



DWL RESOURCES BERHAD
(FORMERLY KNOWN AS SPRING GALLERY BERHAD)
[REGISTRATION NO. 200001002113 (504718-U)]
QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER ENDED	PRECEDING YEAR CORRESPONDING QUARTER ENDED	CHANGES	CURRENT YEAR- TO-DATE ENDED	PRECEDING YEAR CORRESPONDING PERIOD ENDED	CHANGES
	31.12.2019	31.12.2018		31.12.2019	31.12.2018	
	UNAUDITED RM'000	UNAUDITED RM'000	%	UNAUDITED RM'000	UNAUDITED RM'000	%
Revenue	2,773	3,915	(29.2)	3,436	5,085	(32.4)
Cost of sales	(2,039)	(2,624)	22.3	(2,840)	(3,775)	24.8
Gross profit	734	1,291	(43.1)	596	1,310	(54.5)
Other income	688	431	59.6	963	516	86.6
Operating expenses	(2,545)	(2,657)	4.2	(5,455)	(4,834)	(12.8)
Other operating expenses	(29)	(39)	25.6	(73)	(56)	(30.4)
Finance costs	(1)	(4)	75.0	(4)	(8)	50.0
Loss before taxation	(1,153)	(978)	(17.9)	(3,973)	(3,072)	(29.3)
Taxation	(9)	8	(212.5)	2	5	(60.0)
Loss after taxation	(1,162)	(970)	(19.8)	(3,971)	(3,067)	(29.5)
Other comprehensive income/ (expenses) net of tax:						
- Foreign currency translation	(1)	-	-	16	10	60.0
Total comprehensive expenses	(1,163)	(970)	(19.9)	(3,955)	(3,057)	(29.4)
Loss after taxation attributable to:-						
Owners of the Company	(1,162)	(970)	(19.8)	(3,971)	(3,067)	(29.5)
Total comprehensive expenses attributable to:-						
Owners of the Company	(1,163)	(970)	(19.9)	(3,955)	(3,057)	(29.4)
Loss per share attributable to Owners of the Company (sen):						
Basic	(0.50)	(0.49)		(1.74)	(1.54)	
Diluted	(0.50)	(0.49)		(1.74)	(1.54)	

(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 2019 and the accompanying explanatory notes attached to the interim financial statements.)



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.12.2019 UNAUDITED RM'000	AS AT 30.6.2019 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	22,331	22,803
Investment properties	800	800
Goodwill	3,520	3,520
Other receivables	8,323	8,263
	34,974	35,386
Current assets		
Inventories	28,285	27,127
Trade and other receivables	29,024	31,716
Current tax assets	456	397
Deposits with licensed banks	10,667	13,166
Cash and bank balances	23,239	12,326
	91,671	84,732
TOTAL ASSETS	126,645	120,118
EQUITY AND LIABILITIES		
Equity		
Share capital	118,841	108,581
Warrants reserve	1,004	1,004
Foreign exchange translation reserve	247	231
Accumulated losses	(9,647)	(5,676)
Total equity	110,445	104,140
Non-current liabilities		
Hire purchase payables	65	65
Deferred tax liabilities	2,198	2,230
	2,263	2,295
Current liabilities		
Trade and other payables	13,842	13,307
Current tax liabilities	21	15
Amount owing to directors	29	263
Hire purchase payables	45	98
	13,937	13,683
Total liabilities	16,200	15,978
TOTAL EQUITY AND LIABILITIES	126,645	120,118
Net assets per ordinary share (sen)	47.43	48.70

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.)



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QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Share capital →		Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Accumulated Losses RM'000	Total Equity/ Attributable to Owners of the Company RM'000
	Ordinary Shares RM'000	Irredeemable Convertible Preference Shares RM'000					
	Balance at 1.7.2019	95,642					
Issuance of shares pursuant to conversion of irredeemable convertible preference shares ("ICPS")	10,735	(475)	-	-	-	-	10,260
Total transactions with Owners of the Company	10,735	(475)	-	-	-	-	10,260
Loss after taxation for the financial period	-	-	-	-	-	(3,971)	(3,971)
Other comprehensive income for the financial period, net of tax	-	-	-	-	16	-	16
Total comprehensive income/(expenses) for the financial period	-	-	-	-	16	(3,971)	(3,955)
Balance at 31.12.2019	106,377	12,464	-	1,004	247	(9,647)	110,445

(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 2019 and the accompanying explanatory notes attached to the interim financial statements.)



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

	← Share capital →		Share Premium	Warrants Reserve	Foreign Exchange Translation Reserve	Retained Profits	Total Equity/ Attributable to Owners of the Company
	Ordinary Shares	Irredeemable Convertible Preference Shares					
	RM'000	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	-	-	-	-	-	(3,067)	(3,067)
Other comprehensive income for the financial period, net of tax	-	-	-	-	10	-	10
Total comprehensive income/(expenses) for the financial period	-	-	-	-	10	(3,067)	(3,057)
Balance at 31.12.2018	66,752	10,495	22,577	1,145	232	(1,946)	99,255



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QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	CURRENT PERIOD-TO-DATE ENDED 31.12.2019	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2018
	UNAUDITED RM'000	UNAUDITED RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(3,973)	(3,072)
Adjustments for:-		
Depreciation of property, plant and equipment	504	642
Unwinding of discount on other receivables carried at amortised cost	(212)	-
Interest expense	4	8
Property, plant and equipment written off	6	-
Unrealised loss on foreign exchange	21	15
Gain on disposal of plant and equipment	(8)	-
Interest income	(66)	(53)
Operating loss before working capital changes	(3,724)	(2,460)
Net change in inventories	(1,157)	230
Net change in trade and other receivables	2,821	(974)
Net change in development costs	-	(3,343)
Net change in trade and other payables	536	5,816
Cash flows for operations	(1,524)	(731)
Interest paid	(4)	(8)
Income tax refunded/(paid)	(83)	60
Net cash for operating activities	(1,611)	(679)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	66	53
Purchase of property, plant and equipment	(39)	(47)
Proceeds from disposal of plant and equipment	10	-
Withdrawal/(Placement) of fixed deposits	-	(1)
Net cash for investing activities	37	5



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	CURRENT PERIOD-TO-DATE ENDED 31.12.2019 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.12.2018 UNAUDITED RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease payables	(54)	(66)
Proceeds from issuance of shares pursuant to conversion of ICPS	10,260	-
Repayment to directors	(234)	-
Net cash from financing activities	9,972	(66)
Net changes in cash and cash equivalents	8,398	(740)
Cash and cash equivalents at beginning of period	25,492	11,428
Effect of foreign exchange translation	16	10
Cash and cash equivalents at end of period	33,906	10,698
Cash and cash equivalents at end of financial period comprised:-		
Cash and bank balances	23,239	4,912
Deposits with licensed banks	10,667	5,786
	33,906	10,698

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.)



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**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 2019. 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 2019.

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 2019, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and new IC Interpretation with effect from 1 July 2019.

MFRSs and/or IC Interpretations (Including The Consequential Amendments)		Effective Date
Annual Improvements to MFRS Standards 2015 – 2017 Cycle:		
• Amendments to MFRS 3, Business Combinations and MFRS 11, Joint Arrangements – Previously Held Interest in a Joint Operation		1 January 2019
• Amendments to MFRS 112, Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity		1 January 2019
• Amendments to MFRS 123, Borrowing Costs – Borrowing Costs Eligible for Capitalisation		1 January 2019
IC Interpretation 23, Uncertainty over Income Tax Treatments		1 January 2019
MFRS 16	Leases	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



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2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

The Group and the Company have not early adopted the following new MFRSs and amendments to MFRSs 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
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 7 and MFRS 9	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
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	Date to be determined by the MASB

The Group and the Company will apply the above new MFRSs and amendments to MFRSs that are applicable once they become effective. The initial application of the new MFRSs and amendments to MFRSs is not expected to have any significant impact on the Group’s and on the Company’s financial statements.

Amendments to MFRS 3 – Definition of a Business

The Amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The Amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The Amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity shall apply these Amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.



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2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Amendments to MFRS 101 and Amendments to MFRS 108 – Definition of Material

The Amendments refine the definition by including ‘obscuring information’ in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of an entity’s financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the Amendments align the definition of material across MFRS Standards and other publications.

Entities are required to apply the Amendments prospectively for annual periods beginning on or after 1 January 2020.

MFRS 17, Insurance Contracts

MFRS 17 will supersede the existing MFRS 4 *Insurance Contracts* and related Interpretations. The new Standard introduces consistent accounting for all insurance contracts based on a current measurement model. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, MFRS 17 changes the financial statements presentations of insurance service results whereby insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the audited financial statements for the financial year ended 30 June 2019 was not qualified.



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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 19,000,000 ordinary shares (“DWL Shares”) have been issued and listed on the following dates pursuant to the conversion of 19,000,000 ICPS to 19,000,000 DWL Shares by conversion of 1 ICPS and payment of RM0.54 in cash for 1 new DWL Share.

Listing Date	No. of ICPS	No. of DWL Shares
14.8.2019	2,798,500	2,798,500
16.8.2019	5,682,000	5,682,000
19.8.2019	10,519,500	10,519,500
Total	19,000,000	19,000,000

Save for the above, there were no other 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.



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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.

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.



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9. SEGMENTAL INFORMATION (CONT'D)

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

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>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 31.12.2019						
External revenue	-	2,773	-	-	-	2,773
Results						
Results before following adjustments	(1,535)	603	(91)	(3)	(12)	(1,038)
Interest income	27	-	1	-	-	28
Unwinding of discount on other receivables carried at amortised cost	104	-	-	-	-	104
Realised loss on foreign exchange	-	(22)	-	-	-	(22)
Unrealised loss on foreign exchange	-	(5)	-	-	-	(5)
Depreciation of property, plant and equipment	(5)	(255)	41	-	-	*
Impairment losses on goodwill	-	-	-	-	-	-
Segment results	(1,409)	321	(49)	(3)	(12)	(1,152)
Finance costs						(1)
Taxation						(9)
Loss after taxation						(1,162)

Note:-

* - Amount less than RM1,000



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property</u> <u>Investment</u> RM'000	<u>Property</u> <u>Development</u> RM'000	<u>The Group</u> RM'000
Current year-to-date ended 31.12.2019						
External revenue	-	3,436	-	-	-	3,436
Results						
Results before following adjustments	(3,004)	(241)	(343)	(6)	(88)	(3,682)
Interest income	49	1	1	15	-	66
Gain on disposal of plant and equipment	-	8	-	-	-	8
Unwinding of discount on other receivables carri	212	-	-	-	-	212
Realised loss on foreign exchange	-	(42)	-	-	-	(42)
Unrealised loss on foreign exchange	-	(21)	-	-	-	(21)
Depreciation of property, plant and equipment	(9)	(511)	17	-	(1)	(504)
Property, plant and equipment written off	(6)	-	-	-	-	(6)
Segment results	(2,758)	(806)	(325)	9	(89)	(3,969)
Finance costs						(4)
Taxation						2
Loss after taxation						<u>(3,971)</u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>Property</u> <u>Investment</u>	<u>Property</u> <u>Development</u>	<u>The Group</u>
31.12.2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Segment assets	32,226	23,782	14,926	14,477	40,778	126,189
Unallocated assets						456
Consolidated total assets						<u>126,645</u>
Liabilities						
Segment liabilities	2,363	1,789	302	7	9,520	13,981
Unallocated liabilities						2,219
Consolidated total liabilities						<u>16,200</u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property</u> <u>Investment</u> RM'000	<u>Property</u> <u>Development</u> RM'000	<u>The Group</u> RM'000
Preceding year quarter ended 31.12.2018						
External revenue	-	2,915	1,000	-	-	3,915
Results						
Results before following adjustments	(997)	773	(45)	(3)	(392)	(664)
Interest income	-	1	27	-	-	28
Realised loss on foreign exchange	-	-	-	-	-	-
Unrealised loss on foreign exchange	-	(17)	-	-	-	(17)
Depreciation of property, plant and equipment	(46)	(262)	(13)	-	-	(321)
Segment results	(1,043)	495	(31)	(3)	(392)	(974)
Finance costs						(4)
Taxation						8
Loss after taxation						(970)

Note:-

* - Amount less than RM1,000



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property</u> <u>Investment</u> RM'000	<u>Property</u> <u>Development</u> RM'000	<u>The Group</u> RM'000
Preceding year-to-date ended 31.12.2018						
External revenue	-	4,085	1,000	-	-	5,085
Results						
Results before following adjustments	(1,626)	118	(178)	(5)	(768)	(2,459)
Interest income	-	1	52	-	-	53
Realised loss on foreign exchange	-	(1)	-	-	-	(1)
Unrealised loss on foreign exchange	-	(15)	-	-	-	(15)
Depreciation of property, plant and equipment	(92)	(527)	(22)	-	(1)	(642)
Segment results	(1,718)	(424)	(148)	(5)	(769)	(3,064)
Finance costs						(8)
Taxation						5
Loss after taxation						<u>(3,067)</u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>Property</u> <u>Investment</u>	<u>Property</u> <u>Development</u>	<u>The Group</u>
31.12.2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Segment assets	15,624	35,841	21,016	914	37,107	110,502
Unallocated assets						252
Consolidated total assets						<u>110,754</u>
Liabilities						
Segment liabilities	1,575	2,524	586	3	4,535	9,223
Unallocated liabilities						2,276
Consolidated total liabilities						<u>11,499</u>

Geographical Information for Revenue

	Current year quarter ended 31.12.2019	Current year-to- date ended 31.12.2019
	RM'000	RM'000
United States	206	231
Europe	212	212
Malaysia	2,355	2,993
	<u>2,773</u>	<u>3,436</u>



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

Save for the following, there were no other material events subsequent to the end of the current quarter up to 20 February 2020, 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.

- (a) On 10 January 2020, DWL, Million Rich Development Sdn Bhd ("MRDSB"), a wholly-owned subsidiary of DWL, Titanium Hallmark Sdn Bhd ("THSB") and all the shareholders of THSB (i.e. Leong Seng Hoong, Yap Yee Siew Audrey and Lim Bee Wan) had entered into a Settlement Agreement ("SA") to settle the balance deposit of RM17,966,407.53 owing by THSB to MRDSB arising from the termination of the Concept Masterplan Agreement. The repayment of the balance deposit by THSB to MRDSB was settled by way of MRDSB exercised its rights under the share charge and nominated DWL to acquire all the securities shares from the shareholders of THSB. The SA has been completed on 13 January 2020 and the liability of the shareholders of THSB in respect of the balance deposit owing to MRDSB has been discharged. THSB has now become the wholly-owned subsidiary of DWL.
- (b) On 20 January 2020, MRDSB had received and accepted a Letter of Termination dated 16 January 2020 from Pestech Technology Sdn Bhd to terminate the Pre-Bid Consortium Agreement ("Agreement") on the ground that there was no progress on the intended collaboration and co-operation as contemplated in the Agreement.

11. CHANGES IN COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the current financial period under review except for the following:-

On 8 August 2019, the Company had incorporated a new wholly-owned subsidiary, namely DWL Technologies Sdn. Bhd. ("DTSB") with an issued and paid-up share capital of RM100 divided into 100 ordinary shares. DTSB will be principally involved in the business of providing the Information, Communication and Technologies ("ICT") solutions including technology-based security systems, cross-border communications technology and management system solutions.

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.



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14. RELATED PARTY TRANSACTIONS

	Current year quarter ended 31.12.2019 RM'000	Current year- to-date ended 31.12.2019 RM'000
Professional services rendered by a company in which a director is a common director and has substantial financial interest	14	14
Subscription fee for accounting software charged by a company in which a director is a common director	3	7
Rental income charged to a related party in which a director is a common director	4	9

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

The fair values of hire purchase payables approximate their carrying amounts. The carrying amounts of the Group's and of the Company's financial assets and financial liabilities are reasonable approximation of their fair values, either due to their short-term nature or that they are priced to market interest rates. There were no transfer in between fair value levels during the current financial period under review.



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17. REVIEW OF GROUP PERFORMANCE

	Individual Quarter			Cumulative Period		
	31.12.2019 RM'000	31.12.2018 RM'000	Changes %	31.12.2019 RM'000	31.12.2018 RM'000	Changes %
Revenue						
- Investment holding	-	-	-	-	-	-
- Ceramic	2,773	2,915	(4.9)	3,436	4,085	(15.9)
- Construction	-	1,000	-	-	1,000	-
- Property investment	-	-	-	-	-	-
- Property development	-	-	-	-	-	-
	2,773	3,915	(29.2)	3,436	5,085	(32.4)
(Loss)/Profit before taxation						
- Investment holding	(1,409)	(1,043)	(35.1)	(2,758)	(1,718)	(60.5)
- Ceramic	320	491	(34.8)	(810)	(432)	(87.5)
- Construction	(49)	(31)	(58.1)	(325)	(148)	(119.6)
- Property investment	(3)	(3)	0.0	9	(5)	280.0
- Property development	(12)	(392)	96.9	(89)	(769)	88.4
	(1,153)	(978)	(17.9)	(3,973)	(3,072)	(29.3)

The Group's revenue in the current quarter decreased by RM1.14 million, representing a decrease of 29% as compared to the corresponding quarter ended 31.12.2018. The decrease was mainly due to there was a sale of inventory of completed properties in the corresponding quarter ended 31.12.2018, while there was none in the current quarter. Meanwhile, the revenue from ceramic segment decreased slightly by RM0.14 million, representing a decrease of 5% as compared to the corresponding quarter ended 31.12.2018, mainly due to decrease in orders from existing customers in the current quarter.

For the cumulative period under review, the revenue decreased by RM1.65 million, representing a decrease of 32% as compared to the corresponding period ended 31.12.2018. The decrease was mainly due to the decline in revenue derived from both ceramic segment and construction segment. There was no revenue generated from construction segment in the current cumulative period as compared to the corresponding period ended 31.12.2018 whereby there was revenue generated from the sales of inventory of completed properties in the corresponding cumulative period. Meanwhile, the revenue derived from ceramic segment has decreased by RM0.65 million as compared to the corresponding period ended 31.12.2018, as a result of a decrease in orders from major customers in the current cumulative period.



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17. REVIEW OF GROUP PERFORMANCE (CONT'D)

For the current quarter under review, the Group's loss before taxation increased by RM0.18 million, representing an increase of 18% as compared to the corresponding quarter ended 31.12.2018. The higher loss was mainly due to lower profit recorded in ceramic segment and higher loss recorded in investment holding segment, which were partially offset by lower loss of property development segment. The loss before taxation of investment holding segment was higher than the corresponding quarter ended 31.12.2018 mainly due to higher fixed operating costs incurred in the current quarter. The lower profit in ceramic segment was mainly due to decreased profit margin as a result of lower orders. For the property development segment, the lower loss was mainly due to a reduction in fixed operating costs in the current quarter as compared to the corresponding quarter ended 31.12.2018.

For the current cumulative period under review, the loss before taxation had increased by RM0.90 million, representing an increase of 29% as compared to the corresponding period ended 31.12.2018. The higher loss was mainly due to higher loss recorded in investment holding segment, ceramic segment and construction segment, which were partially offset by lower loss in property development segment. The lower loss in the property development segment was mainly due to lower operating costs incurred in the current cumulative period. The loss before taxation of investment holding segment was higher than the corresponding period ended 31.12.2018 mainly due to higher fixed operating costs incurred in the current cumulative period. Meanwhile, the loss before taxation of construction segment was higher than the corresponding period ended 31.12.2018 mainly due to no revenue being generated to cover its operating costs in the current cumulative period. For the ceramic segment, the higher loss was mainly due to profit margin decreased resulting from price revisions in the current cumulative period.



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18. MATERIAL CHANGE IN PERFORMANCE AS COMPARED TO PRECEDING QUARTER

	Current quarter ended 31.12.2019 RM'000	Immediate preceding quarter ended 30.9.2019 RM'000	Changes %
Revenue			
- Investment holding	-	-	-
- Ceramic	2,773	663	318.3
- Construction	-	-	-
- Property investment	-	-	-
- Property development	-	-	-
	2,773	663	318.3
(Loss)/Profit before taxation			
- Investment holding	(1,409)	(1,350)	(4.4)
- Ceramic	320	(1,126)	128.4
- Construction	(49)	(279)	82.4
- Property investment	(3)	12	(125.0)
- Property development	(12)	(77)	84.4
	(1,153)	(2,820)	(59.1)

Revenue in the current quarter increased by RM2.11 million, representing an increase of 318% as compared to the preceding quarter, mainly due to the nature of ceramic business which is seasonal. The current quarter is the commencement of its peak season, hence the increase in revenue.

The Group's loss before taxation decreased by RM1.67 million as compared to the preceding quarter. The higher profit in ceramic segment was contributed by higher economies of scale attributable to higher volume of export sales of ceramic products. Meanwhile, the loss in construction segment was lower than the preceding quarter, mainly due to lower operating costs.



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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. The Group is striving to rectify the situation by revising marketing strategies and developing new products such as handmade indoor pots and planters to complement our existing product range.

As for the construction division, the challenges and risks remain due to current prevailing economic situation and the review of national policies. Therefore, management took strategic actions by venturing into infrastructure development sectors through the collaboration with its renowned partners, Gadang Engineering (M) Sdn. Bhd. ("GESB") and Pestech Technology Sdn. Bhd. ("PTS B"), is making its entry into the infrastructure construction business. However, as a result of no progress on the intended collaboration, the pre-bid consortium agreement between our wholly-owned subsidiary, Million Rich Development Sdn Bhd ("MRDSB") with PTS B has been terminated as announced on 20th January 2020. Regardless, the partnership with GESB still stands and the Board believes that DWL will be able to enhance the Group's portfolios and acquire more future projects which will bring long-term profits to the Group.

Moving on to property development division, the Group continues to pursue final stages of the development agreement with Kementerian Perumahan dan Kerajaan Tempatan, has completed the piling works for project Unit Perumahan Penjawat Awam Malaysia under Klasik Ikhtiar Sdn. Bhd. The Group believes with perseverance towards this development during the market's downturn, will help ease the ever increasing affordable housing needs, as well as establishing a secured development returns. On the other hand, the Group is still working to complete the assessment and feasibility studies for our concept master planning project at Klebang, Melaka.

The Group has also engaged into a new segment, i.e. ICT through the collaboration with our partners to venture into the business of providing ICT solutions in South Asia and particularly targeting the government-related projects in the relevant countries especially Sri Lanka. The Group will proactively pursue more business leads and foresees that the Group will be receiving more related projects from governments and private sectors both locally and within the region in the near future.

Moving forward, DWL will increase its resources and focus on the property development and construction businesses and ICT-related projects 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. The Board is of the view that the current issues affecting our country, i.e. the coronavirus and political uncertainties may affect the performance of our Group.

20. PROFIT FORECAST OR PROFIT GUARANTEE

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



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21. TAXATION

The tax expense is as follows:

	Current year quarter ended 31.12.2019 RM'000	Current year-to- date ended 31.12.2019 RM'000
Current tax expense	25	30
Deferred tax expense	(16)	(32)
	<u>9</u>	<u>(2)</u>

22. CORPORATE PROPOSALS

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



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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 details of the utilisation of proceeds raised from the rights issue as at 31 December 2019 are disclosed in the table below:-

Description	Proposed /Revised Utilisation RM'000	Actual Utilisation as at 31 December 2019 RM'000	Revised Timeframe for Utilisation with extension of time (from 9 October 2019)	Deviation RM'000	%	Explanation
Southern City Project - Phase 1B	4,000	4,000	-	-	-	
Construction Project in Johor	8,000	8,000	-	-	-	
PPAM Project	10,000	7,462	Within 18 months [^]	2,538	25.4	Pending Utilisation
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	28,812				



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23. UTILISATION OF PROCEEDS (CONT'D)

Notes:-

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

^ *On 8 October 2019, the Company announced that the Board had resolved to extend the timeframe for a period of eighteen (18) months from 9 October 2019 to 8 April 2021 to provide additional time for the Group to utilise the proceeds allocated for PPAM Project. The delay in the utilisation of proceeds allocated for PPAM Project was mainly due to the development agreement which is pending approval from Kementerian Perumahan dan Kerajaan Tempatan despite the PPAM Project is progressing with the earthworks, piling and pilecap works which has been completed in April 2019.*

24. BORROWINGS AND DEBT SECURITIES

The Group's borrowings are as follows:

	As at 31.12.2019 RM'000	As at 30.6.2019 RM'000
Current - unsecured		
Hire purchase payables	45	98
Non-current - unsecured		
Hire purchase payables	65	65
	<u>110</u>	<u>163</u>



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25. CHANGES IN MATERIAL LITIGATION

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

On 1 July 2019, Instant Initiative Sdn. Bhd. ("IISB"), a wholly-owned subsidiary of the Company via IISB's solicitors, Messrs. Pearly Ng, Soh & Associates ("Solicitor"), had filed a Writ of Summons and Statement of Claim in the High Court of Malaya at Kuala Lumpur against Sunthara Orthopaedic Physio Centre Sdn. Bhd. ("Sunthara") to exercise its right to claim for specific performance by directing Sunthara to continue with the sale of a commercial complex known as "Lanai Complex" erected on a piece of freehold land held under H.S. (D) No. 6776, PT No. 2303, Presint 10, Bandar Putrajaya, Daerah Putrajaya, Wilayah Persekutuan Putrajaya measuring an area of approximately 3,478 square metres, ("the Property") for a total consideration of RM10,300,000. Pursuant to the Letter of Intent to Purchase dated 27 November 2018 ("LOI"), IISB had paid an earnest deposit of RM206,000 to Sunthara and there was a term requiring Sunthara to continue with the sale of the Property to IISB by entering into a Sale and Purchase Agreement ("SPA") with IISB based on the terms and conditions stipulated in the LOI. Subsequent to the execution of the LOI and the payment of the earnest deposit, Sunthara refused to enter into a SPA for the sale of the Property with IISB. Further to 1 July 2019, the Solicitor has submitted all the necessary documents on behalf of IISB and the Court has given further direction on filing of common issues to be tried and reaffirmed trial dates from 8 June 2020 to 11 June 2020.

26. PROPOSED DIVIDEND

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



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27. LOSS PER SHARE

(i) Basic loss per share

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

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31.12.2019	Preceding year corresponding quarter ended 31.12.2018	Current year-to- date ended 31.12.2019	Preceding year corresponding period ended 31.12.2018
Loss attributable to Owners of the Company (RM'000)	(1,162)	(970)	(3,971)	(3,067)
Weighted average number of ordinary shares ('000)	232,845	198,607	228,320	198,607
Basic loss per share (sen)	(0.50)	(0.49)	(1.74)	(1.54)



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27. LOSS PER SHARE (CONT'D)

(ii) Diluted loss per share

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

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31.12.2019	Preceding year corresponding quarter ended 31.12.2018	Current year-to- date ended 31.12.2019	Preceding year corresponding period ended 31.12.2018
Loss attributable to Owners of the Company (RM'000)	(1,162)	(970)	(3,971)	(3,067)
Weighted average number of ordinary shares ('000)	232,845	198,607	228,320	198,607
Adjustment for assumed conversion of ICPS ('000)	-	-	-	-
Adjustment for assumed conversion of warrants ('000)	-	-	-	-
	<u>232,845</u>	<u>198,607</u>	<u>228,320</u>	<u>198,607</u>
Diluted loss per share (sen)	<u>(0.50)</u>	<u>(0.49)</u>	<u>(1.74)</u>	<u>(1.54)</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.



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

	Current year quarter ended 31.12.2019 RM'000	Current year-to- date ended 31.12.2019 RM'000
Interest income	28	66
Other income	658	885
Interest expense	1	4
Amortisation	NA	NA
Depreciation of investment properties	NA	NA
Depreciation of property, plant and equipment	219	504
Impairment losses on goodwill	NA	NA
Inventories written down	NA	NA
Reversal of inventories written down	NA	NA
Bad debts written off	NA	NA
Deposit/Cash written off	NA	NA
Property, plant and equipment written off	-	6
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	-	8
Gain on disposal of subsidiary	NA	NA
Impairment losses on property, plant & equipment	NA	NA
Realised loss on foreign exchange	22	42
Unrealised loss on foreign exchange	5	21
Waiver of debts owing to payables	NA	NA
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA

Dated: 27 February 2020