accruals	21	2,721,305	2,316,682	335,092	355,838
Amount owing to a director	22	-	427,513	-	429,068
Amount owing to a subsidiary	13	-	-	10,000	10,000
Amount owing to a related party	14	-	142,043	-	-
Hire purchase payables	18	152,934	41,238	-	-
Provision for taxation		43,020	-	-	-
		3,926,879	3,866,221	345,092	794,906
TOTAL LIABILITIES		7,040,905	6,678,494	345,092	794,906
TOTAL EQUITY AND LIABILITIES		42,907,793	38,997,602	35,012,952	35,188,436

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No: 504718 - U

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

	Note	The Group		The Company	
		1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
CONTINUING OPERATIONS					
REVENUE	23	22,988,279	27,884,409	-	181,261
COST OF SALES	24	(14,063,957)	(17,492,542)	-	-
GROSS PROFIT		8,924,322	10,391,867	-	181,261
OTHER OPERATING INCOME		2,804,798	987,573	2,111	360
		11,729,120	11,379,440	2,111	181,621
ADMINISTRATIVE EXPENSES		(5,796,392)	(8,786,176)	(371,955)	(1,493,699)
SELLING AND DISTRIBUTION EXPENSES		(2,781,072)	(1,786,041)	-	-
OTHER EXPENSES		(4,439,960)	(7,535,108)	(4,244,988)	(15,913,783)
FINANCE COSTS		(18,205)	(107,508)	-	-
LOSS BEFORE TAXATION	25	(1,306,509)	(6,835,393)	(4,614,832)	(17,225,861)
TAXATION	26	(56,640)	178,894	-	-
LOSS AFTER TAXATION FROM CONTINUING OPERATIONS		(1,363,149)	(6,656,499)	(4,614,832)	(17,225,861)
DISCONTINUED OPERATIONS					
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	27	-	(19,847,591)	-	-
LOSS AFTER TAXATION		(1,363,149)	(26,504,090)	(4,614,832)	(17,225,861)
OTHER COMPREHENSIVE INCOME					
<u>Items that may be reclassified subsequently to profit or loss:-</u>					
Foreign currency translation differences		21,767	111,715	-	-
TOTAL OTHER COMPREHENSIVE INCOME		21,767	111,715	-	-
TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL YEAR/PERIOD		(1,341,382)	(26,392,375)	(4,614,832)	(17,225,861)

The annexed notes form an integral part of these financial statements.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No: 504718 - U

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)**

	Note	The Group		The Company	
		1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
LOSS AFTER TAXATION					
ATTRIBUTABLE TO:-					
Owners of the Company		(1,363,149)	(11,347,785)	(4,614,832)	(17,225,861)
Non-controlling interests		-	(15,156,305)	-	-
		<u>(1,363,149)</u>	<u>(26,504,090)</u>	<u>(4,614,832)</u>	<u>(17,225,861)</u>
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:-					
Owners of the Company		(1,341,382)	(11,236,070)	(4,614,832)	(17,225,861)
Non-controlling interests		-	(15,156,305)	-	-
		<u>(1,341,382)</u>	<u>(26,392,375)</u>	<u>(4,614,832)</u>	<u>(17,225,861)</u>
LOSS PER SHARE (SEN)					
Basic:					
- continuing operations	28	(1.41)	(7.01)		
- discontinued operations		-	(4.94)		
Diluted:					
- continuing operations	28	Not applicable	Not applicable		
- discontinued operations		Not applicable	Not applicable		

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No: 504718 - U

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

	Non-distributable			Distributable		Total Equity RM
	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM	Attributable To Owners Of The Company RM	
The Group						
Balance at 1.1.2013	47,500,000	12,360,794	83,346	(16,388,962)	43,555,178	45,024,453
Loss after taxation for the financial period	-	-	-	(11,347,785)	(11,347,785)	(26,504,090)
Other comprehensive income for the financial period:						
- Foreign currency translation differences	-	-	111,715	-	111,715	111,715
Total comprehensive income/ (expenses) for the financial period	-	-	111,715	(11,347,785)	(11,236,070)	(26,392,375)
Disposal of a subsidiary	-	-	-	-	-	13,687,030
Balance at 30.6.2014	47,500,000	12,360,794	195,061	(27,736,747)	32,319,108	32,319,108

The annexed notes form an integral part of these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)

(Incorporated in Malaysia)

Company No: 504718 - U

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)**

	Non-distributable			Distributable		Total Equity RM
	Share Capital RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM		
The Group						
Balance at 1.7.2014	47,500,000	12,360,794	195,061	(27,736,747)		32,319,108
Contributions by and distributions to owners of the Company:						
- Issuance of ordinary shares pursuant to private placement	4,750,000	237,500	-	-		4,987,500
- Expenses incurred in relation to private placement	-	(98,338)	-	-		(98,338)
Total transactions with owners	4,750,000	139,162	-	-		4,889,162
Loss after taxation for the financial year	-	-	-	(1,363,149)		(1,363,149)
Other comprehensive income for the financial year:						
- Foreign currency translation differences	-	-	21,767	-		21,767
Total comprehensive income/(expenses) for the financial year	-	-	21,767	(1,363,149)		(1,341,382)
Balance at 30.6.2015	52,250,000	12,499,956	216,828	(29,099,896)		35,866,888

The annexed notes form an integral part of these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No: 504718 - U

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)**

	<-----Non-distributable----->		Distributable	Total
	Share Capital RM	Share Premium RM	Accumulated Losses RM	Equity RM
The Company				
Balance at 1.1.2013	47,500,000	12,360,794	(8,241,403)	51,619,391
Loss after taxation/Total comprehensive expenses for the financial period	-	-	(17,225,861)	(17,225,861)
Balance at 30.6.2014/1.7.2014	47,500,000	12,360,794	(25,467,264)	34,393,530
Contributions by and distributions to owners of the Company:				
- Issuance of shares pursuant to private placement	4,750,000	237,500	-	4,987,500
- Expenses incurred in relation to private placement	-	(98,338)	-	(98,338)
Total transactions with owners	4,750,000	139,162	-	4,889,162
Loss after taxation/Total comprehensive expenses for the financial year	-	-	(4,614,832)	(4,614,832)
Balance at 30.6.2015	52,250,000	12,499,956	(30,082,096)	34,667,860

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No: 504718 - U

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

	Note	The Group		The Company	
		1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Loss before taxation:-					
- continuing operations		(1,306,509)	(6,835,393)	(4,614,832)	(17,225,861)
- discontinued operations	27	-	(19,847,591)	-	-
Adjustments for:-					
Amortisation of prepaid land lease payments		4,101	6,218	-	-
Bad debts written off		7,386	79,523	-	-
Depreciation of property, plant and equipment		1,276,644	2,110,632	-	43,111
Interest expense		18,205	132,549	-	-
Impairment losses on:					
- amount owing by a related party		-	22,276,721	-	-
- amount owing by subsidiaries		-	-	228,457	549,774
- goodwill		-	2,575,005	-	-
- investment in subsidiaries		-	-	3,976,531	13,205,794
- other receivables		40,000	-	40,000	-
- prepaid land lease payments		184,723	-	-	-
- property, plant and equipment		2,705,344	630,866	-	-
Impairment loss on consumable tools		-	22,471	-	-
Inventories written down		199,558	2,825,357	-	-
Inventories written off		350,414	108,791	-	-
Property, plant and equipment written off		252,785	652,098	-	195,583
(Gain)/Loss on disposal of a subsidiary		-	(23,456,137)	-	64
Gain on disposal of property, plant and equipment		(93,450)	(59,055)	-	-
Unrealised gain on foreign exchange		(693,992)	(14,311)	-	(346)
Interest income		(4,421)	(7,980)	(2,111)	(14)
Writeback of impairment losses on trade receivables		-	(20,851)	-	-
Amount owing by a former subsidiary written off		-	-	-	1,962,568
Waiver of debts		(1,069)	(20,076)	-	-
Reversal of inventories written down		(577,332)	(147,433)	-	-
Operating profit/(loss) before working capital changes carried forward		2,362,387	(18,988,596)	(371,955)	(1,269,327)

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**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)**

	Note	The Group		The Company	
		1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 To 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
Operating profit/(loss) before working capital changes brought forward		2,362,387	(18,988,596)	(371,955)	(1,269,327)
Decrease in inventories		1,024,481	1,516,117	-	-
(Increase)/Decrease in trade and other receivables		(502,663)	194,662	19,975	(30,475)
Increase/(Decrease) in trade and other payables		294,399	(2,762,316)	(20,746)	171,769
Decrease in amount owing by a contract customer		-	39,323,094	-	-
Decrease/(Increase) in amount owing by a related party		332,685	(16,930,853)	-	-
CASH FROM/(FOR) OPERATIONS		3,511,289	2,352,108	(372,726)	(1,128,033)
Interest paid		(18,205)	(132,549)	-	-
Income tax paid		(151,878)	(66,448)	-	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES		3,341,206	2,153,111	(372,726)	(1,128,033)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary	29	-	-	(2)	(2)
Interest income received		4,421	7,980	2,111	14
Purchase of property, plant and equipment	30	(554,538)	(505,897)	-	(8,400)
Proceeds from disposal of property, plant and equipment		149,327	97,263	-	-
Placement of fixed deposits pledged with licensed banks		(1,200,000)	(251,775)	-	-
Disposal of a subsidiary, net of cash	27	-	(99,821)	-	1
(Advances to)/Repayment from subsidiaries		-	-	(5,171)	5,389,163
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(1,600,790)	(752,250)	(3,062)	5,380,776

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**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)**

	Note	The Group		The Company	
		1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Repayment of hire purchase payables		(120,793)	(127,209)	-	-
(Repayment to)/Advances from a related party		(142,043)	142,043	-	-
Repayment to subsidiaries		-	-	-	(4,788,717)
Repayment of term loans		-	(209,691)	-	-
Net repayment of bankers' acceptances		-	(442,000)	-	-
Proceeds from issuance of shares pursuant to private placement, net of expenses		4,889,162	-	4,889,162	-
(Repayment to)/Advances from director		(427,513)	427,513	(429,068)	429,068
NET CASH FROM/(FOR) FINANCING ACTIVITIES		4,198,813	(209,344)	4,460,094	(4,359,649)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,939,229	1,191,517	4,084,306	(106,906)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		4,200,674	3,008,960	3,612	110,518
EFFECT OF EXCHANGE RATE CHANGES		1,552	197	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	31	10,141,455	4,200,674	4,087,918	3,612

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**NOTES TO THE FINANCIAL STATEMENTS
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1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business are as follows:-

Registered office	:	49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka.
Principal place of business	:	9.01, 9 th Floor, Persoft Tower, 6B, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 20 October 2015.

2. CHANGE OF NAME

On 6 December 2014, the Company changed its name from PFCE Berhad to Spring Gallery Berhad.

3. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

4.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

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4. BASIS OF PREPARATION (CONT'D)

- 4.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):- (Cont'd)

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 Levies
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

- 4.2 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 year:-

MFRSs (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
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
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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4. BASIS OF PREPARATION (CONT'D)

- 4.2 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.

5. SIGNIFICANT ACCOUNTING POLICIES**5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)****(a) Depreciation of Property, Plant and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(c) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)****(e) Impairment of Trade and Other Receivables**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. 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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(g) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exists. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(h) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)****(i) Construction Contracts**

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

- *Contract Revenue*

Construction contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

- *Contract Costs*

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.2 BASIS OF CONSOLIDATION (CONT'D)****(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.2 BASIS OF CONSOLIDATION (CONT'D)****(d) Loss of Control**

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.4 FUNCTIONAL AND FOREIGN CURRENCIES****(a) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operations, the cumulative amount recognised in other comprehensive income relating to that particular foreign operations is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.5 FINANCIAL INSTRUMENTS**

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

At the end of the reporting period, there were no financial assets classified under this category.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.5 FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Assets (Cont'd)****(ii) Held-to-maturity Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.5 FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Assets (Cont'd)****(iv) Available-for-sale Financial Assets (Cont'd)**

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

As at the end of the reporting period, there were no financial assets classified under this category.

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities 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.

(c) Equity Instruments

Instruments classified as equity are measured at cost and are not measured subsequently. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.5 FINANCIAL INSTRUMENTS (CONT'D)****(d) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

5.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is not depreciated.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Freehold buildings	Over remaining useful lives from 34 years to 44 years
Leasehold buildings	Over remaining useful lives of 37 years
Leasehold land	Over the lease period of 87 years
Furniture, fittings and equipment	20%
Motor vehicles	20%
Plant and machinery	20%
Renovation	20%

During the financial year, the Group changed the depreciation rates for the following assets:-

Plant and machinery	From 10% per annum to 20% per annum
Furniture, fittings and equipment	From 10% to 33% per annum to 20% per annum

The change in the depreciation rate arose from a review of the useful lives of the assets concerned. The effect of the change in the depreciation rates has resulted in an increase in the loss before taxation of the Group by RM315,554 for the current financial year.

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

Capital work-in-progress represents asset under construction, and which is not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant to the category of asset and depreciated accordingly when the asset is completed and ready for commercial use. Cost of capital work-in-progress includes direct costs and related expenditure of the asset to the date that the asset is completed is put into use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.8 IMPAIRMENT****(a) Impairment of Financial Assets**

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.9 ASSETS UNDER HIRE PURCHASE**

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments and, are depreciated in accordance with the policy set out in Note 5.7 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

5.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidental costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items. The Group writes down its obsolete or slow-moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

5.11 INCOME TAXES

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.11 INCOME TAXES (CONT'D)**

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

5.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

5.13 PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

5.15 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:-
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.16 CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5.17 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

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

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.18 REVENUE AND OTHER INCOME****(a) Sale of Goods**

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(b) Services

Revenue is recognised upon rendering of services and when outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Management Fees

Revenue from management services is recognised as and when the services are performed.

(d) Interest Income

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

(e) Rental Income

Rental income is recognised on an accrual basis.

(f) Construction Contracts

Revenue on contracts is recognised upon the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of the contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in loss.

The stage of completion is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.19 DISCONTINUED OPERATIONS

Discontinued operations are components of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as discontinued operations occurs upon disposal or when the operations meet the criteria to be classified as held for sale, if earlier. When operations are classified as discontinued operations, the comparative statement of profit or loss and other comprehensive income is restated as if the operations had been discontinued from the start of the comparative period.

5.20 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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6. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2015 RM	2014 RM
Unquoted shares, at cost:		
- in Malaysia	50,057,412	50,057,410
- outside Malaysia	3,676,604	3,676,604
	53,734,016	53,734,014
Accumulated impairment losses:-		
At 1.7.2014/1.1.2013	(19,314,723)	(6,108,929)
Addition during the financial year/period	(3,976,531)	(13,205,794)
At 30.6.2015/30.6.2014	(23,291,254)	(19,314,723)
	30,442,762	34,419,291

During the current financial year, the Company assessed the recoverable amount of the investment in subsidiaries and determined that a further impairment loss of RM3,976,531 is required as the subsidiaries suffered losses.

The details of the subsidiaries are as follows:-

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2015 %	2014 %	
Asian Pottery Manufacturers Sdn. Bhd.	Malaysia	100	100	Dormant.
Oriwina Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading of ceramic wares.
Asian Pottery (Penang) Sdn. Bhd.	Malaysia	100	100	Marketing of pottery and porcelain products, ceramic wares and ornaments.
Asian Earthenware Sdn. Bhd.	Malaysia	100	100	Dormant.
Asian Porcelain Sdn. Bhd.	Malaysia	100	100	Dormant.

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6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):-

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2015 %	2014 %	
Metro Craft Sdn. Bhd. (held by Asian Pottery Manufacturers Sdn. Bhd.)	Malaysia	100	100	Dormant.
Asian Pottery Home & Garden Sdn. Bhd.	Malaysia	100	100	Retail, trading and wholesale of all kinds of clay products such as pottery, ceramics and porcelain products.
Asiarise Holdings Sdn. Bhd.	Malaysia	100	100	Retail, trading and wholesale of all kinds of clay products such as pottery, ceramics, porcelain products and landscaping services. However, the company has temporarily ceased its operations.
APPI Sdn. Bhd.	Malaysia	100	100	Dormant.
Guangxi Asian Pottery Co. Ltd. [^]	The People's Republic of China	100	100	Dormant.
Sunmark Point Sdn. Bhd.	Malaysia	100	100	Investment holding.
Profit Sunland Sdn. Bhd. ("PSSB")	Malaysia	100	-	Dormant.

[^] This subsidiary was audited by another firm of chartered accountants.

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7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.7.2014 RM	Additions RM	Disposals RM	Written Off RM	Depreciation Charge RM	Impairment Losses RM	Currency Translation Differences RM	At 30.6.2015 RM
<i>Net Book Value</i>								
Freehold land and buildings	17,463,605	-	-	-	(363,380)	(1,962,507)	-	15,137,718
Leasehold buildings	6,825,052	187,640	-	-	(279,206)	(690,511)	56,486	6,099,461
Leasehold land	2,677,758	-	-	-	(32,069)	-	-	2,645,689
Furniture, fittings and equipment	262,822	59,922	-	(69,011)	(155,059)	-	-	98,674
Motor vehicles	120,568	857,933	(19,551)	(3,896)	(110,261)	(9,345)	1,044	836,492
Plant and machinery	528,623	40,951	(36,326)	(102,267)	(322,001)	(21,901)	2,194	89,273
Renovation	70,460	66,992	-	(77,611)	(14,668)	-	-	45,173
Capital work-in-progress	19,512	-	-	-	-	(21,080)	1,568	-
	27,968,400	1,213,438	(55,877)	(252,785)	(1,276,644)	(2,705,344)	61,292	24,952,480

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	At 1.1.2013 RM	Additions RM	Disposals RM	Disposal of A Subsidiary (Note 27) RM	Written Off RM	Depreciation Charge RM	Impairment Losses RM	Currency Translation Differences RM	At
									30.6.2014 RM
<i>Net Book Value</i>									
Freehold land and buildings	18,014,917	-	-	-	-	(551,312)	-	-	17,463,605
Leasehold buildings	7,717,915	73,000	-	-	-	(413,227)	(594,540)	41,904	6,825,052
Leasehold land	2,725,862	-	-	-	-	(48,104)	-	-	2,677,758
Furniture, fittings and equipment	1,476,831	137,141	(5,653)	(672,085)	(249,676)	(423,736)	-	-	262,822
Motor vehicles	479,216	82,030	-	(247,916)	-	(193,876)	-	1,114	120,568
Plant and machinery	1,011,420	148,544	(32,555)	-	(133,050)	(431,395)	(36,326)	1,985	528,623
Renovation	246,632	142,182	-	-	(269,372)	(48,982)	-	-	70,460
Capital work-in-progress	18,502	-	-	-	-	-	-	1,010	19,512
	31,691,295	582,897	(38,208)	(920,001)	(652,098)	(2,110,632)	(630,866)	46,013	27,968,400

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	At Cost RM	Accumulated Depreciation RM	Accumulated Impairment Losses RM	Net Book Value RM
2015				
Freehold land and buildings	18,750,000	(1,649,775)	(1,962,507)	15,137,718
Leasehold buildings	8,992,670	(1,547,281)	(1,345,928)	6,099,461
Leasehold land	2,790,000	(144,311)	-	2,645,689
Furniture, fittings and equipment	939,617	(840,943)	-	98,674
Motor vehicles	1,200,677	(354,015)	(10,170)	836,492
Plant and machinery	4,020,734	(3,907,630)	(23,831)	89,273
Renovation	49,590	(4,417)	-	45,173
Capital work-in-progress	22,939	-	(22,939)	-
	36,766,227	(8,448,372)	(3,365,375)	24,952,480
2014				
Freehold land and buildings	18,750,000	(1,286,395)	-	17,463,605
Leasehold buildings	8,598,577	(1,178,985)	(594,540)	6,825,052
Leasehold land	2,790,000	(112,242)	-	2,677,758
Furniture, fittings and equipment	1,047,432	(784,610)	-	262,822
Motor vehicles	964,484	(843,916)	-	120,568
Plant and machinery	4,657,378	(4,092,429)	(36,326)	528,623
Renovation	70,460	-	-	70,460
Capital work-in-progress	19,512	-	-	19,512
	36,897,843	(8,298,577)	(630,866)	27,968,400

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	At 1.7.2013 RM	Addition RM	Written Off RM	Depreciation Charge RM	At 30.6.2014 RM
<i>Net Book Value</i>					
Furniture, fittings and equipment	230,294	8,400	(195,583)	(43,111)	-

- (a) Included in the assets of the Group at the end of the reporting period were motor vehicles with a total net book value of RM836,490 (2014 - RM101,408), which were acquired under hire purchase terms.
- (b) At the end of the previous financial period, a piece of leasehold land and building with a total net book value of RM1,850,000 had been pledged to a licensed bank as security for banking security granted to the Group.
- (c) During the current financial year, the Group carried out a review of the recoverable amounts of its property, plant and equipment as the subsidiaries are making losses. An impairment loss of RM2,705,344 (2014 - RM630,866), representing the write-down of the property, plant and equipment to their recoverable amounts were recognised in profit or loss. The recoverable amounts of the property, plant and equipment were based on their value-in-use and the valuation report issued by an independent professional valuer.

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8. PREPAID LAND LEASE PAYMENTS

	The Group	
	2015 RM	2014 RM
Land use rights, at cost:-		
At 1.7.2014/1.1.2013	207,040	196,320
Exchange differences	36,360	10,720
At 30.6.2015/30.6.2014	243,400	207,040
Accumulated amortisation:-		
At 1.7.2014/1.1.2013	(32,264)	(24,703)
Amortisation charge during the financial year/period	(4,101)	(6,218)
Exchange differences	(6,027)	(1,343)
At 30.6.2015/30.6.2014	(42,392)	(32,264)
Accumulated impairment losses:-		
At 1.7.2014/1.1.2013	-	-
Impairment losses during the financial year/period	(184,723)	-
Exchange difference	(16,285)	-
At 30.6.2015/30.6.2014	(201,008)	-
Carrying value at 30.6.2015/30.6.2014	-	174,776

The Group's land use rights in the People's Republic of China are classified as prepaid land lease payments. The prepaid land lease payments are not transferable and have a remaining tenure of 42 years (2014 - 43 years).

During the current financial year, the Group carried out a review of the recoverable amount of its prepaid land lease payments as the subsidiary is dormant and the prepaid land lease payments are not transferable. An impairment loss of RM184,723 (2014 - Nil) representing the write-down of the prepaid land lease payments to their recoverable amounts were recognised in profit or loss. The recoverable amounts of the prepaid land lease payments were based on their value-in-use.

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9. GOODWILL

	The Group	
	2015 RM	2014 RM
At 1.7.2014/1.1.2013	2,924,706	2,924,706
Accumulated impairment losses	(2,924,706)	(2,924,706)
At 30.6.2015/30.6.2014	-	-
Accumulated impairment losses:-		
At 1.7.2014/1.1.2013	(2,924,706)	(349,701)
Addition during the financial year/period	-	(2,575,005)
At 30.6.2015/30.6.2014	(2,924,706)	(2,924,706)

In the previous financial period, an impairment loss of RM2,575,005 was recognised in profit or loss as full impairment of the goodwill as the subsidiaries suffered losses.

10. INVENTORIES

	The Group	
	2015 RM	2014 RM
At cost:-		
Raw materials	211,444	288,049
Work-in-progress	137,523	104,707
Finished goods	760,700	1,298,940
	1,109,667	1,691,696
At net realisable value:-		
Finished goods	498,905	897,280
	1,608,572	2,588,976
Recognised in profit or loss:-		
Inventories recognised as cost of sales	13,865,497	17,193,095
Inventories recognised as other operating expenses:		
- Amount written down to net realisable value	199,558	2,825,357
- Inventories written off	350,414	108,791
- Reversal of inventories written down recognised	(577,332)	(147,433)

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11. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 to 90 days (2014 - 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	510,825	53,778	40,000	40,000
Allowance for impairment losses	(40,000)	-	(40,000)	-
	470,825	53,778	-	40,000
Deposits	536,445	216,050	1,650	1,150
Prepayments	885,518	844,496	-	20,475
	<u>1,892,788</u>	<u>1,114,324</u>	<u>1,650</u>	<u>61,625</u>

At the end of the reporting period, other receivables that are individually impaired were in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

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13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2015	2014
	RM	RM
Amount Owing By Subsidiaries		
<i>Current</i>		
Non-trade balances	1,258,853	1,253,682
Allowance for impairment losses	(778,231)	(549,774)
	480,622	703,908
Allowance for impairment losses:-		
At 1.7.2014/1.1.2013	(549,774)	-
Addition during the financial year/period	(228,457)	(549,774)
At 30.6.2015/30.6.2014	(778,231)	(549,774)
Amount Owing To A Subsidiary		
<i>Current</i>		
Non-trade balance	(10,000)	(10,000)

- (a) The non-trade balances represent unsecured, interest-free advances and payments made on behalf. The amounts owing are receivable/repayable on demand and are to be settled in cash.
- (b) Amount owing by subsidiaries that are individually determined to be impaired relate to subsidiaries that have been suffering losses.

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14. AMOUNTS OWING BY/(TO) A RELATED PARTY

	The Group	
	2015 RM	2014 RM
Amount Owing By A Related Party:-		
<i>Current</i>		
Trade balance	7,374	340,059
	<hr/>	<hr/>
Amount Owing To A Related Party:-		
<i>Current</i>		
Non-trade balance	-	(142,043)
	<hr/>	<hr/>

The trade balance is subject to the normal trade credit terms ranging from 30 to 90 days (2014 - 30 to 90 days). The amount owing is to be settled in cash.

At the end of the previous reporting period, the non-trade balance represented unsecured interest-free advances and payments made on behalf. The amount owing was repayable on demand and was settled in cash.

15. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore a weighted average effective interest rate of 3.39% (2014 - 3.03%) per annum. The deposits have maturity periods ranging from 1 month to 12 months (2014 - 1 to 12 months).
- (b) The fixed deposits with licensed banks of the Group at the end of the reporting period have been pledged to a licensed bank as security for banking facilities granted to the Group.

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16. SHARE CAPITAL

	The Company			
	2015	2014	2015	2014
	Number Of Shares		RM	RM
Authorised				
<i>Ordinary shares of RM0.50 each</i>				
At 1.7.2014/1.1.2013	100,000,000	100,000,000	50,000,000	50,000,000
Created during the financial year/period	100,000,000	-	50,000,000	-
At 30.6.2015/30.6.2014	<u>200,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>50,000,000</u>
Issued And Fully Paid-up				
<i>Ordinary shares of RM0.50 each</i>				
At 1.7.2014/1.1.2013	95,000,000	95,000,000	47,500,000	47,500,000
Issuance of shares pursuant to private placement	9,500,000	-	4,750,000	-
At 30.6.2015/30.6.2014	<u>104,500,000</u>	<u>95,000,000</u>	<u>52,250,000</u>	<u>47,500,000</u>

During the financial year:-

- (a) the Company increased its authorised share capital from RM50,000,000 to RM100,000,000 by the creation of 100,000,000 new ordinary shares of RM0.50 each; and
- (b) the Company increased its issued and paid-up share capital from RM47,500,000 to RM52,250,000 by the allotment of 9,500,000 new ordinary shares of RM0.50 each at an issue price of RM0.525 per ordinary share via a private placement to eligible investors for a total cash consideration of RM4,987,500 to fund the Group's development project and for the purpose of working capital. The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

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17. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of a foreign subsidiary and is not distributable by way of dividends.

18. HIRE PURCHASE PAYABLES

	The Group	
	2015 RM	2014 RM
Minimum hire purchase payments:		
- not later than one year	183,984	46,248
- later than one year and not later than five years	553,141	88,057
	737,125	134,305
Less: Future finance charges	(74,298)	(9,585)
Present value of hire purchase payables	662,827	124,720
Current portion:		
- not later than one year	152,934	41,238
Non-current portion:		
- later than one year and not later than five years	509,893	83,482
	662,827	124,720

19. DEFERRED TAX LIABILITIES

	The Group	
	2015 RM	2014 RM
At 1.7.2014/1.1.2013	2,728,791	2,962,276
Recognised in profit or loss (Note 26)	(124,658)	(179,485)
Disposal of a subsidiary (Note 27)	-	(54,000)
At 30.6.2015/30.6.2014	2,604,133	2,728,791

The deferred tax liability is attributable to the revaluation of the land and buildings.

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20. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 90 days (2014 - 30 to 90 days).

21. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other payables	1,235,856	1,239,472	299,562	319,838
Accruals	997,011	769,792	35,530	36,000
Deposits	53,477	24,752	-	-
Provision for defective claim	434,961	282,666	-	-
	2,721,305	2,316,682	335,092	355,838

	The Group	
	2015 RM	2014 RM
Movement in the provision for defective claim:-		
At 1.7.2014/1.1.2013	282,666	-
Additional provision during the financial year/period	316,571	282,666
Recognised in profit or loss	(164,276)	-
At 30.6.2015/30.6.2014	434,961	282,666

The provision for defective claim relates mainly to pottery sold during the financial year. The provision is based on estimates made from historical defective claims made.

22. AMOUNT OWING TO A DIRECTOR

In the previous financial period, the amount owing was non-trade in nature, unsecured, interest-free, advances and payment made on behalf. The amount owing was settled in cash.

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23. REVENUE

	The Group		The Company	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
<u>Continuing operations</u>				
Sales of goods	22,988,279	27,662,846	-	-
Rendering of services	-	221,563	-	-
Management fees	-	-	-	181,261
	22,988,279	27,884,409	-	181,261
<u>Discontinued operations</u>				
Contract revenue (Note 27)	-	197,357	-	-
	22,988,279	28,081,766	-	181,261

In the previous financial period, the contract revenue arose from the discontinued operations of the oil and gas division, as disclosed in Note 27 to the financial statements.

24. COST OF SALES

	The Group	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
<u>Continuing operations</u>		
Cost of goods sold	14,063,957	17,492,542
<u>Discontinued operations</u>		
Contract costs (Note 27)	-	20,199,604
	14,063,957	37,692,146

In the previous financial period, the contract costs arose from the discontinued operations of the oil and gas division, as disclosed in Note 27 to the financial statements.

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25. LOSS BEFORE TAXATION

	The Group		The Company	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
Loss before taxation is arrived at after charging/ (crediting):-				
Allowance on impairment losses on:				
- amount owing by subsidiaries	-	-	228,457	549,774
- goodwill	-	2,575,005	-	-
- investment in subsidiaries	-	-	3,976,531	13,205,794
- other receivables	40,000	-	40,000	-
- prepaid land lease payments	184,723	-	-	-
- property, plant and equipment	2,705,344	630,866	-	-
Amortisation of prepaid land lease payments	4,101	6,218	-	-
Auditors' remuneration:				
- current financial year/period	101,070	99,609	27,000	26,000
- overprovision in the previous financial period/year	(3,000)	-	-	-
Bad debts written off	7,386	79,523	-	-
Depreciation of property, plant and equipment	1,276,644	2,110,632	-	43,111
Directors' non-fee emoluments	327,921	332,242	-	27,000
Interest expense:				
- bank overdrafts	-	76,253	-	-
- hire purchase	18,205	9,377	-	-
- term loan	-	5,111	-	-
- bankers' acceptances	-	16,767	-	-
Impairment loss on consumable tools	-	22,471	-	-
Property, plant and equipment written off	252,785	652,098	-	195,583
Rental of equipment	41,722	67,645	-	-
Rental of quarters	24,600	30,600	-	-
Rental of premises	192,000	1,124,000	-	330,000
Staff costs:				
- salaries, wages, bonuses and allowances	3,460,801	4,908,644	99,150	205,751
- defined contribution plan	320,132	464,754	11,952	28,198
- other staff benefits	372,813	311,196	21,771	13,702
Amount owing by a former subsidiary written off	-	-	-	1,962,568
(Gain)/Loss on disposal of a subsidiary	-	(23,456,137)	-	64

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25. LOSS BEFORE TAXATION (CONT'D)

	The Group		The Company	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
Loss before taxation is arrived at after charging/ (crediting) (Cont'd):-				
Gain on disposal of property, plant and equipment	(93,450)	(59,055)	-	-
(Gain)/loss on foreign exchange:				
- realised	(600,657)	74,813	-	-
- unrealised	(693,992)	(14,311)	-	(346)
Interest income	(4,421)	(7,980)	(2,111)	(14)
Rental income	(82,400)	(137,500)	-	-
Writeback of impairment losses on trade receivables	-	(20,851)	-	-
Waiver of debts	(1,069)	(20,076)	-	-

26. TAXATION

	The Group	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
Continuing Operations		
Current tax:		
- current financial year/period	180,000	-
- underprovision in the previous financial period/year	1,298	591
	181,298	591
Deferred tax (Note 19):		
- relating to origination and reversal of temporary differences	(124,658)	(124,080)
- overprovision in the previous financial period/year	-	(55,405)
	(124,658)	(179,485)
	56,640	(178,894)

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26. TAXATION (CONT'D)

A reconciliation of taxation applicable to the loss before taxation at the statutory tax rate to income taxes at the effective tax rate of the Group and the Company is as follows:-

	The Group		The Company	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
Loss before taxation:				
- Continuing operations	(1,306,509)	(6,835,393)	(4,614,832)	(17,225,861)
- Discontinued operations	-	(19,847,591)	-	-
	<u>(1,306,509)</u>	<u>(26,682,984)</u>	<u>(4,614,832)</u>	<u>(17,225,861)</u>
Tax at the statutory tax rate of 25%	(326,627)	(6,670,746)	(1,153,708)	(4,306,465)
Tax effects of:-				
Non-deductible expenses	569,273	2,596,115	1,105,958	4,125,465
Non-taxable gain	(175,896)	(85,149)	-	-
Deferred tax assets not recognised during the financial year/period	113,250	4,215,185	47,750	181,000
Reversal of deferred tax liabilities arising from revaluation surplus	(124,658)	(179,485)	-	-
Under/(Over)provision in the previous financial period/year:				
- current tax	1,298	591	-	-
- deferred tax	-	(55,405)	-	-
	<u>56,640</u>	<u>(178,894)</u>	<u>-</u>	<u>-</u>
Income tax expense for the financial year/period				

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

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26. TAXATION (CONT'D)

At the end of the reporting period, no deferred tax assets is recognised by the Group and the Company in respect of the following items as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised:-

	The Group		The Company	
	1.7.2014 To 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
<u>Continuing Operations:</u>				
Taxable temporary differences:				
- Accelerated capital allowances over depreciation	(8,958,000)	(10,977,000)	-	-
Deductible temporary differences:				
- Unutilised tax losses	11,136,000	12,014,000	991,000	800,000
- Unabsorbed capital allowances	4,578,000	4,265,000	70,000	70,000
- Other deductible differences	14,202,000	15,203,000	-	-
	<u>20,958,000</u>	<u>20,505,000</u>	<u>1,061,000</u>	<u>870,000</u>
<u>Discontinued Operations:</u>				
Deductible temporary differences:				
- Unutilised tax losses	-	19,000,000	-	-
- Unabsorbed capital allowances	-	200,000	-	-
	<u>-</u>	<u>19,200,000</u>	<u>-</u>	<u>-</u>
	<u>20,958,000</u>	<u>39,705,000</u>	<u>1,061,000</u>	<u>870,000</u>

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27. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS

In the previous financial period, the Company disposed of its entire interest in PFCE Offshore Worldwide Sdn. Bhd. ("POW"). The discontinued operations were in respect of the disposal of POW. An analysis of the results of the discontinued operations was as follows:-

	The Group 1.1.2013 to 30.6.2014 RM
Revenue (Note 23)	197,357
Cost of Sales (Note 24)	(20,199,604)
Gross loss	(20,002,247)
Administrative expenses	(999,719)
Other expenses	(22,276,721)
Finance costs	(25,041)
Loss before taxation	(43,303,728)
Taxation	-
Loss after taxation from discontinued operations	(43,303,728)
Gain on disposal of discontinued operations	23,456,137
	(19,847,591)

(a) Included in loss before taxation from the discontinued operations were the following:-

	The Group 1.1.2013 to 30.6.2014 RM
Auditors' remuneration	8,000
Depreciation of property, plant and equipment	383,081
Impairment loss on amount owing by a related party	22,276,721
Rental expenses	43,350
Staff costs:	
- salaries, wages, bonuses and allowances	579,741
- defined contribution plan	51,741
- other benefits	12,741
Interest expense	25,041

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27. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS (CONT'D)

- (b) In the previous financial period, there was no cash flow attributable to the discontinued operations.
- (c) In the previous financial period, the effect of disposal of the subsidiary on the financial position was as follows:-

	The Group 1.1.2013 to 30.6.2014 RM	The Company 1.1.2013 to 30.6.2014 RM
Investment in a subsidiary	-	65
Property, plant and equipment (Note 7)	920,001	-
Cash and cash equivalents	99,822	-
Trade and other payables	(36,531,781)	-
Amount owing to related companies	(169,350)	-
Hire purchase payables	(256,760)	-
Provision for taxation	(1,151,098)	-
Deferred tax liabilities (Note 19)	(54,000)	-
Non-controlling interests	13,687,030	-
	<hr/>	<hr/>
Net (liabilities)/assets	(23,456,136)	65
Gain/(Loss) on disposal of discontinued operations	23,456,137	(64)
	<hr/>	<hr/>
Consideration received, satisfied in cash	1	1
Cash and cash equivalents disposed of	(99,822)	-
	<hr/>	<hr/>
Net cash (outflow)/inflow	(99,821)	1
	<hr/>	<hr/>

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28. LOSS PER SHARE

	The Group	
	1.7.2014 to 30.6.2015	1.1.2013 to 30.6.2014
Continuing operations		
Loss after taxation attributable to owners of the Company (RM)	(1,363,149)	(6,656,499)
Weighted average number of ordinary shares in issue at 30.6.2015/30.6.2014	96,639,726	95,000,000
Basic loss per share (Sen)	<u>(1.41)</u>	<u>(7.01)</u>
Discontinued operations		
Loss after taxation attributable to owners of the Company (RM)	-	(4,691,286)
Weighted average number of ordinary shares in issue at 30.6.2015/30.6.2014	-	95,000,000
Basic loss per share (Sen)	<u>-</u>	<u>(4.94)</u>

The diluted loss per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

29. ACQUISITION OF A SUBSIDIARY

During the current financial year, the Company had on 28 May 2015 acquired two (2) ordinary shares, representing 100% of the total issued and paid-up share capital of PSSB for a total cash consideration of RM2.00.

PSSB was incorporated as a private limited company in Malaysia pursuant to the Companies Act, 1965 on 7 May 2015. PSSB was dormant at the end of the reporting period.

On 8 September 2015, the Company further subscribed for 1,999,998 new ordinary shares of RM1 each in PSSB for a cash consideration of RM1,999,998, to retain its 100% equity interest.

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30. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
Cost of property, plant and equipment purchased	1,213,438	582,897	-	8,400
Amount financed through hire purchase	(658,900)	(77,000)	-	-
Cash disbursed for purchase of property, plant and equipment	<u>554,538</u>	<u>505,897</u>	<u>-</u>	<u>8,400</u>

31. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	Note	The Group		The Company	
		1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
Fixed deposits with licensed banks	15	1,508,158	308,158	-	-
Cash and bank balances		10,141,455	4,200,674	4,087,918	3,612
		<u>11,649,613</u>	<u>4,508,832</u>	<u>4,087,918</u>	<u>3,612</u>
Less: Fixed deposits pledged with licensed bank		(1,508,158)	(308,158)	-	-
		<u>10,141,455</u>	<u>4,200,674</u>	<u>4,087,918</u>	<u>3,612</u>

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32. DIRECTORS' REMUNERATION

- (a) The aggregate amounts of remuneration received and receivable by directors of the Group and the Company during the financial year are as follows:-

	The Group		The Company	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
Executive directors:				
- non-fee emoluments	327,921	132,290	-	-
Non-executive directors:				
- non-fee emoluments	-	199,952	-	27,000
	<u>327,921</u>	<u>332,242</u>	<u>-</u>	<u>27,000</u>

- (b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	The Group/The Company	
	1.7.2014 to 30.6.2015	1.1.2013 to 30.6.2014
	Number of Directors	
Executive directors:-		
RM300,001 – RM350,000	1	-
RM250,001 – RM300,000	-	-
RM200,001 – RM250,000	-	-
RM150,001 – RM200,000	-	-
Below RM150,000	-	1
Non-executive directors:-		
RM150,001 – RM200,000	-	1
Below RM50,000	-	5
	<u>1</u>	<u>7</u>

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33. RELATED PARTY DISCLOSURES**(a) Identities of related parties**

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Group		The Company	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM
Management fees receivable from subsidiaries	-	-	-	181,261
Rental charged by related parties	21,000	956,000	-	396,000
Rental income received from a related party	-	12,000	-	-
Commission charged by a related party	233,534	-	-	-
Sales to related parties	27,655	413,419	-	-
Sales of business assets to a related party	160,200	-	-	-
Professional fee charged by a related party	30,000	-	-	-
Key management personnel (exclude Directors' remuneration) compensation:				
- short-term employee benefits	638,745	1,268,565	-	161,455
- defined contribution plan	57,299	139,603	-	18,348

(c) Compensation to key management personnel

Key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

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34. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Chief Executive Officer as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into the following main business segments:-

Continuing operations

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

Discontinued operations (for the previous financial period)

Oil and gas - fabrication of oil and gas steel structures and platforms.

The Group Executive Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

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34. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS

	Continuing Operations		The Group RM
	Investment Holding RM	Ceramic RM	
1.7.2014 to 30.6.2015			
<u>Revenue</u>			
External revenue	-	22,988,279	22,988,279
<u>Results</u>			
Results before following adjustments	(249,204)	6,337,570	6,088,366
Interest income	2,111	2,310	4,421
Other material items of income	-	1,470,499	1,470,499
Depreciation of property, plant and equipment	-	(1,276,644)	(1,276,644)
Allowance for impairment losses:			
- other receivables	(40,000)	-	(40,000)
- property, plant and equipment	-	(2,705,344)	(2,705,344)
- prepaid land lease payments	-	(184,723)	(184,723)
Other material items of expenses	(132,873)	(4,279,195)	(4,412,068)
Other non-cash expenses	-	(232,811)	(232,811)
Segment results	(419,966)	(868,338)	(1,288,304)
Finance costs			(18,205)
Income tax expense			(56,640)
Consolidated loss after taxation			(1,363,149)

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34. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	Continuing Operations		The Group RM
	Investment Holding RM	Ceramic RM	
2015			
<u>Assets</u>			
Segment assets	4,093,175	38,785,618	42,878,793
Unallocated assets			29,000
Consolidated total assets			<u>42,907,793</u>
<u>Liabilities</u>			
Segment liabilities	343,646	4,050,106	4,393,752
Unallocated liabilities			2,647,153
Consolidated total liabilities			<u>7,040,905</u>
<u>Other segment item</u>			
Additions to non-current assets other than financial instruments:			
- property, plant and equipment	-	1,213,438	1,213,438

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34. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	Continuing Operations		Discontinued Operations	The Group RM
	Investment Holding RM	Ceramic RM	Oil And Gas RM	
1.1.2013 to 30.6.2014				
<u>Revenue</u>				
External revenue	-	27,884,409	197,357	28,081,766
<u>Results</u>				
Results before following adjustments	(13,834,871)	761,197	(43,303,728)	(56,377,402)
Consolidation adjustments	12,961,900	8,620,924	-	21,582,824
Gain on disposal of a subsidiary	-	-	23,456,137	23,456,137
Disposal group	-	-	19,847,591	19,847,591
Interest income	14	7,966	-	7,980
Other material items of income	346	210,520	-	210,866
Depreciation of property, plant and equipment	(43,111)	(1,684,440)	-	(1,727,551)
Allowance for impairment losses:				
- goodwill	(2,575,005)	-	-	(2,575,005)
- property, plant and equipment	-	(630,866)	-	(630,866)
Other material items of expenses	(577,651)	(6,404,001)	-	(6,981,652)
Other non-cash expenses	(195,583)	(3,345,224)	-	(3,540,807)
Segment results	(4,263,961)	(2,463,924)	-	(6,727,885)
Finance costs				(107,508)
Income tax expense				178,894
Consolidated loss after taxation				(6,656,499)

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34. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	Continuing Operations		Discontinued	The Group
	Investment Holding RM	Ceramic RM	Operations Oil And Gas RM	
2014				
<u>Assets</u>				
Segment assets	65,237	38,916,965	-	38,982,202
Unallocated assets				15,400
Consolidated total assets				<u>38,997,602</u>
<u>Liabilities</u>				
Segment liabilities	784,906	3,164,797	-	3,949,703
Unallocated liabilities				2,728,791
Consolidated total liabilities				<u>6,678,494</u>
<u>Other segment item</u>				
Additions to non-current assets other than financial instruments:				
- property, plant and equipment	8,400	574,497	-	582,897

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34. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

(a) Other material items of income consist of the following:-

	The Group	
	30.6.2015 RM	30.6.2014 RM
Unrealised gain on foreign exchange	693,992	14,311
Realised gain on foreign exchange	600,657	-
Rental income	82,400	137,500
Gain on disposal of property, plant and equipment	93,450	59,055
	1,470,499	210,866

(b) Other material items of expenses consist of the following:-

	The Group	
	30.6.2015 RM	30.6.2014 RM
Realised loss on foreign exchange receivables	-	(74,813)
Rental of premises	(192,000)	(1,124,000)
Rental of equipment	(41,722)	(67,645)
Rental of quarters	(24,600)	(30,600)
Staff cost	(4,153,746)	(5,684,594)
	(4,412,068)	(6,981,652)

(c) Other material non-cash expenses consist of the following:-

	The Group	
	30.6.2015 RM	30.6.2014 RM
Bad debts written off	(7,386)	(79,523)
Impairment loss on consumables tools	-	(22,471)
Inventories written down	(199,558)	(2,825,357)
Inventories written off	(350,414)	(108,791)
Plant and equipment written off	(252,785)	(652,098)
Reversal of inventories written down	577,332	147,433
	(232,811)	(3,540,807)

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34. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION

	Revenue		Non-Current Assets	
	1.7.2014 to 30.6.2015 RM	1.1.2013 to 30.6.2014 RM	2015 RM	2014 RM
Continuing operations				
United States	17,924,671	18,162,483	-	-
Australia	2,044,731	2,975,544	-	-
Europe	1,319,169	2,101,613	-	-
Malaysia	1,348,017	3,713,742	24,952,480	27,205,783
Others	351,691	931,027	-	937,393
	<u>22,988,279</u>	<u>27,884,409</u>	<u>24,952,480</u>	<u>28,143,176</u>
Discontinued operations				
Malaysia	-	197,357	-	-
	<u>22,988,279</u>	<u>28,081,766</u>	<u>24,952,480</u>	<u>28,143,176</u>

MAJOR CUSTOMER

Revenue from a major customer, with revenue equal to or more than 10% of Group revenue, amounted to RM14,017,852 (2014 – RM10,720,766) arising from sales by the ceramic division.

35. CAPITAL COMMITMENT

	The Group	
	2015 RM	2014 RM
Authorised and contracted for:- Purchase of plant and machinery	171,000	-
	<u>171,000</u>	<u>-</u>

36. CONTINGENT LIABILITY

	The Company	
	2015 RM	2014 RM
Unsecured:- Corporate guarantee given to a licensed bank for credit facilities granted to a subsidiary	193,146	256,467
	<u>193,146</u>	<u>256,467</u>

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37. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

37.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk**(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

The Group's exposure to foreign currency is as follows:-

The Group	United States Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
2015				
Financial assets				
Trade receivables	2,548,075	-	219,891	2,767,966
Cash and bank balances	2,822,978	305,047	7,013,430	10,141,455
	5,371,053	305,047	7,233,321	12,909,421

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

The Group	United States Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
2015				
Financial liabilities				
Trade payables	(2,213)	-	(1,007,407)	(1,009,620)
Other payables and accruals	(66,834)	-	(2,654,471)	(2,721,305)
	(69,047)	-	(3,661,878)	(3,730,925)
Net financial assets	5,302,006	305,047	3,571,443	9,178,496
Less: Net financial assets denominated in the entity's functional currency	-	-	(3,571,443)	(3,571,443)
Currency exposure	5,302,006	305,047	-	5,607,053

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

The Group	United States Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
2014				
Financial assets				
Trade receivables	2,148,072	-	138,763	2,286,835
Cash and bank balances	3,682,099	15,156	503,419	4,200,674
	<u>5,830,171</u>	<u>15,156</u>	<u>642,182</u>	<u>6,487,509</u>
Financial liabilities				
Trade payables	(7,380)	(24,119)	(907,246)	(938,745)
Other payables and accruals	(17,564)	-	(2,299,118)	(2,316,682)
	<u>(24,944)</u>	<u>(24,119)</u>	<u>(3,206,364)</u>	<u>(3,255,427)</u>
Net financial assets/(liabilities)	5,805,227	(8,963)	(2,564,182)	3,232,082
Less: Net financial assets denominated in the entity's functional currency	-	-	2,564,182	2,564,182
Currency exposure	<u>5,805,227</u>	<u>(8,963)</u>	<u>-</u>	<u>5,796,264</u>

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)**(i) Foreign Currency Risk (Cont'd)**Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group	
	2015 Increase/ (Decrease) RM	2014 Increase/ (Decrease) RM
Effects on loss after taxation		
United States Dollar:-		
- strengthened by 10%	(397,650)	(435,392)
- weakened by 10%	397,650	435,392
Other currencies:-		
- strengthened by 10%	(22,879)	672
- weakened by 10%	22,879	(672)
	<hr/>	<hr/>
Effects on equity		
United States Dollar:-		
- strengthened by 10%	397,650	435,392
- weakened by 10%	(397,650)	(435,392)
Other currencies:-		
- strengthened by 10%	22,879	(672)
- weakened by 10%	(22,879)	672
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37. FINANCIAL INSTRUMENTS (CONT'D)**37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(ii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

The analysis is not presented as the sensitivity impact is immaterial.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including unquoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by a customer which constituted approximately 89% of its trade receivables as at the end of the reporting period.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

(Formerly Known As PFCE Berhad)
(Incorporated in Malaysia)
Company No: 504718 - U

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables (including amount owing by a related party) by geographical region is as follows:-

	The Group	
	2015 RM	2014 RM
United States	2,548,075	2,148,072
Malaysia	227,265	478,822
	<u>2,775,340</u>	<u>2,626,894</u>

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables (including amount owing by a related party) at the end of the reporting period is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2015				
Not past due	943,736	-	-	943,736
Past due:				
- less than 3 months	1,762,196	-	-	1,762,196
- 3 to 6 months	36,631	-	-	36,631
- over 6 months	32,777	-	-	32,777
	<u>2,775,340</u>	-	-	<u>2,775,340</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis (Cont'd)

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2014				
Not past due	2,479,229	-	-	2,479,229
Past due:				
- less than 3 months	111,611	-	-	111,611
- 3 to 6 months	17,366	-	-	17,366
- over 6 months	18,688	-	-	18,688
	2,626,894	-	-	2,626,894

At the end of the reporting period, there were no trade receivables that were individually or collectively impaired.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
2015					
Trade payables	-	1,009,620	1,009,620	1,009,620	-
Other payables and accruals	-	2,721,305	2,721,305	2,721,305	-
Hire purchase payables	4.61 - 6.76	662,827	737,125	183,984	553,141
		4,393,752	4,468,050	3,914,909	553,141
2014					
Trade payables	-	938,745	938,745	938,745	-
Other payables and accruals	-	2,316,682	2,316,682	2,316,682	-
Amount owing to a director	-	427,513	427,513	427,513	-
Amount owing to a related party	-	142,043	142,043	142,043	-
Hire purchase payables	4.74 - 4.91	124,720	134,305	46,248	88,057
		3,949,703	3,959,288	3,871,231	88,057

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

The Company	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM
2015					
Other payables and accruals	-	335,092	335,092	335,092	-
Amount owing to a subsidiary	-	10,000	10,000	10,000	-
		345,092	345,092	345,092	-
2014					
Other payables and accruals	-	355,838	355,838	355,838	-
Amount owing to a director	-	429,068	429,068	429,068	-
Amount owing to a subsidiary	-	10,000	10,000	10,000	-
		794,906	794,906	794,906	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

37. FINANCIAL INSTRUMENTS (CONT'D)

37.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total borrowings from financial institutions.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) more than 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

37.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Financial assets				
<u>Loans and</u>				
<u>receivables</u>				
<u>financial assets</u>				
Trade receivables	2,767,966	2,286,835	-	-
Other receivables and deposits	1,007,270	269,828	1,650	41,150
Amount owing by subsidiaries	-	-	480,622	703,908
Amount owing by a related party	7,374	340,059	-	-
Fixed deposits with licensed banks	1,508,158	308,158	-	-
Cash and bank balances	10,141,455	4,200,674	-	3,612
	<u>15,432,223</u>	<u>7,405,554</u>	<u>482,272</u>	<u>748,670</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

37. FINANCIAL INSTRUMENTS (CONT'D)

37.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Financial liabilities				
Other financial liabilities				
Trade payables	1,009,620	938,745	-	-
Other payables and accruals	2,721,305	2,316,682	335,092	355,838
Amount owing to a director	-	427,513	-	429,068
Amount owing to a subsidiary	-	-	10,000	10,000
Amount owing to a related party	-	142,043	-	-
Hire purchase payables	662,827	124,720	-	-
	<u>4,393,752</u>	<u>3,949,703</u>	<u>345,092</u>	<u>794,906</u>

37.4 FAIR VALUE INFORMATION

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.

The fair values of the hire purchase payables equal to their carrying amounts as the impact of discounting are immaterial. The fair values are determined by the relevant cash flows using interest rates for similar instruments ranging from 4.61% to 6.76% (2014 – 4.74% to 4.91%) per annum at the end of the reporting period. The fair values are included in level 2 of the fair value hierarchy.

38. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 29 April 2015, the Company increased its issued and paid-up share capital from RM47,500,000 to RM52,250,000 by the allotment of 9,500,000 new ordinary shares of RM0.50 each at an issue price of RM0.525 per ordinary share via a private placement to eligible investors for a total cash consideration of RM4,987,500 to fund the Group's development project and for the purpose of working capital.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (*CONT'D*)

SPRING GALLERY BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

39. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) On 9 July 2015, PSSB, a wholly-owned subsidiary of the Company, entered into a managing contractor agreement with JV Muhibbah Sdn. Bhd. for the development project of Southern City Phase 1B 18 Storey Apartment located at Jalan Jakar, Kemaman; and
- (b) 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.

40. COMPARATIVE FIGURES

In the previous financial period, the Company had changed its financial year end from 31 December to 30 June. Accordingly, the financial statements of the current financial year are for 12 months ended 30 June 2015, whilst the comparatives were for 18 months ended 30 June 2014. Consequently, the comparatives figures of the statements of profit or loss and other comprehensive income and the statements of cash flows are not comparable to that of the current financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SPRING GALLERY BERHAD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

41. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at the end of the reporting period into realised and unrealised losses are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total accumulated losses:				
- realised	(12,988,827)	(47,542,157)	(30,082,096)	(25,467,610)
- unrealised	(2,344,589)	(2,997,146)	-	346
	(15,333,416)	(50,539,303)	(30,082,096)	(25,467,264)
Less: Consolidation adjustments	(13,766,480)	22,802,556	-	-
At 30.6.2015/30.6.2014	(29,099,896)	(27,736,747)	(30,082,096)	(25,467,264)

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
MONTH PERIOD ENDED 31 DECEMBER 2015



CERTIFIED TRUE COPY

SPRING GALLERY BERHAD (504718-U)

QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015

Lim Yoon Lay
Executive Director

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)	-
Profit after taxation	819	2,067	1,094	1,537
Other comprehensive income/(expenses) net of tax:				
- Foreign currency translation	26	40	(44)	64
Total comprehensive income	845	2,107	1,050	1,601
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.)

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



SPRING GALLERY BERHAD (504718-U)

QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.12.2015 UNAUDITED RM'000	AS AT 30.6.2015 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	25,298	24,952
Trade receivables	484	-
	25,782	24,952
Current assets		
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
	22,975	17,956
TOTAL ASSETS	48,757	42,908
EQUITY AND LIABILITIES		
Equity		
Share capital	52,250	52,250
Share premium	12,500	12,500
Other reserves	173	217
Accumulated losses	(28,006)	(29,100)
Total equity	36,917	35,867
Non-current liabilities		
Hire purchase payables	423	510
Deferred tax liabilities	2,570	2,604
Trade payables	431	-
	3,424	3,114
Current liabilities		
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
	8,416	3,927
Total liabilities	11,840	7,041
TOTAL EQUITY AND LIABILITIES	48,757	42,908
Net assets per share (sen)	35.33	34.32

(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.)

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-Distributable			Distributable	Total Equity/ Attributable to Owners of the Company RM'000
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Accumulated Losses 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.)

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	CURRENT PERIOD-TO-DATE ENDED 31.12.2015 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2014 UNAUDITED RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit before taxation	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	-	*
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	1,591	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	(3,909)	237
Interest paid	(17)	(6)
Income tax paid	(158)	(9)
Net cash (for)/from operating activities	(4,084)	222
CASH FLOWS FOR INVESTING ACTIVITIES		
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)
CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment of hire purchase payables	(83)	(33)
Repayment to a related party	-	(142)
Advances from a director	-	77
Net cash for financing activities	(83)	(98)

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	CURRENT PERIOD-TO-DATE ENDED 31.12.2015 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2014 UNAUDITED RM'000
Net changes in cash and cash equivalents	(4,961)	(1,129)
Cash and cash equivalents at beginning of period	10,141	4,201
Effect of foreign exchange translation	1	1
Cash and cash equivalents at end of period	<u>5,181</u>	<u>3,073</u>
Cash and cash equivalents at end of financial period comprised:-		
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 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 2015 and the accompanying explanatory notes attached to the interim financial statements.)

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



**SPRING GALLERY BERHAD (504718-U) ("SGB" OR "THE COMPANY")
QUARTERLY REPORT FOR THE 2ND 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:-

MFRSs (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
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

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



**SPRING GALLERY BERHAD (504718-U) ("SGB" OR "THE COMPANY")
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015**

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

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.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
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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.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
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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> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>The Group</u> RM'000
Current year quarter ended 31.12.2015				
External revenue	-	6,931	3,494	10,425
Results				
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
Current year-to-date ended 31.12.2015				
External revenue	-	7,676	6,356	14,032
Results				
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

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
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9. SEGMENTAL INFORMATION (CONT'D)

31.12.2015	<u>Investment Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>The Group</u> RM'000
Assets				
Segment assets	1,005	39,749	7,963	48,717
Unallocated assets				249
Consolidated total assets				<u>48,966</u>
Liabilities				
Segment liabilities	592	4,292	3,884	8,768
Unallocated liabilities				3,281
Consolidated total liabilities				<u>12,049</u>
Preceding year corresponding quarter ended 31.12.2014				
External revenue		-	7,767	7,767
Results				
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>

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>The Group</u> RM'000
Preceding year corresponding period ended 31.12.2014			
External revenue	-	10,170	10,170
Results			
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)
	(133)	1,676	1,543
Finance costs			(6)
Taxation			-
Profit after taxation			1,537
31.12.2014			
Assets			
Segment assets	102	42,902	43,004
Tax refundable			24
Consolidated total assets			43,028
Liabilities			
Segment liabilities	955	5,424	6,379
Deferred tax liabilities			2,729
			9,108

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)**



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9. SEGMENTAL INFORMATION (CONT'D)
Geographical Information for Revenue

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

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.

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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 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 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:-

- 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
- 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.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



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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.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



SPRING GALLERY BERHAD (504718-U) ("SGB" OR "THE COMPANY")
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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 PRECEDING QUARTER

	Current quarter ended 31.12.2015 RM'000	Immediate preceding quarter ended 30.9.2015 RM'000
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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REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****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.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



**SPRING GALLERY BERHAD (504718-U) ("SGB" OR "THE COMPANY")
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21. TAXATION

The tax expense is as follows:

	Current year quarter ended 31.12.2015 RM'000	Current year-to- date ended 31.12.2015 RM'000
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.

Description	Revised Proposed Utilisation [^] RM'000	Actual Utilisation as at 31.12.2015 RM'000	Revised Timeframe for Utilisation	Deviation RM'000	%	Explanation
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	*
	4,988	4,962				

Notes:-

[^] 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:

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

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

	Current year quarter 31.12.2015	Current year-to-date ended 31.12.2015
	RM'000	RM'000
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

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3)-
MONTH PERIOD ENDED 31 DECEMBER 2015 (CONT'D)



SPRING GALLERY BERHAD (504718-U) ("SGB" OR "THE COMPANY")
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015

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

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:-

	As at 31.12.2015 RM'000	As at 30.6.2015 RM'000
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

DIRECTORS' REPORT



Spring Gallery Berhad (504718-U)

9.01, 9th Floor, Persoft Tower, 6B, Persiaran Tropicana,
Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor
Tel no.: 03-7880 8817 | Fax no.: 03-7880 9917

Registered Office:

49-B, Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka, Malaysia

10 MAR 2016

To: Shareholders of Spring Gallery Berhad ("SGB" or "Company")

Dear Sir/Madam,

On behalf of the Board of Directors of SGB ("**Board**"). I wish to report that after making due enquiries in relation to our Company and subsidiary companies ("**Group**") during the period between 30 June 2015 (being the date on which the latest audited consolidated financial statements have been made up) to the date thereof, being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus that:

- (i) in the opinion of the Board, the business of our Group has been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (v) since the last audited consolidated financial statements of our Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and
- (vi) save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the results of our Group since the last audited consolidated financial statements of our Group.

Yours faithfully
For and behalf of the Board of
SPRING GALLERY BERHAD



Lim Yoon Loy
Executive Director

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- 1.1 Save for the ICPS, Warrants and new Shares to be issued pursuant to the conversion of the ICPS and exercise of the Warrants, no securities in our Company will be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.
- 1.2 As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with one another.
- 1.3 Save for the Entitled Shareholders who will be allotted the provisional ICPS with Warrants under the Rights Issue of ICPS with Warrants, no person has been or is entitled to be granted an option to subscribe for any of our securities as at the LPD.

2. REMUNERATION OF DIRECTORS

The provisions in our Articles of Association in respect of the arrangements for the remuneration of Directors are as follows:

Article 78

The remuneration of the Directors shall from time to time be determined by an ordinary resolution of the Company, and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Provided always that:-

- (a) fees payable to non-executive Directors shall be by way of a fixed sum and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors shall not include a commission on or percentage of turnover; and
- (c) any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 82

Any Director, who is appointed to any executive office or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise (but no commission on or percentage of turnover) as the Directors may determine. The extra remuneration payable to non-executive Directors shall not include a commission on or percentage of profits or turnover.

ADDITIONAL INFORMATION (CONT'D)

3. MATERIAL CONTRACTS

Save as disclosed below, neither we nor our subsidiary companies have entered into any material contracts, (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this AP:

- (i) the Deed Poll dated 7 March 2016 executed by our Company constituting the Warrants;
- (ii) PSSB had on 9 July 2015 entered into the MCA with JVM in which PSSB has been appointed as a managing contractor for the Southern City Project – Phase 1B; and
- (iii) PSSB had on 12 November 2015 entered into the 2nd MCA with JVM in which in which PSSB has been appointed as a managing contractor for the Southern City Project – Phase 2.

4. MATERIAL LITIGATION

As at the LPD, neither we nor our subsidiary company are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board do not have any knowledge of any proceeding, pending or threatened, against us or our subsidiary company or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of our Company or our subsidiary company.

5. GENERAL

- 5.1 There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.
- 5.2 Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by any of the following:
 - (i) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
 - (ii) material commitments for capital expenditure of our Group;
 - (iii) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;
 - (iv) known trends or uncertainties that have had or that our Group reasonably expects will have, a material favourable or unfavourable impact on our Group's revenue or operating income;
 - (v) substantial increase in revenues; and
 - (vi) material information, including trading factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

ADDITIONAL INFORMATION (CONT'D)

6. CONSENTS

The Adviser, Company Secretaries, Principal Bankers, Share Registrar, Solicitors for the Rights Issue of ICPS with Warrants and Bloomberg Finance L.P. have given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto in the form and context in which they appear in this AP.

The written consent of our Reporting Accountants and Auditors to the inclusion in this AP of their names and letter relating to the pro forma consolidated statements of financial position of our Group as at 30 June 2015 and the audited consolidated financial statements of our Group for the FYE 30 June 2015 respectively, and all references thereto in the form and context in which they appear have been given before the issuance of this AP and have not subsequently been withdrawn.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for the period of twelve (12) months from the date of this AP:

- (i) our Memorandum and Articles of Association;
- (ii) the audited financial statements of our Group for the FPE 2014 and FYE 2015 and our latest unaudited consolidated financial results for the FPE 31 December 2015;
- (iii) the pro forma consolidated statements of financial position as at 30 June 2015 and the Reporting Accountants' letter thereon as set out in **Appendix III** of this AP;
- (iv) the undertaking letter from the Undertaking Shareholder referred to in Section 2.4 of this AP;
- (v) Directors' Report referred to as **Appendix VI** of this AP;
- (vi) the material contracts as set out in Section 3 above; and
- (vii) the letters of consent referred to in Section 6 above.

8. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Adviser for the Rights Issue of ICPS with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning this Rights Issue of ICPS with Warrants.