



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER ENDED	PRECEDING YEAR CORRESPONDING QUARTER ENDED	CURRENT YEAR- TO-DATE ENDED	PRECEDING YEAR CORRESPONDING PERIOD ENDED
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000
Revenue	5,884	10,425	8,183	14,032
Cost of sales	(4,360)	(7,079)	(5,962)	(9,830)
Gross profit	1,524	3,346	2,221	4,202
Other income	517	(60)	853	906
Operating expenses	(1,904)	(1,951)	(3,626)	(3,410)
Other operating expenses	(1)	-	(1)	(1)
Finance costs	(6)	(16)	(12)	(32)
Profit/(Loss) before taxation	130	1,319	(565)	1,665
Taxation	(15)	(500)	(87)	(571)
Profit/(Loss) after taxation	115	819	(652)	1,094
Other comprehensive (expenses)/income net of tax:				
- Foreign currency translation	(27)	26	(40)	(44)
Total comprehensive income/ (expenses)	88	845	(692)	1,050
Profit/(Loss) after taxation attributable to:-				
Owners of the Company	115	819	(652)	1,094
Total comprehensive income/ (expenses) attributable to:-				
Owners of the Company	88	845	(692)	1,050
Earnings/(Loss) per share attributable to Owners of the Company (sen):				
Basic	0.09	0.78	(0.50)	1.05
Diluted	0.02	NA	(0.50)	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 2ND QUARTER ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT <u>31.12.2016</u> UNAUDITED RM'000	AS AT <u>30.6.2016</u> AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	21,726	22,066
Investment properties	1,634	1,655
	<u>23,360</u>	<u>23,721</u>
Current assets		
Inventories	1,268	907
Trade and other receivables	40,287	18,136
Current tax assets	548	309
Deposits with licensed banks	14,133	27,426
Cash and bank balances	13,822	14,386
	<u>70,058</u>	<u>61,164</u>
TOTAL ASSETS	<u>93,418</u>	<u>84,885</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	47,573	88,850
Share premium	22,073	18,002
Warrants reserve	1,146	1,146
Foreign exchange translation reserve	183	223
Retained profits/(Accumulated losses)	13,087	(31,021)
Total equity	<u>84,062</u>	<u>77,200</u>
Non-current liabilities		
Hire purchase payables	256	348
Deferred tax liabilities	2,417	2,449
	<u>2,673</u>	<u>2,797</u>
Current liabilities		
Trade and other payables	5,731	4,081
Amount owing to contract customers	779	569
Current tax liabilities	6	76
Hire purchase payables	167	162
	<u>6,683</u>	<u>4,888</u>
Total liabilities	<u>9,356</u>	<u>7,685</u>
TOTAL EQUITY AND LIABILITIES	<u>93,418</u>	<u>84,885</u>
Net assets per ordinary share (sen)	58.90	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 2ND QUARTER ENDED 31 DECEMBER 2016

	← Non-Distributable →					Distributable	
	← Share capital →						
	Ordinary Shares	Irredeemable Convertible Preference Shares	Share Premium	Warrants Reserve	Foreign Exchange Translation Reserve	Retained Profits/ (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")	3,870	(387)	4,071	-	-	-	7,554
Par value reduction	(32,557)	(12,203)	-	-	-	44,760	-
Total transactions with Owners of the Company	(28,687)	(12,590)	4,071	-	-	44,760	7,554
Loss after taxation for the financial period	-	-	-	-	-	(652)	(652)
Other comprehensive expenses for the financial period, net of tax	-	-	-	-	(40)	-	(40)
Total comprehensive expenses for the financial period	-	-	-	-	(40)	(652)	(692)
Balance at 31.12.2016	35,682	11,891	22,073	1,146	183	13,087	84,062



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

(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 2ND QUARTER ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	CURRENT PERIOD-TO-DATE ENDED 31.12.2016 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2015 UNAUDITED RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(565)	1,665
Adjustments for:-		
Bad debts written off	-	- *
Depreciation of investment properties	21	-
Depreciation of property, plant and equipment	499	452
Imputed interest expense	-	15
Interest expense	12	17
Equipment written off	- *	- *
Unrealised gain on foreign exchange	(253)	(499)
Gain on disposal of plant and equipment	(6)	-
Interest income	(310)	(46)
Reversal of inventories written down	(40)	(13)
Operating (loss)/profit before working capital changes	(642)	1,591
Net change in inventories	(322)	(1,151)
Net change in trade and other receivables	(21,852)	(8,831)
Net change in trade and other payables	1,563	3,993
Net change in related parties	-	7
Net change in amount owing to contract customers	211	482
Cash flows for operations	(21,042)	(3,909)
Interest paid	(12)	(17)
Income tax paid	(428)	(158)
Net cash for operating activities	(21,482)	(4,084)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	310	46
Purchase of plant and equipment	(158)	(798)
Proceeds from disposal of plant and equipment	6	-
Placement of fixed deposits	(281)	(42)
Net cash for investing activities	(123)	(794)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	CURRENT PERIOD-TO-DATE ENDED 31.12.2016 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2015 UNAUDITED RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Repayment of hire purchase payables	(87)	(83)
Proceeds from issuance of shares pursuant to conversion of ICPS	7,554	-
Net cash from/(for) financing activities	7,467	(83)
Net changes in cash and cash equivalents	(14,138)	(4,961)
Cash and cash equivalents at beginning of period	40,262	10,141
Effect of foreign exchange translation	- *	1
Cash and cash equivalents at end of period	26,124	5,181
Cash and cash equivalents at end of financial period comprised:-		
Cash and bank balances	13,822	5,181
Deposits with licensed banks	14,133	1,550
	<u>27,955</u>	<u>6,731</u>
Less: Deposits pledged with licensed banks	(1,831)	(1,550)
	<u>26,124</u>	<u>5,181</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 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 2ND QUARTER ENDED 31 DECEMBER 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”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

**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 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.

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.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

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 13,990,000 ordinary shares of RM0.25 each (“SGB Shares”) have been issued and listed on the following dates pursuant to the conversion of 13,990,000 ICPS to 13,990,000 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
2.12.2016	4,800,000	4,800,000
6.12.2016	1,200,000	1,200,000
23.12.2016	3,300,000	3,300,000
28.12.2016	3,200,000	3,200,000
Total	13,990,000	13,990,000

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.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

9. SEGMENTAL INFORMATION

The Group has three 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.

Property investment segment - involved in property investment.

The Group operates principally in Malaysia.

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

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

Note:-

* - Amount less than RM1,000



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

9. SEGMENTAL INFORMATION (CONT'D)

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

Note:-

* - Amount less than RM1,000

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



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

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
Preceding year corresponding 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)	-	* (240)
Segment results	(284)	1,380	239	1,335
Finance costs				(16)
Taxation				(500)
Profit after taxation				819
Preceding year corresponding period 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)	-	* (452)
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



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

9. SEGMENTAL INFORMATION (CONT'D)

31.12.2015	<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	1,005	39,749	7,963	48,717
Unallocated assets				40
Consolidated total assets				48,757
Liabilities				
Segment liabilities	592	4,292	3,884	8,768
Unallocated liabilities				3,072
Consolidated total liabilities				11,840

Geographical Information for Revenue

	Current year quarter ended 31.12.2016	Current year-to- date ended 31.12.2016
	RM'000	RM'000
United States	-	54
Europe	18	18
Malaysia	5,866	8,111
	5,884	8,183



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

**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 20 February 2017, 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 18 January 2017, the Company announced that its wholly-owned subsidiary, Million Rich Development Sdn Bhd (“MRDSB”), had entered into a joint venture agreement (“JVA”) with Hasil Senudong Sdn Bhd (“HSSB”) to undertake a residential development project on the leasehold land held under HSD 217021, PT 254105, Mukim of Hulu Kinta, District of Kinta, State of Perak measuring approximately 3.3 hectares and expiring on 14 November 2112 (“Development Land”). HSSB will contribute the Development Land and MRDSB will contribute and bear the entire cost and expense of developing the Development Land in accordance with the relevant approvals and the layout and building plans as well as apply for and obtain the relevant approvals and licenses from the relevant authorities in connection with the development project.
- (ii) On 17 February 2017, SGB announced that the Company has granted its consent to the potential vendors to extend the duration of the heads of agreement (“HOA”) to acquire 80,000 ordinary shares of RM1.00 each representing 80% of the entire issued and paid-up share capital of Klasik Ikhtiar Sdn Bhd (“KISB”) for a further additional period of six months for the satisfaction of the conditions precedent of the HOA.

The following conditions precedent in the HOA have yet to be satisfied:-

- (a) Potential vendors shall procure and/or assist KISB in obtaining the developer license, the advertising and sales permit, and all other approvals/permits necessary for the development project; and
- (b) Potential vendors shall procure and/or assist KISB entering into a final and binding agreement with Unit Perumahan Penjawat Awam 1 Malaysia, Jabatan Perdana Menteri for the development project and the agreement does not contain a restriction on the sale and/or transfer of the sale shares to SGB.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

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 Instant Initiative Sdn Bhd (“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 engaged in the business of property development.

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 31.12.2016 RM'000
Approved and contracted for:-	
Proposed acquisition of a subsidiary	3,000
Proposed acquisition of Kolej Poly-Tech Mara Campus	11,400
	<hr/> 14,400 <hr/>

The proposed acquisition of a subsidiary is in relation to the HOA disclosed in Note 10 (ii). The definitive agreement for the proposed acquisition is to be entered subject to fulfillment of conditions precedent entailed in the HOA.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

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.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
31.12.2016								
<u>Financial Liability</u>								
Hire purchase payables (Non-current)	-	-	-	-	256	-	256	256
	<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% (30.6.2016 - 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 2ND QUARTER ENDED 31 DECEMBER 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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Revenue				
- Investment holding	-	-	-	-
- Ceramic	2,622	6,931	3,409	7,676
- Construction	3,262	3,494	4,774	6,356
- Property investment	-	-	-	-
	5,884	10,425	8,183	14,032
Profit/(Loss) before taxation				
- Investment holding	(396)	(284)	(581)	(401)
- Ceramic	343	1,372	(384)	1,523
- Construction	267	231	484	543
- Property investment	(84)	-	(84)	-
	130	1,319	(565)	1,665

The Group's revenue in the current quarter decreased by 44% as compared to the corresponding quarter ended 31.12.2015. The decrease was mainly due to the decrease in revenue derived from ceramic segment. The revenue from ceramic segment decreased by RM4.31 million, representing a decrease of 62% as compared to the corresponding quarter ended 31.12.2015, as a result of orders from major customers being lost to competitors in the current quarter. Meanwhile the revenue from the existing construction project in Kemaman decreased by RM1.31 million as compared to the corresponding quarter ended 31.12.2015, as a result of lower percentage of completion in the current quarter. However, the decrease was offset by the additional revenue of RM1.08 million derived from the new construction project in Johor in the current quarter.

For the cumulative period under review, the revenue decreased by 42% as compared to the corresponding period ended 31.12.2015. The decrease was mainly due to the decrease in revenue derived from ceramic segment. The revenue from ceramic segment decreased by RM4.27 million, representing a decrease of 56% as compared to the corresponding period ended 31.12.2015, as a result of orders from major customers being lost to competitors in the current cumulative period. Meanwhile the revenue from the existing construction project in Kemaman decreased by RM2.82 million as compared to the corresponding period ended 31.12.2015, as a result of lower percentage of completion in the current cumulative period. However, the decrease was offset by the additional revenue of RM1.23 million derived from the new construction project in Johor in the current cumulative period.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

17. REVIEW OF GROUP PERFORMANCE (CONT'D)

For the current quarter under review, the Group’s profit before taxation decreased by RM1.19 million, representing a decrease of 90% as compared to the corresponding quarter ended 31.12.2015. The decrease in profit before taxation was mainly due to the decreased profit margin in ceramic segment 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 quarter. Meanwhile the profit before taxation of construction segment increased slightly by RM0.04 million as compared to the corresponding quarter ended 31.12.2015. The additional revenue from the new construction project in Johor was able to cover higher fixed operating costs and resulted in higher profit in the current quarter as compared to the corresponding quarter ended 31.12.2015.

For the current cumulative period under review, the Group recorded a loss before taxation of RM0.57 million as compared to a profit before taxation of RM1.67 million in the corresponding period ended 31.12.2015. The loss was mainly due to the decreased profit margin in ceramic segment 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. Meanwhile the profit before taxation of construction segment decreased slightly by RM0.06 million as compared to the corresponding period ended 31.12.2015. The decreased revenue in construction segment was only able to cover lesser fixed operating costs and resulted in lower profit in the current cumulative period as compared to the corresponding period ended 31.12.2015.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

**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 31.12.2016 RM'000	Immediate preceding quarter ended 30.9.2016 RM'000
Revenue		
- Investment holding	-	-
- Ceramic	2,622	787
- Construction	3,262	1,512
- Property investment	-	-
	5,884	2,299
Profit/(Loss) before taxation		
- Investment holding	(396)	(185)
- Ceramic	343	(727)
- Construction	267	217
- Property investment	(84)	-
	130	(695)

Revenue in the current quarter increased by RM3.59 million, representing an increase of 156% as compared to the preceding quarter which mainly due to 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 RM1.75 million as compared to the preceding quarter mainly due to additional revenue derived from the new construction project in Johor and higher percentage of completion for the existing construction project in Kemaman in the current quarter as compared to the preceding quarter.

The Group recorded a profit before taxation of RM0.13 million in the current quarter as compared to a loss before taxation of RM0.70 million in the preceding quarter. Higher revenue in the current quarter was able to cover higher fixed operating costs in both ceramic and construction segment and resulted in a higher profit in the current quarter as compared to the preceding quarter. The higher loss in investment holding in the current quarter was mainly due to the expenses incurred for the par value reduction exercise which was completed in the current quarter.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

19. COMMENTARY ON PROSPECTS

SGB 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 in the past few years. Ceramic business has been facing sales reduction due to intense competition. The management is therefore striving to correct the situation by revising their marketing strategies and also by increasing research and development initiatives to develop more innovative products.

Taking cognisance of this, SGB Group has made efforts to improve its financial performance and position which include, among others, SGB Group’s execution of the three managing contractor agreements which has led to SGB Group’s diversification of business to include the property construction and related businesses. SGB 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. SGB Group was also appointed as the managing contractor for the development of a piece of land located in Johor.

SGB Group intends to diversify and expand its business activities to include property investment and property development in order to diversify its income streams and to complement its existing construction business.

At the same time, SGB Group will maintain its momentum to secure more construction and property development projects for potential additional income stream.

20. PROFIT FORECAST OR PROFIT GUARANTEE

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



SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016

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

21. TAXATION

The tax expense is as follows:

	Current year quarter ended 31.12.2016 RM'000	Current year-to- date ended 31.12.2016 RM'000
Current tax expense	31	119
Deferred tax expense	<u>(16)</u>	<u>(32)</u>
	<u>15</u>	<u>87</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

On 8 February 2017, the Company announced that the Company proposed to diversify the existing business of SGB Group to include property investment and property development (“Proposed Diversification”).

The Proposed Diversification is required to be approved by the ordinary shareholders of the Company at an extraordinary general meeting to be convened for the purpose.

Other than the above, there was no other corporate proposal as at 20 February 2017 (the latest practicable date not earlier than seven (7) days from the date of issue of this report) pending for completion.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

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 31.12.2016 RM'000	Timeframe for Utilisation	Deviation RM'000	%	Explanation
Southern City Project - Phase 1B	4,000	4,000	-	-	-	
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#	968	Within 18 months	2,030	67.7	^
Expenses in relation to the Proposals	672#	672	-	-	-	
	31,350	13,640				

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.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

24. BORROWINGS AND DEBT SECURITIES

The Group’s borrowings are as follows:

	<u>As at 31.12.2016 RM'000</u>	<u>As at 30.6.2016 RM'000</u>
Current - unsecured		
Hire purchase payables	167	162
Non-current - unsecured		
Hire purchase payables	<u>256</u>	<u>348</u>
	<u>423</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.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

27. EARNINGS/(LOSS) PER SHARE

(i) Basic earnings/(loss) per share

The basic earnings/(loss) per share of the Group is calculated by dividing the profit/(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 31.12.2016	Preceding year corresponding quarter ended 31.12.2015	Current year-to- date ended 31.12.2016	Preceding year corresponding period ended 31.12.2015
	Profit/(Loss) attributable to Owners of the Company (RM'000)	115	819	(652)
Weighted average number of ordinary shares ('000)	132,997	104,500	131,340	104,500
Basic earnings/(loss) per share (sen)	0.09	0.78	(0.50)	1.05



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

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

(ii) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share of the Group is calculated by dividing the earnings/(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		Cumulative Period	
	Current year quarter ended 31.12.2016	Preceding year corresponding quarter ended 31.12.2015	Current year-to- date ended 31.12.2016	Preceding year corresponding period ended 31.12.2015
Profit/(Loss) attributable to Owners of the Company (RM'000)	115	819	(652)	1,094
Weighted average number of ordinary shares ('000)	132,997	104,500	131,340	104,500
Adjustment for assumed conversion of ICPS ('000)	498,409	-	-	-
Adjustment for assumed conversion of warrants ('000)	-	-	-	-
	<u>631,406</u>	<u>104,500</u>	<u>131,340</u>	<u>104,500</u>
Diluted earnings/(loss) per share (sen)	<u>0.02</u>	<u>NA</u>	<u>(0.50)</u>	<u>NA</u>

Note:-

The diluted loss per share for the current year-to-end 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.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

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

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

	Current year quarter 31.12.2016 <u>RM'000</u>	Current year-to-date ended 31.12.2016 <u>RM'000</u>
Interest income	161	310
Other income	41	78
Interest expense	6	12
Amortisation	NA	NA
Depreciation of investment properties	10	21
Depreciation of property, plant and equipment	252	499
Provision for and write off of receivables	NA	NA
Provision for and write off of inventories	NA	NA
Reversal of inventories written down	30	40
Equipment written off	- *	- *
Gain or loss on disposal of quoted or unquoted investment	NA	NA
Gain on disposal of plant and equipment	6	6
Impairment of assets	NA	NA
Realised gain on foreign exchange	151	165
Unrealised gain on foreign exchange	128	253
Waiver of debts	NA	NA
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA

Note:-

** - Amount less than RM1,000*



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2016**

**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 retained profits/(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 31.12.2016 RM'000	As at 30.6.2016 RM'000
Total retained profits/(accumulated losses) of the Group:		
- Realised	27,711	(16,274)
- Unrealised	<u>(2,165)</u>	<u>(2,402)</u>
	25,546	(18,676)
Less: Consolidation Adjustments	<u>(12,459)</u>	<u>(12,345)</u>
	<u>13,087</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 27 February 2017.

By Order of the Board
Dated: 27 February 2017