



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER ENDED 30.9.2016	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30.9.2015	CURRENT YEAR- TO-DATE ENDED 30.9.2016	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.9.2015
	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000
Revenue	2,299	3,607	2,299	3,607
Cost of sales	(1,602)	(2,751)	(1,602)	(2,751)
Gross profit	697	856	697	856
Other income	336	966	336	966
Operating expenses	(1,722)	(1,459)	(1,722)	(1,459)
Other operating expenses	-	(1)	-	(1)
Finance costs	(6)	(16)	(6)	(16)
(Loss)/Profit before taxation	(695)	346	(695)	346
Taxation	(72)	(71)	(72)	(71)
(Loss)/Profit after taxation	(767)	275	(767)	275
Other comprehensive expenses net of tax:				
- Foreign currency translation	(13)	(70)	(13)	(70)
Total comprehensive (expenses) /income	(780)	205	(780)	205
(Loss)/Profit after taxation attributable to:-				
Owners of the Company	(767)	275	(767)	275
Total comprehensive (expenses)/ income attributable to:-				
Owners of the Company	(780)	205	(780)	205
(Loss)/Earnings per share attributable to Owners of the Company (sen):				
Basic	(0.59)	0.26	(0.59)	0.26
Diluted	(0.59)	NA	(0.59)	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 2016 and the accompanying explanatory notes attached to the interim financial statements.)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30.9.2016 UNAUDITED RM'000	AS AT 30.6.2016 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	21,874	22,066
Investment properties	1,644	1,655
	<u>23,518</u>	<u>23,721</u>
Current assets		
Inventories	1,614	907
Trade and other receivables	28,273	18,136
Current tax assets	442	309
Deposits with licensed banks	21,082	27,426
Cash and bank balances	10,294	14,386
	<u>61,705</u>	<u>61,164</u>
TOTAL ASSETS	<u>85,223</u>	<u>84,885</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	89,521	88,850
Share premium	18,136	18,002
Warrants reserve	1,146	1,146
Foreign exchange translation reserve	210	223
Accumulated losses	(31,788)	(31,021)
Total equity	<u>77,225</u>	<u>77,200</u>
Non-current liabilities		
Hire purchase payables	298	348
Deferred tax liabilities	2,433	2,449
	<u>2,731</u>	<u>2,797</u>
Current liabilities		
Trade and other payables	4,306	4,081
Amount owing to a contract customer	753	569
Current tax liabilities	44	76
Hire purchase payables	164	162
	<u>5,267</u>	<u>4,888</u>
Total liabilities	<u>7,998</u>	<u>7,685</u>
TOTAL EQUITY AND LIABILITIES	<u>85,223</u>	<u>84,885</u>
Net assets per ordinary share (sen)	59.30	59.97

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY							
	← Non-Distributable →				→ Distributable		
	← Share capital →						
	Ordinary Shares	Irredeemable Convertible Preference Shares	Share Premium	Warrants 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 1.7.2016	64,369	24,481	18,002	1,146	223	(31,021)	77,200
Issuance of shares pursuant to conversion of irredeemable convertible preference shares ("ICPS")	745	(74)	134	-	-	-	805
Total transactions with Owners of the Company	745	(74)	134	-	-	-	805
Loss after taxation for the financial period	-	-	-	-	-	(767)	(767)
Other comprehensive expenses for the financial period, net of tax	-	-	-	-	(13)	-	(13)
Total comprehensive expenses for the financial period	-	-	-	-	(13)	(767)	(780)
Balance at 30.9.2016	65,114	24,407	18,136	1,146	210	(31,788)	77,225



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2016

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

	← Non-Distributable →			Distributable	Total Equity/ Attributable to Owners of the Company
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	
Balance at 1.7.2015	52,250	12,500	217	(29,100)	35,867
Profit after taxation for the financial period	-	-	-	275	275
Other comprehensive expenses for the financial period, net of tax	-	-	(70)	-	(70)
Total comprehensive (expenses)/ income for the financial period	-	-	(70)	275	205
Balance at 30.9.2015	52,250	12,500	147	(28,825)	36,072

(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 2016 and the accompanying explanatory notes attached to the interim financial statements.)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	CURRENT PERIOD-TO-DATE ENDED 30.9.2016 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.9.2015 UNAUDITED RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(695)	346
Adjustments for:-		
Bad debts written off	-	- *
Depreciation of investment properties	11	-
Depreciation of property, plant and equipment	247	212
Imputed interest expense	-	7
Interest expense	6	9
Plant and equipment written off	-	- *
Unrealised gain on foreign exchange	(125)	(588)
Interest income	(149)	(2)
Reversal of inventories written down	(10)	(5)
Operating loss before working capital changes	(715)	(21)
Net change in inventories	(696)	(1,819)
Net change in trade and other receivables	(9,995)	(2,351)
Net change in trade and other payables	194	3,260
Net change in amount owing to a contract customer	184	235
Cash flows for operations	(11,028)	(696)
Interest paid	(6)	(9)
Income tax paid	(254)	(75)
Net cash for operating activities	(11,288)	(780)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	149	2
Purchase of equipment	(55)	(310)
Placement of fixed deposits	(240)	-
Net cash for investing activities	(146)	(308)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	CURRENT PERIOD-TO-DATE ENDED 30.9.2016 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.9.2015 UNAUDITED RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Repayment of hire purchase payables	(47)	(37)
Proceeds from issuance of shares pursuant to conversion of ICPS	805	-
Net cash from/(for) financing activities	758	(37)
Net changes in cash and cash equivalents	(10,676)	(1,125)
Cash and cash equivalents at beginning of period	40,262	10,141
Effect of foreign exchange translation	- *	2
Cash and cash equivalents at end of period	29,586	9,018
Cash and cash equivalents at end of financial period comprised:-		
Cash and bank balances	10,294	9,018
Deposits with licensed banks	21,082	1,508
	31,376	10,526
Less: Deposits pledged with licensed banks	(1,790)	(1,508)
	29,586	9,018

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 2016 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 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 2016. 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 2016.

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 2016, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretation with effect from 1 July 2016.

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
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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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 2015) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking ‘expected loss’ impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group’s investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

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

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the audited financial statements for the financial year ended 30 June 2016 was not qualified.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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**PART A - DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARD 134 AND INTERNATIONAL ACCOUNTING STANDARD 34**

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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

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

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

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

7. DEBT AND EQUITY SECURITIES

Total of 1,490,000 ordinary shares of RM0.50 each (“SGB Shares”) have been issued and listed on the following dates pursuant to the conversion of 1,490,000 ICPS to 1,490,000 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
29.7.2016	150,000	150,000
2.8.2016	205,000	205,000
8.8.2016	500,000	500,000
10.8.2016	615,000	615,000
16.8.2016	20,000	20,000
Total	1,490,000	1,490,000

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



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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**PART A - DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
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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.

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 30.9.2016/ Current year-to-date ended 30.9.2016				
External revenue	-	787	1,512	2,299
Results				
Results before following adjustments	(305)	(641)	217	(729)
Interest income	145	4	-	149
Reversal of inventories written down	-	10	-	10
Realised gain on foreign exchange	-	14	-	14
Unrealised gain on foreign exchange	-	125	-	125
Depreciation of investment properties	(11)	-	-	(11)
Depreciation of property, plant and equipment	(14)	(233)	-	(247)
Segment results	(185)	(721)	217	(689)
Finance costs				(6)
Taxation				(72)
Loss after taxation				<u>(767)</u>

Note:-

* - Amount less than RM1,000



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

30.9.2016	<u>Investment Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>The Group</u>
	RM'000	RM'000	RM'000	RM'000
Assets				
Segment assets	22,926	31,896	29,959	84,781
Unallocated assets				442
Consolidated total assets				<u>85,223</u>
Liabilities				
Segment liabilities	419	2,640	2,462	5,521
Unallocated liabilities				2,477
Consolidated total liabilities				<u>7,998</u>
Preceding year corresponding quarter ended 30.9.2015/Preceding year corresponding period 30.9.2015				
External revenue	-	745	2,862	3,607
Results				
Results before following adjustments	(117)	(571)	319	(369)
Interest income	-	2	-	2
Reversal of inventories written down	-	5	-	5
Realised gain on foreign exchange	-	348	-	348
Unrealised gain on foreign exchange	-	588	-	588
Bad debts written off	-	-	*	-
Depreciation of property, plant and equipment	-	(212)	-	(212)
Plant and equipment written off	-	-	*	-
Segment results	(117)	160	319	362
Finance costs				(16)
Taxation				(71)
Profit after taxation				<u>275</u>

Note:-

* - Amount less than RM1,000



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PART A - DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 AND INTERNATIONAL ACCOUNTING STANDARD 34
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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u>	<u>Ceramic</u>	<u>Construction</u>	<u>The Group</u>
30.9.2015	<u> Holding</u>	<u> RM'000</u>	<u> RM'000</u>	<u> RM'000</u>
	<u> RM'000</u>	<u> RM'000</u>	<u> RM'000</u>	<u> RM'000</u>
Assets				
Segment assets	1,945	39,368	5,325	46,638
Unallocated assets				241
Consolidated total assets				<u>46,879</u>
Liabilities				
Segment liabilities	370	4,627	2,955	7,952
Unallocated liabilities				2,855
Consolidated total liabilities				<u>10,807</u>

Geographical Information for Revenue

	Current year quarter ended 30.9.2016	Current year-to- date ended 30.9.2016
	RM'000	RM'000
United States	54	54
Malaysia	2,245	2,245
	<u>2,299</u>	<u>2,299</u>



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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**PART A - DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARD 134 AND INTERNATIONAL ACCOUNTING STANDARD 34**

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 21 November 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.

- (i) On 2 November 2016, the Company had via its wholly-owned subsidiary, Instant Initiative Sdn Bhd (“IISB”), entered into a conditional sale and purchase agreement (“SPA”) with New Tech Development Sdn Bhd for the acquisition of Kolej Poly-Tech Mara Campus, Batu Pahat, for a total cash consideration of RM19 million (“Proposed Acquisition”). The Proposed Acquisition has yet to be completed as it is subject to the fulfillment of conditions precedent entailed in the SPA.
- (ii) On 15 November 2016, the Company acquired two (2) ordinary shares, representing 100% of the total issued and paid-up share capital of Million Rich Development Sdn Bhd (“MRDSB”) for a total consideration of RM2.00. MRDSB was incorporated on 31 October 2016. MRDSB is presently dormant and the intended principal activities are property development and/or property investment.

11. CHANGES IN COMPOSITION OF THE GROUP

- (i) On 21 September 2016, the Company acquired two (2) ordinary shares, representing 100% of the total issued and paid-up share capital of IISB for a total consideration of RM2.00. IISB was incorporated on 6 May 2016.

On 11 October 2016, the Company additionally subscribed for 999,998 new issued ordinary shares of RM1.00 each in IISB for a cash consideration of RM999,998 to retain its 100% equity interest. IISB is presently engaged in the business of property investment.

- (ii) On 15 November 2016, the Company acquired two (2) ordinary shares, representing 100% of the total issued and paid-up share capital of MRDSB for a total consideration of RM2.00. MRDSB was incorporated on 31 October 2016. MRDSB is presently dormant and the intended principal activities are property development and/or property investment.

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.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2016**

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

13. CAPITAL COMMITMENTS

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

	As at 30.9.2016 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 Heads Of Agreement (“HOA”) entered between the Company and the potential vendors for the proposed acquisition of 80,000 ordinary shares of RM1.00 each which represents 80% of the entire issued and paid-up share capital of Klasik Ikhtiar Sdn Bhd. The definitive agreement for the proposed acquisition is to be entered subject to fulfillment of conditions precedent entailed in the HOA.

14. RELATED PARTY TRANSACTIONS

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

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

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



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

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

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
30.9.2016								
<u>Financial Liability</u>								
Hire purchase payables (Non-current)	-	-	-	-	298	-	298	298

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% (30.6.2016 - 4.61% to 6.76%) per annum at the end of the reporting period.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2016**

**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	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
- Investment holding	-	-	-	-
- Ceramic	787	745	787	745
- Construction	1,512	2,862	1,512	2,862
	2,299	3,607	2,299	3,607
(Loss)/Profit before taxation				
- Investment holding	(185)	(117)	(185)	(117)
- Ceramic	(727)	151	(727)	151
- Construction	217	312	217	312
	(695)	346	(695)	346

The Group’s revenue in the current quarter decreased by 36% as compared to the corresponding quarter ended 30.9.2015. The decrease was mainly due to the decrease in revenue derived from construction segment (i.e., mainly the progress billing for construction project in Kemaman). The revenue from construction segment decreased by RM1.35 million, representing a decrease of 47% as compared to the corresponding quarter ended 30.9.2015, as a result of lower percentage of completion for the construction project in Kemaman. Meanwhile the revenue from ceramic segment increased slightly by RM0.04 million, representing an increase of 6% as compared to the corresponding quarter ended 30.9.2015, as a result of increase in order from major customer in the current quarter.

For the current quarter under review, the Group recorded a loss before taxation of RM0.70 million as compared to a profit before taxation of RM0.35 million. The loss was mainly due to the loss from ceramic segment, as a result of the decrease in gain on foreign exchange by RM0.80 million in current quarter as compared to the corresponding quarter ended 30.9.2015. Meanwhile the profit before taxation of construction segment decreased by RM0.10 million as compared to the corresponding quarter ended 30.9.2015. 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 corresponding quarter ended 30.9.2015.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
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**PART B - DISCLOSURE NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING
REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

18. MATERIAL CHANGE IN PERFORMANCE AS COMPARED TO PRECEEDING QUARTER

	Current quarter ended 30.9.2016 RM'000	Immediate preceding quarter ended 30.6.2016 RM'000
Revenue		
- Investment holding	-	-
- Ceramic	787	2,645
- Construction	1,512	2,592
	2,299	5,237
(Loss)/Profit before taxation		
- Investment holding	(185)	(1,448)
- Ceramic	(727)	(2,076)
- Construction	217	106
	(695)	(3,418)

Revenue in the current quarter decreased by RM2.94 million, representing a decrease of 56% 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 RM1.08 million as compared to the preceding quarter mainly due to lower percentage of completion for the construction project in Kemaman in the current quarter.

The Group’s loss before taxation decreased by RM2.72 million in the current quarter as compared to the preceding quarter. The loss in ceramic segment in the preceding quarter was mainly due to 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 preceding quarter while the loss in ceramic segment in the current quarter was mainly due to the decrease in gain on foreign exchange. Meanwhile the loss in investment holding in the preceding quarter was mainly due to the impairment losses of RM1.26 million provided on the investment properties in the preceding quarter while none in the current 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.

21. TAXATION

The tax expense is as follows:

	Current year quarter ended 30.9.2016 RM'000	Current year-to- date ended 30.9.2016 RM'000
Current tax expense	88	88
Deferred tax expense	<u>(16)</u>	<u>(16)</u>
	<u>72</u>	<u>72</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.



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22. CORPORATE PROPOSALS

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 (“ICPS”) 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”).

On 5 September 2016, the Proposed Par Value Reduction and Proposed Amendments were approved by both the shareholders and ICPS holders of the Company at the extraordinary general meeting and class meeting respectively.

On 7 September 2016, the Company had, through its legal counsel, filed a petition to the High Court of Malaya in relation to the Par Value Reduction.

On 10 November 2016, the High Court of Malaya had granted an order confirming the Par Value Reduction.

On 16 November 2016, an office copy of the sealed order of the High Court of Malaya confirming the Par Value Reduction has been lodged with the Companies Commission of Malaysia. The Par Value Reduction shall therefore take effect and be deemed completed on 16 November 2016.

There was no corporate proposal as at 21 November 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 30.9.2016 RM'000	Timeframe for Utilisation	Deviation		Explanation
				RM'000	%	
Southern City Project - Phase 1B	4,000	2,885	Within 18 months	1,115	27.9	^
Southern City Project - Phase 2	15,680*	-	Within 30 months	15,680	100.0	^
Construction Project in Johor	8,000*	8,000	-	-	-	
Working capital	2,998 [#]	499	Within 18 months	2,499	83.4	^
Expenses in relation to the Proposals	672 [#]	672	-	-	-	
	31,350	12,056				

Notes:-

* The Company foresaw the delay in Southern City Project – Phase 2 and had re-allocated RM8 million to fund the construction 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 30.9.2016</u>	<u>As at 30.6.2016</u>
	<u>RM'000</u>	<u>RM'000</u>
Current - unsecured		
Hire purchase payables	164	162
Non-current - unsecured		
Hire purchase payables	298	348
	<u>462</u>	<u>510</u>

25. CHANGES IN MATERIAL LITIGATION

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

26. PROPOSED DIVIDEND

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



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27. (LOSS)/EARNINGS PER SHARE

(i) Basic (loss)/earnings per share

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

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30.9.2016	Preceding year corresponding quarter ended 30.9.2015	Current year-to- date ended 30.9.2016	Preceding year corresponding period ended 30.9.2015
(Loss)/Profit attributable to Owners of the Company (RM'000)	(767)	275	(767)	275
Weighted average number of ordinary shares ('000)	129,683	104,500	129,683	104,500
Basic (loss)/earnings per share (sen)	(0.59)	0.26	(0.59)	0.26



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

(ii) Diluted (loss)/earnings per share

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

	Individual Quarter		Cumulative Period	
	Current year	Preceding year	Current year-to-	Preceding year
	quarter ended	corresponding	date ended	corresponding
	30.9.2016	quarter ended	30.9.2016	period ended
		30.9.2015		30.9.2015
(Loss)/Profit attributable to Owners of the Company (RM'000)	(767)	275	(767)	275
Weighted average number of ordinary shares ('000)	129,683	104,500	129,683	104,500
Adjustment for assumed conversion of ICPS ('000)	-	-	-	-
Adjustment for assumed conversion of warrants ('000)	-	-	-	-
	<u>129,683</u>	<u>104,500</u>	<u>129,683</u>	<u>104,500</u>
Diluted (loss)/earnings per share (sen)	<u>(0.59)</u>	NA	<u>(0.59)</u>	NA

Note:-

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



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

	Current year quarter 30.9.2016	Current year-to-date ended 30.9.2016
	RM'000	RM'000
Interest income	149	149
Other income	37	37
Interest expense	6	6
Amortisation	NA	NA
Depreciation of investment properties	11	11
Depreciation of property, plant and equipment	247	247
Provision for and write off of receivables	NA	NA
Provision for and write off of inventories	NA	NA
Reversal of inventories written down	10	10
Plant and equipment written off	NA	NA
Gain or loss on disposal of quoted or unquoted investment	NA	NA
Gain on disposal of property, plant and equipment	NA	NA
Impairment of assets	NA	NA
Realised gain on foreign exchange	14	14
Unrealised gain on foreign exchange	125	125
Waiver of debts	NA	NA
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA



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29. REALISED AND UNREALISED PROFIT OR LOSSES

The breakdown of the 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 30.9.2016 RM'000	As at 30.6.2016 RM'000
Total accumulated losses of the Group:		
- Realised	(16,750)	(16,274)
- Unrealised	(2,308)	(2,402)
	<u>(19,058)</u>	<u>(18,676)</u>
Less: Consolidation Adjustments	(12,730)	(12,345)
	<u>(31,788)</u>	<u>(31,021)</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 28 November 2016.

By Order of the Board
Dated: 28 November 2016