



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER ENDED 30.6.2016	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30.6.2015	CURRENT YEAR- TO-DATE ENDED 30.6.2016	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.6.2015
	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000	AUDITED RM'000
Revenue	5,237	3,066	27,605	22,988
Cost of sales	(5,826)	(2,492)	(21,287)	(14,064)
Gross (loss)/profit	(589)	574	6,318	8,924
Other income	1,433	1,351	1,810	2,805
Operating expenses	(2,900)	(3,270)	(8,290)	(8,577)
Other operating expenses	(1,373)	(4,142)	(1,611)	(4,440)
Finance costs	11	(6)	(31)	(18)
Loss before taxation	(3,418)	(5,493)	(1,804)	(1,306)
Taxation	678	409	(118)	(57)
Loss after taxation	(2,740)	(5,084)	(1,922)	(1,363)
Other comprehensive				
(expenses)/income net of tax:				
- Foreign currency translation	(2)	(56)	6	22
Total comprehensive expenses	(2,742)	(5,140)	(1,916)	(1,341)
Loss after taxation attributable to:-				
Owners of the Company	(2,740)	(5,084)	(1,922)	(1,363)
Total comprehensive expenses attributable to:-				
Owners of the Company	(2,742)	(5,140)	(1,916)	(1,341)
Loss per share attributable to Owners of the Company (sen):				
Basic	(2.38)	(5.01)	(1.79)	(1.41)
Diluted	(2.38)	NA	(1.79)	NA

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



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30.6.2016 UNAUDITED RM'000	AS AT 30.6.2015 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	22,066	24,952
Investment properties	1,655	-
	<u>23,721</u>	<u>24,952</u>
Current assets		
Inventories	907	1,609
Trade and other receivables	18,136	4,662
Amount owing by a related party	-	7
Tax recoverable	309	29
Deposits with licensed banks	27,426	1,508
Cash and bank balances	14,386	10,141
	<u>61,164</u>	<u>17,956</u>
TOTAL ASSETS	<u>84,885</u>	<u>42,908</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	88,850	52,250
Share premium	18,002	12,500
Warrant reserve	1,146	-
Foreign exchange translation reserve	223	217
Accumulated losses	(31,022)	(29,100)
Total equity	<u>77,199</u>	<u>35,867</u>
Non-current liabilities		
Hire purchase payables	348	510
Deferred tax liabilities	2,449	2,604
	<u>2,797</u>	<u>3,114</u>
Current liabilities		
Trade and other payables	4,082	3,731
Amount owing to contract customers	569	-
Provision for taxation	76	43
Hire purchase payables	162	153
	<u>4,889</u>	<u>3,927</u>
Total liabilities	<u>7,686</u>	<u>7,041</u>
TOTAL EQUITY AND LIABILITIES	<u>84,885</u>	<u>42,908</u>
Net assets per ordinary share (sen)	59.97	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.)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-Distributable					Distributable	
	Share capital						
	Ordinary Shares	Irredeemable Convertible Preference Shares	Share Premium	Warrant Reserve	Foreign Exchange Translation Reserve	Accumulated Losses	Total Equity/ Attributable to Owners of the Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1.7.2015	52,250	-	12,500	-	217	(29,100)	35,867
Rights issue of irredeemable convertible preference shares ("ICPS") with warrants	-	26,125	4,075	1,150	-	-	31,350
Expenses incurred in relation to rights issue of ICPS with warrants	-	-	(672)	-	-	-	(672)
Issuance of shares pursuant to conversion of ICPS	12,046	(1,644)	2,081	-	-	-	12,483
Issuance of shares pursuant to conversion of warrants	73	-	18	(4)	-	-	87
Total transactions with Owners of the Company	12,119	24,481	5,502	1,146	-	-	43,248
Loss after taxation for the financial period	-	-	-	-	-	(1,922)	(1,922)
Other comprehensive income for the financial period, net of tax	-	-	-	-	6	-	6
Total comprehensive income/ (expenses) for the financial period	-	-	-	-	6	(1,922)	(1,916)
Balance at 30.6.2016	64,369	24,481	18,002	1,146	223	(31,022)	77,199



SPRING GALLERY BERHAD (504718-U)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

	Non-Distributable					Distributable	
	Share capital						
	Ordinary Shares	Irredeemable Convertible Preference Shares	Share Premium	Warrant Reserve	Foreign Exchange Translation Reserve	Accumulated Losses	Total Equity/ Attributable to Owners of the Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1.7.2014	47,500	-	12,361	-	195	(27,737)	32,319
Issuance of shares pursuant to private placement	4,750	-	238	-	-	-	4,988
Expenses incurred in relation to private placement	-	-	(99)	-	-	-	(99)
Total transactions with Owners of the Company	4,750	-	139	-	-	-	4,889
Loss after taxation for the financial period	-	-	-	-	-	(1,363)	(1,363)
Other comprehensive income for the financial period, net of tax	-	-	-	-	22	-	22
Total comprehensive income/ (expenses) for the financial period	-	-	-	-	22	(1,363)	(1,341)
Balance at 30.6.2015	52,250	-	12,500	-	217	(29,100)	35,867

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



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	CURRENT PERIOD-TO-DATE ENDED 30.6.2016 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.6.2015 AUDITED RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Loss before taxation	(1,804)	(1,306)
Adjustments for:-		
Amortisation of prepaid land lease payments	-	4
Bad debts written off	3	7
Deposit written off	1	-
Depreciation of property, plant and equipment	983	1,277
Impairment losses on receivables	124	40
Impairment losses on investment properties	1,260	-
Impairment losses on property, plant and equipment	-	2,705
Impairment losses on prepaid land lease payments	-	185
Interest expense	31	18
Inventories written down	217	200
Inventories written off	-	350
Plant and equipment written off	- *	253
Unrealised gain on foreign exchange	(47)	(694)
Gain on disposal of plant and equipment	(17)	(93)
Interest income	(181)	(4)
Reversal of inventories written down	(1,151)	(577)
Waiver of debts	(41)	(1)
Operating profit before working capital changes	(622)	2,364
Net change in inventories	1,636	1,024
Net change in trade and other receivables	(13,455)	(503)
Net change in trade and other payables	401	294
Net change in amount owing to contract customers	569	-
Net change in related parties	7	333
Cash flows (for)/from operations	(11,464)	3,512
Interest paid	(31)	(18)
Income tax paid	(520)	(152)
Net cash (for)/from operating activities	(12,015)	3,342
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	77	4
Purchase of equipment	(1,012)	(555)
Proceeds from disposal of plant and equipment	18	149
Placement of fixed deposits	(42)	(1,200)
Net cash for investing activities	(959)	(1,602)



SPRING GALLERY BERHAD (504718-U)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	CURRENT PERIOD-TO-DATE ENDED 30.6.2016 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.6.2015 AUDITED RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(153)	(121)
Repayment to a related party	-	(142)
Proceeds from rights issue of ICPS with warrants, net of expenses	30,678	-
Proceeds from issuance of shares pursuant to conversion of ICPS	12,483	-
Proceeds from issuance of shares pursuant to conversion of warrants	87	-
Proceeds from issuance of shares pursuant to private placement, net of expenses	-	4,889
Repayment to a director	-	(428)
Net cash from financing activities	43,095	4,198
Net changes in cash and cash equivalents	30,121	5,938
Cash and cash equivalents at beginning of period	10,141	4,201
Effect of foreign exchange translation	- *	2
Cash and cash equivalents at end of period	40,262	10,141
Cash and cash equivalents at end of financial period comprised:-		
Cash and bank balances	14,386	10,141
Deposits with licensed banks	27,426	1,508
	41,812	11,649
Less: Deposits pledged with licensed banks	(1,550)	(1,508)
	40,262	10,141

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.)



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2016**

**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



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2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

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

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

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

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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

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



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

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

7. DEBT AND EQUITY SECURITIES

On 19 April 2016, the Company announced that the rights issue of ICPS with warrants was completed with the listing of 522,500,000 ICPS together with 52,250,000 warrants on the Main Market of Bursa Securities on 19 April 2016.

Total of 23,117,500 ordinary shares of RM0.50 each (“SGB Shares”) have been issued and listed on the following dates pursuant to the conversion of 23,117,500 ICPS to 23,117,500 SGB Shares by conversion of 1 ICPS and payment of RM0.54 in cash for 1 new SGB Share.

Listing Date	No. of ICPS	No. of SGB Share
4.5.2016	1,622,000	1,622,000
6.5.2016	5,850,000	5,850,000
10.5.2016	2,514,800	2,514,800
12.5.2016	3,414,200	3,414,200
16.5.2016	2,111,500	2,111,500
18.5.2016	335,000	335,000
23.5.2016	70,000	70,000
29.6.2016	7,200,000	7,200,000
Total	23,117,500	23,117,500

Total of 976,000 SGB Shares have been issued and listed on the following dates pursuant to the conversion of 9,760,000 ICPS to 976,000 SGB Shares by conversion of 10 ICPS into 1 new SGB Share.

Listing Date	No. of ICPS	No. of SGB Share
10.5.2016	2,520,000	252,000
12.5.2016	5,700,000	570,000
16.5.2016	1,490,000	149,000
18.5.2016	50,000	5,000
Total	9,760,000	976,000



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7. DEBT AND EQUITY SECURITIES (CONT'D)

Total of 145,000 SGB Shares have been issued and listed on the following dates pursuant to the conversion of 145,000 warrants to 145,000 SGB Shares.

Listing Date	No. of Warrants	No. of SGB Share
6.5.2016	100,000	100,000
12.5.2016	45,000	45,000
Total	145,000	145,000

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

8. DIVIDENDS

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

9. SEGMENTAL INFORMATION

The Group has two main business segments as follows:-

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

Construction segment - involved in property construction and related businesses.

The Group operates principally in Malaysia.



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9. SEGMENTAL INFORMATION (CONT'D)

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

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>The Group</u> RM'000
Current year quarter ended 30.6.2016				
External revenue	-	2,645	2,592	5,237
Results				
Results before following adjustments	(300)	(2,965)	88	(3,177)
Interest income	126	5	-	131
Gain on disposal of plant and equipment	-	-	-	-
Reversal of inventories written down	-	1,125	-	1,125
Realised gain on foreign exchange	-	54	-	54
Unrealised gain on foreign exchange	-	282	-	282
Waiver of debts	-	41	-	41
Bad debts written off	-	(3)	-	(3)
Deposit written off	-	(1)	-	(1)
Depreciation of property, plant and equipment	(14)	(266)	- *	(280)
Impairment losses on receivables	-	(124)	-	(124)
Impairment losses on investment properties	(1,260)	-	-	(1,260)
Inventories written down	-	(217)	-	(217)
Plant and equipment written off	-	- *	-	- *
Segment results	(1,448)	(2,069)	88	(3,429)
Finance costs				11
Taxation				678
Loss after taxation				(2,740)

Note:-

* - Amount less than RM1,000



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>The Group</u> RM'000
Current year-to-date ended 30.6.2016				
External revenue	-	15,524	12,081	27,605
Results				
Results before following adjustments	(892)	(932)	935	(889)
Interest income	126	55	-	181
Gain on disposal of plant and equipment	-	17	-	17
Reversal of inventories written down	-	1,151	-	1,151
Realised gain on foreign exchange	-	267	-	267
Unrealised gain on foreign exchange	-	47	-	47
Waiver of debts	-	41	-	41
Bad debts written off	-	(3)	-	(3)
Deposit written off	-	(1)	-	(1)
Depreciation of property, plant and equipment	(38)	(944)	(1)	(983)
Impairment losses on receivables	-	(124)	-	(124)
Impairment losses on investment properties	(1,260)	-	-	(1,260)
Inventories written off	-	(217)	-	(217)
Plant and equipment written off	-	-	*	-
Segment results	(2,064)	(643)	934	(1,773)
Finance costs				(31)
Taxation				(118)
Loss after taxation				(1,922)

Note:-

** - Amount less than RM1,000*



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>The Group</u> RM'000
30.6.2016				
Assets				
Segment assets	33,319	32,606	18,651	84,576
Unallocated assets				309
Consolidated total assets				<u>84,885</u>
Liabilities				
Segment liabilities	415	2,475	2,271	5,161
Unallocated liabilities				<u>2,525</u>
Consolidated total liabilities				<u>7,686</u>
	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>The Group</u> RM'000	
Preceding year corresponding quarter ended 30.6.2015				
External revenue	-	3,066	3,066	
Results				
Results before following adjustments	(180)	(1,865)	(2,045)	
Interest income	2	1	3	
Gain on disposal of plant and equipment	-	58	58	
Reversal of inventories written down	-	577	577	
Waiver of debts	-	1	1	
Amortisation of prepaid land lease payments	-	(1)	(1)	
Bad debts written off	-	(7)	(7)	
Depreciation of property, plant and equipment	-	(478)	(478)	
Impairment losses on receivables	(40)	-	(40)	
Impairment losses on property, plant and equipment	-	(2,705)	(2,705)	
Impairment losses on prepaid land lease payments	-	(185)	(185)	
Inventories written down	-	(200)	(200)	
Inventories written off	-	(350)	(350)	
Plant and equipment written off	-	(25)	(25)	
Unrealised loss on foreign exchange	-	(90)	(90)	
Segment results	<u>(218)</u>	<u>(5,269)</u>	<u>(5,487)</u>	
Finance costs				(6)
Taxation				<u>409</u>
Loss after taxation				<u>(5,084)</u>



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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 30.6.2015			
External revenue	-	22,988	22,988
Results			
Results before following adjustments	(382)	2,746	2,364
Interest income	2	2	4
Gain on disposal of plant and equipment	-	93	93
Reversal of inventories written down	-	577	577
Unrealised gain on foreign exchange	-	694	694
Waiver of debts	-	1	1
Amortisation of prepaid land lease payments	-	(4)	(4)
Bad debts written off	-	(7)	(7)
Depreciation of property, plant and equipment	-	(1,277)	(1,277)
Impairment losses on receivables	(40)	-	(40)
Impairment losses on property, plant and equipment	-	(2,705)	(2,705)
Impairment losses on prepaid land lease payments	-	(185)	(185)
Inventories written down	-	(200)	(200)
Inventories written off	-	(350)	(350)
Plant and equipment written off	-	(253)	(253)
Segment results	(420)	(868)	(1,288)
Finance costs			(18)
Taxation			(57)
Loss after taxation			(1,363)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>The Group</u> RM'000
30.6.2015			
Assets			
Segment assets	4,093	38,786	42,879
Unallocated assets			29
Consolidated total assets			42,908
Liabilities			
Segment liabilities	344	4,050	4,394
Unallocated liabilities			2,647
Consolidated total liabilities			7,041



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9. SEGMENTAL INFORMATION (CONT'D)

Geographical Information for Revenue

	Current year quarter ended 30.6.2016 RM'000	Current year-to- date ended 30.6.2016 RM'000
United States	2,202	12,864
Australia	64	768
Europe	-	777
Malaysia	2,854	13,001
Others	117	195
	<u>5,237</u>	<u>27,605</u>

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

Save for the following and those disclosed in Note 22, there were no material events subsequent to the end of the current quarter up to 19 August 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.

On 19 August 2016, SGB announced that the Company has granted its consent to the potential vendors to extend the duration of the heads of agreement (“HOA”) for a period of six months for the satisfaction of the conditions precedent of the HOA.



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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.

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

Capital commitments as at the end of the current quarter are as follows:-

	As at 30.6.2016 RM'000
Approved and contracted for:-	
Proposed acquisition of a subsidiary	<u>3,000</u>

The above proposed acquisition of a subsidiary is in relation to the HOA as disclosed in Note 10.

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	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
30.6.2016								
<u>Financial Liability</u>								
Hire purchase payables (Non- current)	-	-	-	-	348	-	348	348
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The fair values above are for disclosure purposes and have been determined by the relevant cash flows using interest rates for similar instruments ranging from 4.61% to 6.76% (30.6.2015 - 4.61% to 6.76%) per annum at the end of the reporting period.



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17. REVIEW OF GROUP PERFORMANCE

	Individual Quarter		Cumulative Period	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
- Investment holding	-	-	-	-
- Ceramic	2,645	3,066	15,524	22,988
- Construction	2,592	-	12,081	-
	5,237	3,066	27,605	22,988
(Loss)/Profit before taxation				
- Investment holding	(1,448)	(218)	(2,064)	(420)
- Ceramic	(2,076)	(5,275)	(674)	(886)
- Construction	106	-	934	-
	(3,418)	(5,493)	(1,804)	(1,306)

The Group's revenue in the current quarter increased by 71% as compared to the corresponding quarter ended 30.6.2015. The increase was contributed by the revenue derived from construction segment (i.e., mainly the progress billing for development project in Kemaman) amounting to RM2.59 million in the current quarter. There was no revenue derived from the construction segment in the corresponding quarter ended 30.6.2015. The revenue from ceramic segment decreased by RM0.42 million, representing a decrease of 14% as compared to the corresponding quarter ended 30.6.2015, as a result of orders from major customers being lost to competitors in the current quarter.

For the cumulative period under review, the Group's revenue increased by RM4.62 million, representing an increase of 20% as compared to the corresponding cumulative period ended 30.6.2015. The increase was contributed by the revenue derived from construction segment (i.e., mainly the progress billing for development project in Kemaman) amounting to RM12.08 million in the current cumulative period. There was no revenue derived from the construction segment in the corresponding cumulative period ended 30.6.2015. Meanwhile the revenue from ceramic segment decreased by RM7.46 million, representing a decrease of 32% as compared to the corresponding cumulative period ended 30.6.2015, as a result of orders from major customers being lost to competitors in the current cumulative period.



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17. REVIEW OF GROUP PERFORMANCE (CONT'D)

For the current quarter under review, the Group's loss before taxation decreased by RM2.08 million, representing a decrease of 38% as compared to the corresponding quarter ended 30.6.2015. The decrease was mainly due to the decrease in loss before taxation of ceramic segment. The decrease in loss before taxation of ceramic segment was mainly due to:

- i) RM2.89 million in impairment loss on property, plant and equipment and prepaid land lease payments in the corresponding quarter ended 30.6.2015 (none in the current quarter);
- ii) Reversal of inventories written down of RM1.13 million in the current quarter as compared to RM0.58 million in the corresponding quarter ended 30.6.2015; and
- iii) Decrease in inventories written down and written off by RM0.33 million in the current quarter as compared to the corresponding quarter ended 30.6.2015.

Construction segment recorded a small profit of RM0.11 million in the current quarter which derived mainly from the development project in Kemaman. Meanwhile the loss before taxation of investment holding was mainly due to the impairment loss of RM1.26 million provided on investment properties in the current quarter.

For the cumulative period under review, the Group's loss before taxation increased by RM0.50 million, representing an increase of 38% as compared to the corresponding cumulative period ended 30.6.2015. Despite the lower revenue, the loss before taxation of ceramic segment decreased by RM0.20 million as compared to the corresponding cumulative period ended 30.6.2015. This was mainly due to RM2.89 million in impairment loss on property, plant and equipment and prepaid land lease payments in corresponding cumulative period ended 30.6.2015 while none in the current cumulative period. By excluding the effect of the impairment, the profit margin of ceramic segment in the current cumulative period had decreased as compared to the corresponding cumulative period ended 30.6.2015 which caused by lower economies of scale attributable to lower volume of export sales of ceramic products, as a result of orders from major customers being lost to competitors in the current cumulative period.

However, construction segment recorded a profit before taxation of RM0.93 million in the current cumulative period, which derived mainly from the development project in Kemaman. The loss before taxation of investment holding was mainly due to the impairment loss of RM1.26 million provided in investment properties in the current cumulative period.



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18. MATERIAL CHANGE IN PERFORMANCE AS COMPARED TO PRECEEDING QUARTER

	Current quarter ended 30.6.2016 RM'000	Immediate preceding quarter ended 31.3.2016 RM'000
Revenue		
- Investment holding	-	-
- Ceramic	2,645	5,203
- Construction	2,592	3,133
	5,237	8,336
(Loss)/Profit before taxation		
- Investment holding	(1,448)	(215)
- Ceramic	(2,076)	(121)
- Construction	106	285
	(3,418)	(51)

Revenue in the current quarter decreased by RM3.10 million, representing a decrease of 37% as compared to the preceding quarter which mainly due to the decrease in export sales in ceramic segment. Current quarter was a non-peak season for ceramic business whereby the demand was affected by the seasonal pattern of the importing countries. The revenue in construction segment also decreased by RM0.54 million as compared to the preceding quarter mainly due to lower percentage of completion for the development project in Kemaman in the current quarter.

The Group's loss before taxation increased by RM3.37 million in the current quarter as compared to the preceding quarter. The decreased revenue in ceramic segment was not able to cover fixed operating costs and resulted in the loss in the current quarter. Besides that, the impairment loss on investment properties amounting to RM1.26 million in investment holding also resulted in the loss in the current quarter. Meanwhile the decreased revenue in construction segment was only able to cover lesser fixed operating costs and resulted in lower profit in the current quarter as compared to the preceding quarter.



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19. COMMENTARY ON PROSPECTS

Our Group has been facing challenges in our 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 in the past few years. Taking cognisance of this, our Group has made efforts to improve our financial performance and position which include, among others, our Group's execution of the three managing contractor agreements which has led 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 2 blocks of 18-storey apartment buildings and Southern City Project - Phase 2 for the construction of a shopping complex and hotel, are located at Cukai Town in Kemaman, Terengganu. Our Group was also appointed as the managing contractor for the development of a piece of land located in Johor.

The success of the above construction projects will be vital for the future of our Group as it may lead to future property construction and related businesses for our Group.

20. PROFIT FORECAST OR PROFIT GUARANTEE

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



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21. TAXATION

The tax expense is as follows:

	Current year quarter ended 30.6.2016 RM'000	Current year-to- date ended 30.6.2016 RM'000
Current tax expense	(574)	273
Deferred tax expense	(104)	(155)
	<u>(678)</u>	<u>118</u>

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

22. CORPORATE PROPOSALS

- (i) On 19 April 2016, the Company announced that the rights issue of ICPS with warrants was completed with the listing of 522,500,000 ICPS together with 52,250,000 warrants on the Main Market of Bursa Securities on 19 April 2016.
- (ii) On 14 July 2016, the Company announced to propose to reduce its issued and paid-up share capital pursuant to Section 64 of the Companies Act, 1965 by cancelling:
- (a) RM0.25 of the par value of every existing ordinary share of RM0.50 each; and
- (b) RM0.025 of the par value of every existing irredeemable convertible preference share of RM0.05 each
- (collectively referred to as the “Proposed Par Value Reduction”); and
- amend its Memorandum and Articles of Association to facilitate the Proposed Par Value Reduction (“Proposed Amendments”).

Save for item (ii) above, there were no corporate proposals as at 19 August 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

Rights issue of ICPS with warrants

Rights issue of ICPS with warrants was completed with the listing of 522,500,000 ICPS together with 52,250,000 warrants on the Main Market of Bursa Securities on 19 April 2016 and the proceeds raised from the rights issue of ICPS with warrants is utilised as follows:-

Description	Proposed /Revised Utilisation RM'000	Actual Utilisation as at 30.6.2016 RM'000	Timeframe for Utilisation	Deviation RM'000 %	Explanation
Southern City Project - Phase 1B	4,000	1,387	Within 18 months	2,613 65.3	^
Southern City Project - Phase 2	15,680*	-	Within 30 months	15,680 100.0	^
Development project in Johor	8,000*	8,000	-	- -	
Working capital	2,998#	55	Within 18 months	2,943 98.2	^
Expenses in relation to the Proposals	672#	672	-	- -	
	31,350	10,114			

Notes:-

* *The Company foresaw the delay in Southern City Project – Phase 2 and had re-allocated RM8 million to fund the development project in Johor in order to reduce its dependence on bank borrowings.*

The variation of the actual expenses for the proposals is adjusted against the working capital of the Company.

^ *Pending utilisation.*



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24. BORROWINGS AND DEBT SECURITIES

The Group’s borrowings are as follows:

	<u>As at 30.6.2016</u>	<u>As at 30.6.2015</u>
	RM'000	RM'000
Current - unsecured		
Hire purchase payables	162	153
Non-current - unsecured		
Hire purchase payables	348	510
	<u>510</u>	<u>663</u>

25. CHANGES IN MATERIAL LITIGATION

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

26. PROPOSED DIVIDEND

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



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27. LOSS PER SHARE

(i) Basic loss per share

The basic loss per share of the Group is calculated by dividing the loss 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 30.6.2016	Preceding year corresponding quarter ended 30.6.2015	Current year-to- date ended 30.6.2016	Preceding year corresponding period ended 30.6.2015
Loss attributable to Owners of the Company (RM'000)	(2,740)	(5,084)	(1,922)	(1,363)
Weighted average number of ordinary shares ('000)	115,299	101,577	107,185	96,640
Basic loss per share (sen)	(2.38)	(5.01)	(1.79)	(1.41)



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27. LOSS PER SHARE (CONT'D)

(ii) Diluted loss per share

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

	Individual Quarter	Preceding year	Cumulative Period	Preceding year
	Current year	corresponding	Current year-to-	corresponding
	quarter ended	quarter ended	date ended	period ended
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
Loss attributable to Owners of the Company (RM'000)	(2,740)	(5,084)	(1,922)	(1,363)
Weighted average number of ordinary shares ('000)	115,299	101,577	107,185	96,640
Adjustment for assumed conversion of ICPS ('000)	*	-	*	-
Adjustment for assumed conversion of warrants ('000)	*	-	*	-
	115,299	101,577	107,185	96,640
Diluted loss per share (sen)	(2.38)	NA	(1.79)	NA

Note:-

* There is no dilution effect from the conversion of ICPS and warrants as the loss per share is anti-dilutive.



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

	Current year quarter 30.6.2016 RM'000	Current year-to-date ended 30.6.2016 RM'000
Interest income	131	181
Other income	33	100
Imputed interest income	18	-
Interest expense	7	31
Amortisation	NA	NA
Depreciation of property, plant and equipment	280	983
Provision for and write off of receivables	128	128
Provision for and write off of inventories	217	217
Reversal of inventories written down	1,125	1,151
Plant and equipment written off	- *	- *
Gain or loss on disposal of quoted or unquoted investment	NA	NA
Gain on disposal of plant and equipment	-	17
Impairment of investment properties	1,260	1,260
Realised gain on foreign exchange	54	267
Unrealised gain on foreign exchange	282	47
Waiver of debts	41	41
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA

Note:-

** - Amount less than RM1,000*



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29. REALISED AND UNREALISED PROFIT OR LOSSES

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

	As at 30.6.2016 RM'000	As at 30.6.2015 RM'000
Total accumulated losses of the Group:		
- Realised	(16,274)	(12,989)
- Unrealised	(2,402)	(2,345)
	<u>(18,676)</u>	<u>(15,334)</u>
Less: Consolidation Adjustments	(12,346)	(13,766)
	<u>(31,022)</u>	<u>(29,100)</u>

30. 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 August 2016.

By Order of the Board

Dated: 26 August 2016