



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER ENDED 30.9.2018	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30.9.2017	CHANGES	CURRENT YEAR-TO-DATE ENDED 30.9.2018	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.9.2017	CHANGES
	UNAUDITED RM'000	UNAUDITED RM'000	%	UNAUDITED RM'000	UNAUDITED RM'000	%
Revenue	1,170	2,225	(47.4)	1,170	2,225	(47.4)
Cost of sales	(1,151)	(1,197)	3.8	(1,151)	(1,197)	3.8
Gross profit	19	1,028	(98.2)	19	1,028	(98.2)
Other income	85	160	(46.9)	85	160	(46.9)
Operating expenses	(2,177)	(1,867)	(16.6)	(2,177)	(1,867)	(16.6)
Other operating expenses	(17)	(67)	74.6	(17)	(67)	74.6
Finance costs	(4)	(4)	-	(4)	(4)	-
Loss before taxation	(2,094)	(750)	(179.2)	(2,094)	(750)	(179.2)
Taxation	(3)	(159)	98.1	(3)	(159)	98.1
Loss after taxation	(2,097)	(909)	(130.7)	(2,097)	(909)	(130.7)
Other comprehensive income/ (expenses) net of tax:						
- Foreign currency translation	10	(2)	600.0	10	(2)	600.0
Total comprehensive expenses	(2,087)	(911)	(129.1)	(2,087)	(911)	(129.1)
Loss after taxation attributable to:-						
Owners of the Company	(2,097)	(909)	(130.7)	(2,097)	(909)	(130.7)
Total comprehensive expenses attributable to:-						
Owners of the Company	(2,087)	(911)	(129.1)	(2,087)	(911)	(129.1)
Loss per share attributable to Owners of the Company (sen):						
Basic	(1.06)	(0.53)		(1.06)	(0.53)	
Diluted	(1.06)	(0.53)		(1.06)	(0.53)	

(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 2018 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 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30.9.2018 UNAUDITED RM'000	AS AT 30.6.2018 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	32,747	33,044
Investment properties	800	800
Goodwill	3,776	3,776
	<u>37,323</u>	<u>37,620</u>
Current assets		
Inventories	24,627	23,963
Trade and other receivables	29,843	29,586
Property Development costs	9,001	5,158
Current tax assets	225	337
Deposits with licensed banks	5,759	5,734
Cash and bank balances	3,383	5,693
	<u>72,838</u>	<u>70,471</u>
TOTAL ASSETS	<u>110,161</u>	<u>108,091</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	77,247	77,247
Share premium	22,577	22,577
Warrants reserve	1,145	1,145
Foreign exchange translation reserve	232	222
Retained profits	(976)	1,121
Total equity	<u>100,225</u>	<u>102,312</u>
Non-current liabilities		
Finance lease payables	132	163
Deferred tax liabilities	2,278	2,294
	<u>2,410</u>	<u>2,457</u>
Current liabilities		
Trade and other payables	7,127	2,922
Current tax liabilities	13	12
Amount owing to directors	253	253
Finance lease payables	133	135
	<u>7,526</u>	<u>3,322</u>
Total liabilities	<u>9,936</u>	<u>5,779</u>
TOTAL EQUITY AND LIABILITIES	<u>110,161</u>	<u>108,091</u>
Net assets per ordinary share (sen)	50.46	51.51

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018 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 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Share capital →						Total Equity/ Attributable to Owners of the Company
	Ordinary Shares	Irredeemable Convertible Preference Shares	Share Premium	Warrants Reserve	Foreign Exchange Translation Reserve	Retained Profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance at 1.7.2018	66,752	10,495	22,577	1,145	222	1,121	102,312
Issuance of shares pursuant to conversion of irredeemable convertible preference shares ("ICPS")	-	-	-	-	-	-	-
Issuance of shares pursuant to exercise of warrants	-	-	-	-	-	-	-
Total transactions with Owners of the Company	-	-	-	-	-	-	-
Loss after taxation for the financial period	-	-	-	-	-	(2,097)	(2,097)
Other comprehensive income for the financial period, net of tax	-	-	-	-	10	-	10
Total comprehensive income/(expenses) for the financial period	-	-	-	-	10	(2,097)	(2,087)
Balance at 30.9.2018	66,752	10,495	22,577	1,145	232	(976)	100,225



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018

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

	← Share capital →				Foreign Exchange Translation Reserve	Retained Profits/ (Accumulated Losses)	Total Equity/ Attributable to Owners of the Company
	Ordinary Shares	Irredeemable Convertible Preference Shares	Share Premium	Warrants Reserve			
	RM'000	RM'000	RM'000	RM'000			
Balance at 1.7.2017	45,723	11,424	22,577	1,146	197	6,811	87,878
Issuance of shares pursuant to conversion of irredeemable convertible preference shares ("ICPS")	5,463	(242)	-	-	-	-	5,221
Total transactions with Owners of the Company	5,463	(242)	-	-	-	-	5,221
Loss after taxation for the financial period	-	-	-	-	-	(909)	(909)
Other comprehensive expenses for the financial period, net of tax	-	-	-	-	(2)	-	(2)
Total comprehensive expenses for the financial period	-	-	-	-	(2)	(909)	(911)
Balance at 30.9.2017	51,186	11,182	22,577	1,146	195	5,902	92,188

(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 2018 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 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	CURRENT PERIOD-TO-DATE ENDED 30.9.2018 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.9.2017 UNAUDITED RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(2,094)	(750)
Adjustments for:-		
Depreciation of property, plant and equipment	320	238
Interest expense	4	4
Unrealised loss/(gain) on foreign exchange	(2)	20
Interest income	(26)	(118)
Operating loss before working capital changes	(1,798)	(606)
Net change in inventories	(664)	(707)
Net change in trade and other receivables	(238)	(7,916)
Net change in development costs	(3,843)	-
Net change in trade and other payables	4,163	(189)
Net change in amount owing to contract customers	-	(798)
Cash flows for operations	(2,380)	(10,216)
Interest paid	(4)	(4)
Income tax refunded/(paid)	94	(75)
Net cash for operating activities	(2,290)	(10,295)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	26	118
Acquisition of subsidiaries, net of cash acquired	-	(3,500)
Purchase of property, plant and equipment	(23)	(17)
Withdrawal/(Placement) of fixed deposits	-	1,282
Net cash for investing activities	3	(2,117)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	CURRENT PERIOD-TO-DATE ENDED 30.9.2018 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.9.2017 UNAUDITED RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease payables	(34)	(42)
Proceeds from issuance of shares pursuant to conversion of ICPS	-	5,221
Net cash from financing activities	(34)	5,179
Net changes in cash and cash equivalents	(2,321)	(7,233)
Cash and cash equivalents at beginning of period	10,763	30,594
Effect of foreign exchange translation	36	- *
Cash and cash equivalents at end of period	8,478	23,361
Cash and cash equivalents at end of financial period comprised:-		
Cash and bank balances	3,383	11,000
Deposits with licensed banks	5,759	12,909
	9,142	23,909
Less: Deposits pledged with licensed banks	(596)	(548)
Less: Deposits not for short-term funding requirement	(68)	-
	8,478	23,361

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 2018 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 2018**

**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 2018. 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 2018.

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 2018, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretation with effect from 1 July 2017.

The Group has not applied in advance the following accounting standards (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

MFRSs and/or IC Consequential Amendments)	Interpretations (Including The	Effective Date
MFRS 9	<i>Financial Instruments</i> (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>	1 January 2018
Amendments to MFRS 15	Classifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Annual Improvements to MFRSs 2014 – 2016 Cycle:	
• Amendments to MFRS 1	1 January 2018
• Amendments to MFRS 128	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:	
• Amendments to MFRS 3	1 January 2019
• Amendments to MFRS 11	1 January 2019
• Amendments to MFRS 112	1 January 2019
• Amendments to MFRS 123	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards:	1 January 2020
• Amendments to MFRS 2 <i>Share-Based Payment</i>	1 January 2020
• Amendments to MFRS 3 <i>Business Combinations</i>	1 January 2020
• Amendments to MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
• Amendments to MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2020
• Amendments to MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
• Amendments to MFRS 108 <i>Accounting Policies, Change in Accounting Estimates and Errors</i>	1 January 2020
• Amendments to MFRS 134 <i>Interim Financial Reporting</i>	1 January 2020
• Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
• Amendments to MFRS 138 <i>Intangible Assets</i>	1 January 2020
• Amendments to IC Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2020
• Amendments to IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
• Amendments to IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
• Amendments to IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date						
<ul style="list-style-type: none"> • Amendments to IC Interpretation 132 <i>Intangible Assets Web Site Costs</i> 	1 January 2020						
<table border="0" style="width: 100%;"> <tr> <td style="width: 40%;">MFRS 17</td> <td style="width: 40%;">Insurance Contracts</td> <td style="width: 20%;">1 January 2021</td> </tr> <tr> <td>Amendments to MFRS 10 and MFRS 128</td> <td>Sales or contribution of Assets between an Investor and its Associates or Joint Venture</td> <td>Deferred until further notice</td> </tr> </table>	MFRS 17	Insurance Contracts	1 January 2021	Amendments to MFRS 10 and MFRS 128	Sales or contribution of Assets between an Investor and its Associates or Joint Venture	Deferred until further notice	
MFRS 17	Insurance Contracts	1 January 2021					
Amendments to MFRS 10 and MFRS 128	Sales or contribution of Assets between an Investor and its Associates or Joint Venture	Deferred until further notice					

The Group and the Company intend to adopt the above MFRS when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The Group has assessed the effects of applying the new standard on the Group’s financial statements and has identified the following areas that will be affected:

- Financial assets and financial liabilities of the Group and of the Company which are currently carried at amortised costs and fair value through profit or loss (“FVTPL”) respectively under MFRS 139 will continue to be measured on the same basis. Any equity investments which are currently categorised as available-for-sale under MFRS139 will be categorised as FVTPL under MFRS 9 and the Group may consider making an irrevocable



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

election to present subsequent changes in fair value of equity instrument in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The expected impact from implementation of MFRS 9 and the determination of expected credit loss will have relatively insignificant impact on trade receivables and profit or loss before tax as the current policy on impairment on trade receivables are considered reasonably consistent with MFRS 9.
- There will be no impact arising from the new general hedge accounting requirements as the Group and the Company do not adopt hedge accounting.

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue relating to sales of good will be recognised when control of the products has transferred, being the point when the products are delivered to the customer or sold from the customer’s premise. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sale of good under MFRS 15 is unlikely to be materially different from its current practice.

Based on the preliminary assessment, the Group and the Company do not expect that the application of MFRS 15 will have a significant impact on the financial instruments upon initial application except for the determination of transaction price of revenue contracts whereby variable consideration is deducted from the contract value as well as extensive new disclosures in the financial statements for the year ending 30 June 2019.

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of the new MFRSs on the financial statements of the Group and of the Company are currently being assessed by management.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 30 June 2018 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.

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

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 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

9. SEGMENTAL INFORMATION

The Group has four main business segments as follows:-

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

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

Property investment segment - involved in property investment.

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

The Group operates principally in Malaysia.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

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>Property</u> <u>Investment</u> RM'000	<u>Property</u> <u>Development</u> RM'000	<u>The Group</u> RM'000
Current year quarter ended 30.9.2018/ Current year-to-date ended 30.9.2018						
External revenue	-	1,170	-	-	-	1,170
Results						
Results before following adjustments	(630)	(658)	(131)	(2)	(377)	(1,798)
Interest income	-	1	25	-	-	26
Realised loss on foreign exchange	-	- *	-	-	-	- *
Unrealised gain on foreign exchange	-	2	-	-	-	2
Depreciation of property, plant and equipment	(46)	(263)	(11)	-	- *	(320)
Segment results	(676)	(918)	(117)	(2)	(377)	(2,090)
Finance costs						(4)
Taxation						(3)
Loss after taxation						<u>(2,097)</u>

Note:-

* - Amount less than RM1,000



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

**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>	<u>Ceramic</u>	<u>Construction</u>	<u>Property Investment</u>	<u>Property Development</u>	<u>The Group</u>
30.9.2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Segment assets	14,142	35,486	21,988	919	37,402	109,937
Unallocated assets						224
Consolidated total assets						110,161
Liabilities						
Segment liabilities	482	1,798	492	5	4,868	7,645
Unallocated liabilities						2,291
Consolidated total liabilities						9,936



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property</u> <u>Investment</u> RM'000	<u>Property</u> <u>Development</u> RM'000	<u>The Group</u> RM'000
Preceding year corresponding quarter ended 30.9.2017/Preceding year corresponding period ended 30.9.2017						
External revenue	-	1,427	798	-	-	2,225
Results						
Results before following adjustments	(790)	(470)	726	(1)	(28)	(563)
Interest income	72	43	3	-	-	118
Realised loss on foreign exchange	-	(43)	-	-	-	(43)
Unrealised loss on foreign exchange	-	(20)	-	-	-	(20)
Depreciation of property, plant and equipment	(4)	(234)	- *	-	-	(238)
Segment results	(722)	(724)	729	(1)	(28)	(746)
Finance costs						(4)
Taxation						(159)
Loss after taxation						(909)

Note:-

* - Amount less than RM1,000



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

**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>	<u>Ceramic</u>	<u>Construction</u>	<u>Property Investment</u>	<u>Property Development</u>	<u>The Group</u>
30.9.2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Segment assets	23,823	30,879	20,420	10,683	14,260	100,065
Unallocated assets						473
Consolidated total assets						<u>100,538</u>
Liabilities						
Segment liabilities	520	2,726	1,721	505	537	6,009
Unallocated liabilities						2,341
Consolidated total liabilities						<u>8,350</u>

Geographical Information for Revenue

	Current year quarter ended 30.9.2018	Current year-to- date ended 30.9.2018
	RM'000	RM'000
Australia	264	264
Europe	117	117
Malaysia	726	726
Others	63	63
	<u>1,170</u>	<u>1,170</u>



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

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

11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in composition of the Group since the last annual reporting date.

12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material changes in contingent liabilities since the last annual reporting date and there were no contingent assets since the last annual reporting date.

13. CAPITAL COMMITMENTS

There were no capital commitments as at LPD.

14. RELATED PARTY TRANSACTIONS

Related Party Transactions

	Current year quarter ended 30.9.2018 RM'000	Current year- to-date ended 30.9.2018 RM'000
Professional services rendered by a company in which a director is a common director and has substantial financial interest	8	8
Subscription fee for accounting software charged by a company in which a director is a common director	4	4



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

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		
30.9.2018								
<u>Financial Liability</u>								
Finance Lease payables (Non-current)	-	-	-	-	132	-	132	132

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% (30.6.2018 - 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 2018**

**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		
	30.9.2018 RM'000	30.9.2017 RM'000	Changes %	30.9.2018 RM'000	30.9.2017 RM'000	Changes %
Revenue						
- Investment holding	-	-	-	-	-	-
- Ceramic	1,170	1,427	(18.0)	1,170	1,427	(18.0)
- Construction	-	798	(100.0)	-	798	(100.0)
- Property investment	-	-	-	-	-	-
- Property development	-	-	-	-	-	-
	1,170	2,225	(47.4)	1,170	2,225	(47.4)
(Loss)/Profit before taxation						
- Investment holding	(676)	(722)	6.4	(676)	(722)	6.4
- Ceramic	(922)	(728)	(26.6)	(922)	(728)	(26.6)
- Construction	(117)	729	(116.0)	(117)	729	(116.0)
- Property investment	(2)	(1)	(100.0)	(2)	(1)	(100.0)
- Property development	(377)	(28)	(1,246.4)	(377)	(28)	(1,246.4)
	(2,094)	(750)	(179.2)	(2,094)	(750)	(179.2)

The Group’s revenue in the current quarter decreased by RM1.06 million, representing a decrease of 47% as compared to the corresponding quarter ended 30.9.2017. The decreased was mainly due to no revenue derived from construction segment in the current quarter as compared to the corresponding quarter ended 30.9.2017, as a result of the termination of construction projects in the corresponding quarter ended 30.9.2017. Meanwhile, the decrease in revenue derived from ceramic segment by RM0.26 million, representing a decrease of 18% as compared to the corresponding quarter ended 30.9.2017 mainly due to decrease in orders from existing and new customers in the current quarter.

For the current quarter under review, the Group’s loss before taxation increased by RM1.34 million, representing an increase of 179% as compared to the corresponding quarter ended 30.9.2017. The higher loss was mainly due to higher loss recorded in ceramic segment, construction segment and property development segment. The loss before taxation of ceramic segment was higher than the corresponding quarter ended 30.9.2017 mainly due to the decreased profit margin in ceramic segment caused by the increased in natural gas and other production costs. Meanwhile, the loss before taxation of construction segment was higher than the corresponding quarter ended 30.9.2017 mainly due to no project to generate revenue in the current quarter to cover its operating costs and also additional loss incurred from the new subsidiary acquired after the corresponding quarter ended 30.9.2017. The loss before taxation of the property development segment was higher than the corresponding quarter ended 30.9.2017 mainly due to the professional fee of RM0.10 million incurred for the preparation of the feasibility study report on the proposed development and operation of a theme park and higher operating costs incurred in the development of the PPAM project as the project kicks off after the acquisition of the subsidiary, but there was none in the corresponding quarter ended 30.9.2017.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

**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 PRECEDING QUARTER

	Current quarter ended 30.9.2018 RM'000	Immediate preceding quarter ended 30.6.2018 RM'000	Changes %
Revenue			
- Investment holding	-	-	-
- Ceramic	1,170	427	174.0
- Construction	-	76	(100.0)
- Property investment	-	-	-
- Property development	-	-	-
	1,170	503	132.6
(Loss)/Profit before taxation			
- Investment holding	(676)	(667)	(1.3)
- Ceramic	(922)	(862)	(7.0)
- Construction	(117)	(128)	8.6
- Property investment	(2)	(3)	33.3
- Property development	(377)	(416)	9.4
	(2,094)	(2,076)	(0.9)

Revenue in the current quarter increased by RM0.67 million, representing an increase of 133% as compared to the preceding quarter mainly due to the nature of ceramic business which is seasonal. The preceding quarter of ceramic business was at low season, and the current quarter is the commencement of its peak season, hence the increase in revenue.

The Group's loss before taxation increased slightly by RM0.02 million despite having higher revenue, representing an increase of 9% as compared to the preceding quarter. The higher loss was mainly due to higher loss in ceramic segment partially offset by lower loss in construction segment and property development segment. The loss before taxation of ceramic segment was higher than the preceding quarter mainly due to decline in packing and transport income amounting to RM0.14 million in the current quarter as compared to RM1.01 million in the preceding quarter.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

19. COMMENTARY ON PROSPECTS

The ceramic division continues to face challenges and risks in continuing to meet customers and market demands, as well as competition from other regions and rising costs in determining its pricing policy.

As for the construction division, the challenges and risks remain due to current prevailing economic situation and the review of national policies.

The Group recognises the slowing in demand of the property sector over the past few years. However, the Board is pleased to share that we have already successfully gained the Development Order for 455 units of residential development comprising one block of 250 units proposed under “Unit Perumahan Penjawat Awam Malaysia” (“PPAM”) scheme and one proposed block of 205 units of open market apartments for the low to medium income group.

Moving forward, management will increase resources and focus on the property development project and the strategic concept masterplanning development to ensure that these are successfully executed, whilst safeguarding the continuous development of the ceramic business to new markets and increase its range of products. This should ensure an increase in revenue stream for the coming financial years.

The Group is pleased that the projects undertaken are progressing according to schedule and the ceramic business continues to explore new markets.

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 1ST QUARTER ENDED 30 SEPTEMBER 2018**

**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 30.9.2018 RM'000	Current year-to- date ended 30.9.2018 RM'000
Current tax expense	19	19
Deferred tax expense	(16)	(16)
	<u>3</u>	<u>3</u>

22. CORPORATE PROPOSALS

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



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

**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 details of the utilisation of proceeds raised from the rights issue as at 30 September 2018 are disclosed in the table below:-

Description	Proposed /Revised Utilisation RM'000	Actual Utilisation as at 30 September 2018 RM'000	Timeframe for Utilisation (from 9 October 2017)	Deviation RM'000	%	Explanation
Southern City Project - Phase 1B	4,000	4,000	-	-	-	
Construction Project in Johor	8,000	8,000	-	-	-	
PPA1M Project	10,000	4,929	Within 24 months	5,071	50.7	^
Future projects and/or acquisitions	4,500	4,500	-	-	-	
Working capital	4,178 [#]	4,178	-	-	-	
Expenses in relation to the rights issue	672 [#]	672	-	-	-	
	31,350	26,279				

Notes:-

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

^ Pending utilisation.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

**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 30.9.2018</u> RM'000	<u>As at 30.6.2018</u> RM'000
Current - unsecured		
Hire purchase payables	133	135
Non-current - unsecured		
Hire purchase payables	132	163
	<u>265</u>	<u>298</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 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

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 30.9.2018	Preceding year corresponding quarter ended 30.9.2017	Current year-to- date ended 30.9.2018	Preceding year corresponding period ended 30.9.2017
Loss attributable to Owners of the Company (RM'000)	(2,097)	(909)	(2,097)	(909)
Weighted average number of ordinary shares ('000)	198,607	170,550	198,607	170,550
Basic loss per share (sen)	(1.06)	(0.53)	(1.06)	(0.53)



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

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

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		Cumulative Period	
	Current year quarter ended 30.9.2018	Preceding year corresponding quarter ended 30.9.2017	Current year-to- date ended 30.9.2018	Preceding year corresponding period ended 30.9.2017
Loss attributable to Owners of the Company (RM'000)	(2,097)	(909)	(2,097)	(909)
Weighted average number of ordinary shares ('000)	198,607	170,550	198,607	170,550
Adjustment for assumed conversion of ICPS ('000)	-	-	-	-
Adjustment for assumed conversion of warrants ('000)	-	-	-	-
	<u>198,607</u>	<u>170,550</u>	<u>198,607</u>	<u>170,550</u>
Diluted loss per share (sen)	<u>(1.06)</u>	<u>(0.53)</u>	<u>(1.06)</u>	<u>(0.53)</u>

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.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018**

**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 ended 30.9.2018	Current year-to-date ended 30.9.2018
	RM'000	RM'000
Interest income	26	26
Other income	40	40
Interest expense	4	4
Amortisation	NA	NA
Depreciation of investment properties	NA	NA
Depreciation of property, plant and equipment	320	320
Impairment loss on other receivable	NA	NA
Inventories written down	NA	NA
Reversal of inventories written down	NA	NA
Bad debts written off	NA	NA
Deposit written off	NA	NA
Property, plant and equipment written off	NA	NA
Gain or loss on disposal of quoted or unquoted investment	NA	NA
Waiver of debts owing by payables	NA	NA
Gain on disposal of plant and equipment	NA	NA
Gain on disposal of subsidiary	NA	NA
Impairment losses on property, plant & equipment	NA	NA
Realised loss on foreign exchange	- *	- *
Unrealised gain on foreign exchange	2	2
Waiver of debts owing to payables	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 1ST QUARTER ENDED 30 SEPTEMBER 2018**

**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 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 30.9.2018 RM'000	As at 30.6.2018 RM'000
Total retained profits of the Group:		
- Realised	(2,963)	(701)
- Unrealised	(2,276)	(2,403)
	<u>(5,239)</u>	<u>(3,104)</u>
Less: Consolidation Adjustments	4,263	4,225
	<u>(976)</u>	<u>1,121</u>

Dated: 27 November 2018