



**SPRING GALLERY BERHAD (504718-U)**  
**QUARTERLY REPORT FOR THE 3<sup>RD</sup> QUARTER ENDED 31 MARCH 2017**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER ENDED 31.3.2017	PRECEDING YEAR CORRESPONDING QUARTER ENDED 31.3.2016	CURRENT YEAR- TO-DATE ENDED 31.3.2017	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.3.2016
	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000
Revenue	3,150	8,336	11,333	22,368
Cost of sales	(2,130)	(5,631)	(8,092)	(15,461)
Gross profit	1,020	2,705	3,241	6,907
Other income	190	(529)	1,043	377
Operating expenses	(2,210)	(1,980)	(5,836)	(5,390)
Other operating expenses	(208)	(237)	(209)	(238)
Finance costs	(5)	(10)	(17)	(42)
(Loss)/Profit before taxation	(1,213)	(51)	(1,778)	1,614
Taxation	(37)	(225)	(124)	(796)
<b>(Loss)/Profit after taxation</b>	<b>(1,250)</b>	<b>(276)</b>	<b>(1,902)</b>	<b>818</b>
<b>Other comprehensive income/(expenses) net of tax:</b>				
- Foreign currency translation	5	52	(35)	8
<b>Total comprehensive (expenses)/ income</b>	<b>(1,245)</b>	<b>(224)</b>	<b>(1,937)</b>	<b>826</b>
(Loss)/Profit after taxation attributable to:-				
Owners of the Company	(1,250)	(276)	(1,902)	818
Total comprehensive (expenses)/ income attributable to:-				
Owners of the Company	(1,245)	(224)	(1,937)	826
(Loss)/Earnings per share attributable to Owners of the Company (sen):				
Basic	(0.86)	(0.26)	(1.40)	0.78
Diluted	(0.86)	NA	(1.40)	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 3<sup>RD</sup> QUARTER ENDED 31 MARCH 2017**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	AS AT 31.3.2017 UNAUDITED RM'000	AS AT 30.6.2016 AUDITED RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	21,425	22,066
Investment properties	1,623	1,655
	<u>23,048</u>	<u>23,721</u>
<b>Current assets</b>		
Inventories	1,298	907
Trade and other receivables	46,070	18,136
Current tax assets	537	309
Deposits with licensed banks	14,225	27,426
Cash and bank balances	9,624	14,386
	<u>71,754</u>	<u>61,164</u>
<b>TOTAL ASSETS</b>	<u>94,802</u>	<u>84,885</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	48,983	88,850
Share premium	22,513	18,002
Warrants reserve	1,146	1,146
Foreign exchange translation reserve	188	223
Retained profits/(Accumulated losses)	11,837	(31,021)
<b>Total equity</b>	<u>84,667</u>	<u>77,200</u>
<b>Non-current liabilities</b>		
Hire purchase payables	224	348
Deferred tax liabilities	2,401	2,449
	<u>2,625</u>	<u>2,797</u>
<b>Current liabilities</b>		
Trade and other payables	6,546	4,081
Amount owing to contract customers	798	569
Current tax liabilities	8	76
Hire purchase payables	158	162
	<u>7,510</u>	<u>4,888</u>
<b>Total liabilities</b>	<u>10,135</u>	<u>7,685</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>94,802</u>	<u>84,885</u>
<b>Net assets per ordinary share (sen)</b>	<b>57.93</b>	<b>59.97</b>

(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 3<sup>RD</sup> QUARTER ENDED 31 MARCH 2017**

	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY						Distributable
	← Non-Distributable →						
	← Share capital →						
	Irredeemable Convertible Ordinary Shares	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")	5,366	(473)	4,511	-	-	-	9,404
Par value reduction	(32,557)	(12,203)	-	-	-	44,760	-
Total transactions with Owners of the Company	(27,191)	(12,676)	4,511	-	-	44,760	9,404
Loss after taxation for the financial period	-	-	-	-	-	(1,902)	(1,902)
Other comprehensive expenses for the financial period, net of tax	-	-	-	-	(35)	-	(35)
Total comprehensive expenses for the financial period	-	-	-	-	(35)	(1,902)	(1,937)
Balance at 31.3.2017	37,178	11,805	22,513	1,146	188	11,837	84,667



**SPRING GALLERY BERHAD (504718-U)**  
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**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	-	-	-	818	818
Other comprehensive income for the financial period, net of tax	-	-	8	-	8
Total comprehensive income for the financial period	-	-	8	818	826
Balance at 31.3.2016	52,250	12,500	225	(28,282)	36,693

(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 3<sup>RD</sup> QUARTER ENDED 31 MARCH 2017**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	CURRENT PERIOD-TO-DATE ENDED <b>31.3.2017</b> <hr/> UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED <b>31.3.2016</b> <hr/> UNAUDITED RM'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>		
<b>(Loss)/Profit before taxation</b>	(1,778)	1,614
Adjustments for:-		
Bad debts written off	-	- *
Deposit written off	1	-
Depreciation of investment properties	32	-
Depreciation of property, plant and equipment	742	703
Imputed interest expense	-	18
Interest expense	17	24
Equipment written off	207	- *
Unrealised gain on foreign exchange	(287)	235
Gain on disposal of plant and equipment	(14)	(17)
Interest income	(406)	(50)
Reversal of inventories written down	(46)	(26)
Waiver of debts	(8)	-
Operating (loss)/profit before working capital changes	<hr/> (1,540)	<hr/> 2,501
Net change in inventories	(344)	(497)
Net change in trade and other receivables	(27,606)	(8,998)
Net change in trade and other payables	2,394	4,632
Net change in related parties	-	7
Net change in amount owing to contract customers	229	584
Cash flows for operations	<hr/> (26,867)	<hr/> (1,771)
Interest paid	(17)	(24)
Income tax paid	(468)	(215)
<b>Net cash for operating activities</b>	<hr/> (27,352) <hr/>	<hr/> (2,010) <hr/>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Interest received	406	50
Purchase of plant and equipment	(307)	(913)
Proceeds from disposal of plant and equipment	14	18
Placement of fixed deposits	(281)	(42)
<b>Net cash for investing activities</b>	(168)	(887)



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)**

	<b>CURRENT PERIOD-TO-DATE ENDED 31.3.2017 UNAUDITED RM'000</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.3.2016 UNAUDITED RM'000</b>
<b>CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES</b>		
Repayment of hire purchase payables	(128)	(121)
Proceeds from issuance of shares pursuant to conversion of ICPS	9,404	
<b>Net cash from/(for) financing activities</b>	9,276	(121)
<b>Net changes in cash and cash equivalents</b>	(18,244)	(3,018)
<b>Cash and cash equivalents at beginning of period</b>	40,262	10,141
<b>Effect of foreign exchange translation</b>	-	-
	*	*
<b>Cash and cash equivalents at end of period</b>	<u>22,018</u>	<u>7,123</u>
<b>Cash and cash equivalents at end of financial period comprised:-</b>		
Cash and bank balances	9,624	7,123
Deposits with licensed banks	14,225	1,550
	<u>23,849</u>	<u>8,673</u>
Less: Deposits pledged with licensed banks	(1,831)	(1,550)
	<u>22,018</u>	<u>7,123</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 3<sup>RD</sup> QUARTER ENDED 31 MARCH 2017**

**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:-

<b>MFRSs (Including The Consequential Amendments)</b>	<b>Effective Date</b>
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



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**2. CHANGES IN ACCOUNTING POLICIES (CONT'D)**

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

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

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

**3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

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

**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.





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**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 17,416,000 ordinary shares (“SGB Shares”) have been issued and listed on the following dates pursuant to the conversion of 17,416,000 ICPS to 17,416,000 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
20.1.2017	1,600,000	1,600,000
16.2.2017	110,000	110,000
23.2.2017	1,416,000	1,416,000
1.3.2017	300,000	300,000
Total	17,416,000	17,416,000

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.



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**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
<b>Current year quarter ended 31.3.2017</b>					
External revenue	-	1,521	1,629	-	3,150
<b>Results</b>					
Results before following adjustments	(479)	(612)	202	(10)	(899)
Interest income	92	4	-	-	96
Gain on disposal of plant and equipment	-	8	-	-	8
Reversal of inventories written down	-	6	-	-	6
Realised gain on foreign exchange	-	1	-	-	1
Unrealised gain on foreign exchange	-	34	-	-	34
Waiver of debts	8	-	-	-	8
Deposit written off	(1)	-	-	-	(1)
Depreciation of investment properties	-	-	-	(11)	(11)
Depreciation of property, plant and equipment	(4)	(239)	- *	-	(243)
Equipment written off	(207)	-	-	-	(207)
Segment results	(591)	(798)	202	(21)	(1,208)
Finance costs					(5)
Taxation					(37)
Loss after taxation					<u>(1,250)</u>

Note:-

\* - Amount less than RM1,000



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**9. SEGMENTAL INFORMATION (CONT'D)**

	<u>Investment Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property Investment</u> RM'000	<u>The Group</u> RM'000
<b>Current year-to-date ended 31.3.2017</b>					
External revenue	-	4,930	6,403	-	11,333
<b>Results</b>					
Results before following adjustments	(1,293)	(1,027)	687	(73)	(1,706)
Interest income	354	52	-	-	406
Gain on disposal of plant and equipment	-	14	-	-	14
Reversal of inventories written down	-	46	-	-	46
Realised gain on foreign exchange	-	166	-	-	166
Unrealised gain on foreign exchange	-	287	-	-	287
Waiver of debts	8	-	-	-	8
Deposit written off	(1)	-	-	-	(1)
Depreciation of investment properties	-	-	-	(32)	(32)
Depreciation of property, plant and equipment	(33)	(708)	(1)	-	(742)
Equipment written off	(207)	-	*	-	(207)
Segment results	(1,172)	(1,170)	686	(105)	(1,761)
Finance costs					(17)
Taxation					(124)
Loss after taxation					<u>(1,902)</u>

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
<b>31.3.2017</b>					
<b>Assets</b>					
Segment assets	19,922	31,196	30,839	12,308	94,265
Unallocated assets					<u>537</u>
Consolidated total assets					<u>94,802</u>
<b>Liabilities</b>					
Segment liabilities	424	2,517	4,276	509	7,726
Unallocated liabilities					<u>2,409</u>
Consolidated total liabilities					<u>10,135</u>



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**9. SEGMENTAL INFORMATION (CONT'D)**

	<u>Investment</u>			
	<u>Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>The Group</u>
	RM'000	RM'000	RM'000	RM'000
<b>Preceding year corresponding quarter ended 31.3.2016</b>				
External revenue	-	5,203	3,133	8,336
<b>Results</b>				
Results before following adjustments	(200)	910	288	998
Interest income	-	4	-	4
Gain on disposal of plant and equipment	-	17	-	17
Reversal of inventories written down	-	13	-	13
Realised loss on foreign exchange	-	(88)	-	(88)
Unrealised loss on foreign exchange	-	(734)	-	(734)
Depreciation of property, plant and equipment	(15)	(236)	-	(251)
Segment results	<u>(215)</u>	<u>(114)</u>	288	<u>(41)</u>
Finance costs				(10)
Taxation				<u>(225)</u>
Loss after taxation				<u><u>(276)</u></u>

*Note:-*

*\* - Amount less than RM1,000*



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**9. SEGMENTAL INFORMATION (CONT'D)**

	<u>Investment</u>			
	<u>Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>The Group</u>
	RM'000	RM'000	RM'000	RM'000
<b>Preceding year corresponding period ended 31.3.2016</b>				
External revenue	-	12,879	9,489	22,368
<b>Results</b>				
Results before following adjustments	(592)	2,034	846	2,288
Interest income	-	50	-	50
Gain on disposal of plant and equipment	-	17	-	17
Reversal of inventories written down	-	26	-	26
Realised gain on foreign exchange	-	213	-	213
Bad debts written off	-	-	*	-
Depreciation of property, plant and equipment	(24)	(679)	-	*
Plant and equipment written off	-	-	*	-
Unrealised loss on foreign exchange	-	(235)	-	(235)
Segment results	<u>(616)</u>	<u>1,426</u>	<u>846</u>	<u>1,656</u>
Finance costs				(42)
Taxation				<u>(796)</u>
Profit after taxation				<u>818</u>

Note:-

\* - Amount less than RM1,000



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**9. SEGMENTAL INFORMATION (CONT'D)**

	<u>Investment</u>	<u>Ceramic</u>	<u>Construction</u>	<u>The Group</u>
<b>31.3.2016</b>	<u>Holding</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Assets</b>				
Segment assets	1,020	39,033	9,145	49,198
Unallocated assets				102
Consolidated total assets				49,300
<b>Liabilities</b>				
Segment liabilities	807	3,642	4,856	9,305
Unallocated liabilities				3,302
Consolidated total liabilities				12,607

**Geographical Information for Revenue**

	<b>Current year quarter ended 31.3.2017</b>	<b>Current year-to- date ended 31.3.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
United States	34	88
Europe	387	405
Malaysia	2,711	10,822
Others	18	18
	3,150	11,333



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**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 22 May 2017, 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.

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 for a cash consideration of RM3,500,000

On 12 May 2017, the Company announced that the Company and the potential vendors have mutually agreed to terminate the HOA on 12 May 2017. The reason for the mutual termination is that despite the extensions granted to the potential vendors for the satisfaction of the conditions precedent in the HOA on 19 August 2016 and 17 February 2017, the Board foresees there will be further delay in fulfilling conditions precedent as entailed in the HOA by the potential vendors. The Board had decided to re-focus on the existing projects on hand.

Upon mutual termination, the potential vendors shall refund the earnest deposit of RM500,000 to the Company. The mutual termination is not expected to have any material effect on the Company’s earnings, net assets and gearing for the financial year ending 30 June 2017.



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**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 Million Rich Development Sdn Bhd (“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 LPD are as follows:-

	<b>As at LPD RM'000</b>
Approved and contracted for:-	
Proposed acquisition of Kolej Poly-Tech Mara Campus	9,500
Performance bond pursuant to the joint venture agreement*	15,450
	<hr/>
	24,950
	<hr/>

\* The joint venture agreement was entered between MRDSB and 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.





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**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		
31.3.2017								
<u>Financial Liability</u>								
Hire purchase payables (Non-current)	-	-	-	-	224	-	224	224
	<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.



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**17. REVIEW OF GROUP PERFORMANCE**

	Individual Quarter		Cumulative Period	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Revenue				
- Investment holding	-	-	-	-
- Ceramic	1,521	5,203	4,930	12,879
- Construction	1,629	3,133	6,403	9,489
- Property investment	-	-	-	-
	3,150	8,336	11,333	22,368
(Loss)/Profit before taxation				
- Investment holding	(591)	(215)	(1,172)	(616)
- Ceramic	(803)	(121)	(1,187)	1,402
- Construction	202	285	686	828
- Property investment	(21)	-	(105)	-
	(1,213)	(51)	(1,778)	1,614

The Group’s revenue in the current quarter decreased by RM5.19 million as compared to the corresponding quarter ended 31.3.2016. The decrease was mainly due to the decrease in revenue derived from ceramic segment. The revenue from ceramic segment decreased by RM3.68 million, representing a decrease of 71% as compared to the corresponding quarter ended 31.3.2016, 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 RM2.03 million as compared to the corresponding quarter ended 31.3.2016, as a result of lower percentage of completion in the current quarter. However, the decrease was offset by the additional revenue of RM0.53 million derived from the new construction project in Johor in the current quarter. There was no revenue derived from the construction project in Johor in the corresponding quarter ended 31.3.2016.

For the cumulative period under review, the revenue decreased by RM11.04 million as compared to the corresponding period ended 31.3.2016. The decrease was mainly due to the decrease in revenue derived from ceramic segment. The revenue from ceramic segment decreased by RM7.95 million, representing a decrease of 62% as compared to the corresponding period ended 31.3.2016, 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 RM4.86 million as compared to the corresponding period ended 31.3.2016, as a result of lower percentage of completion in the current cumulative period. However, the decrease was offset by the additional revenue of RM1.77 million derived from the new construction project in Johor in the current cumulative period. There was no revenue derived from the construction project in Johor in the corresponding period ended 31.3.2016.



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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 RM1.16 million, representing an increase of 2278% as compared to the corresponding quarter ended 31.3.2016. The higher 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 quarter. The higher loss in investment holding in the current quarter was mainly due to the equipment written off amounting to RM0.21 million in the current quarter while there was none in the corresponding quarter ended 31.3.2016. Meanwhile the profit before taxation of construction segment decreased slightly by RM0.08 million as compared to the corresponding quarter ended 31.3.2016. The decreased revenue in construction segment was only able to cover lesser fixed operating costs and resulted in lower profit in the current quarter as compared to the corresponding quarter ended 31.3.2016.

For the current cumulative period under review, the Group recorded a loss before taxation of RM1.78 million as compared to a profit before taxation of RM1.61 million in the corresponding period ended 31.3.2016. 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. The higher loss in investment holding in the current cumulative period was mainly due to the equipment written off amounting to RM0.21 million and the expenses incurred for the par value reduction exercise amounting to RM0.17 million in the current cumulative period while there was none in the corresponding period 31.3.2016. Meanwhile the profit before taxation of construction segment decreased slightly by RM0.14 million as compared to the corresponding period ended 31.3.2016. 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 31.3.2016.



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**18. MATERIAL CHANGE IN PERFORMANCE AS COMPARED TO PRECEDING QUARTER**

	<b>Current quarter ended 31.3.2017 RM'000</b>	<b>Immediate preceding quarter ended 31.12.2016 RM'000</b>
Revenue		
- Investment holding	-	-
- Ceramic	1,521	2,622
- Construction	1,629	3,262
- Property investment	-	-
	3,150	5,884
(Loss)/Profit before taxation		
- Investment holding	(591)	(396)
- Ceramic	(803)	343
- Construction	202	267
- Property investment	(21)	(84)
	(1,213)	130

Revenue in the current quarter decreased by RM2.73 million, representing a decrease of 46% as compared to the preceding quarter which mainly due to the decrease in revenue derived from construction segment. The revenue in construction segment decreased by RM1.63 million as compared to the preceding quarter mainly due to lower percentage of completion for both construction projects in Kemaman and Johor in the current quarter as compared to the preceding quarter. The revenue in ceramic segment also decreased by RM1.10 million mainly due to decrease in export sales as a result of orders from major customers being lost to competitors in the current quarter.

The Group recorded a loss before taxation of RM1.21 million in the current quarter as compared to a profit before taxation of RM0.13 million in the preceding quarter. The decreased revenue in ceramic segment in current quarter was not able to cover fixed operating costs and resulted in loss in the current quarter as compared to the preceding quarter. Meanwhile the decreased revenue in construction segment was only able to cover lesser fixed operating costs and resulted in lower profit in the current quarter. The higher loss in investment holding in the current quarter was mainly due to the equipment written off amounting to RM0.21 million in the current quarter while there was none in the preceding quarter.



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**19. COMMENTARY ON PROSPECTS**

The prospects for SGB Group remain challenging. With regard to its ceramic business, increased competition and entry of new players has resulted in sales and profit reduction. Management has taken steps to develop new strategies and development initiatives.

As countermeasures to the uncertainty of the ceramics market, SGB Group had previously entered into construction business and recently has diversified and expanded its business activities to include property investment and property development to increase its revenue and to complement its existing businesses to bring more value to its shareholders. Whilst we are confident these activities will yield profits, the gestation period of such activities and general economic sentiment is a concern. Within SGB Group’s construction business, the company has begun to implement three managing contractor agreements in Terengganu and Johor. The Group has also secured a joint-venture property development project with the land owner to develop residential apartments in Perak for its property development business.

Taking cognisance of SGB Group’s challenges and potential, the company and management team are working to improve the financial performance and position by regaining and maintaining its momentum to secure more profitable construction and property development projects.

**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:

	<b>Current year quarter ended 31.3.2017 RM'000</b>	<b>Current year-to- date ended 31.3.2017 RM'000</b>
Current tax expense	53	172
Deferred tax expense	(16)	(48)
	<u>37</u>	<u>124</u>

The effective tax rate of the Group for the current quarter and 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 was approved by the ordinary shareholders of the Company at an extraordinary general meeting held on 3 April 2017 and completed on 3 April 2017.

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



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**23. UTILISATION OF PROCEEDS**

Rights issue of ICPS with warrants

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

<b>Description</b>	<b>Proposed /Revised Utilisation RM'000</b>	<b>Actual Utilisation as at 31.3.2017 RM'000</b>	<b>Timeframe for Utilisation</b>	<b>Deviation RM'000 %</b>		<b>Explanation</b>
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#	1,585	Within 18 months	1,413	47.1	^
Expenses in relation to the Proposals	672#	672	-	-	-	
	<b>31,350</b>	<b>14,257</b>				

Notes:-

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

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

^ Pending utilisation.



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**24. BORROWINGS AND DEBT SECURITIES**

The Group’s borrowings are as follows:

	<u>As at 31.3.2017</u> RM'000	<u>As at 30.6.2016</u> RM'000
Current - unsecured		
Hire purchase payables	158	162
Non-current - unsecured		
Hire purchase payables	<u>224</u>	<u>348</u>
	<u>382</u>	<u>510</u>

**25. CHANGES IN MATERIAL LITIGATION**

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

**26. PROPOSED DIVIDEND**

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





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**27. (LOSS)/EARNINGS PER SHARE**

(i) Basic (loss)/earnings per share

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

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31.3.2017	Preceding year corresponding quarter ended 31.3.2016	Current year-to- date ended 31.3.2017	Preceding year corresponding period ended 31.3.2016
	<u>31.3.2017</u>	<u>31.3.2016</u>	<u>31.3.2017</u>	<u>31.3.2016</u>
(Loss)/Profit attributable to Owners of the Company (RM'000)	<u>(1,250)</u>	<u>(276)</u>	<u>(1,902)</u>	<u>818</u>
Weighted average number of ordinary shares ('000)	<u>144,874</u>	<u>104,500</u>	<u>135,785</u>	<u>104,500</u>
Basic (loss)/earnings per share (sen)	<u>(0.86)</u>	<u>(0.26)</u>	<u>(1.40)</u>	<u>0.78</u>



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

(ii) Diluted (loss)/earnings per share

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

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31.3.2017	Preceding year corresponding quarter ended 31.3.2016	Current year-to- date ended 31.3.2017	Preceding year corresponding period ended 31.3.2016
(Loss)/Profit attributable to Owners of the Company (RM'000)	(1,250)	(276)	(1,902)	818
Weighted average number of ordinary shares ('000)	144,874	104,500	135,785	104,500
Adjustment for assumed conversion of ICPS ('000)	-	-	-	-
Adjustment for assumed conversion of warrants ('000)	-	-	-	-
	<u>144,874</u>	<u>104,500</u>	<u>135,785</u>	<u>104,500</u>
Diluted (loss)/earnings per share (sen)	<u>(0.86)</u>	NA	<u>(1.40)</u>	NA

*Note:-*

*The diluted loss per share for the current quarter and 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.*



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

	<b>Current year quarter 31.3.2017</b>	<b>Current year-to-date ended 31.3.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	96	406
Other income	35	113
Interest expense	5	17
Amortisation	NA	NA
Depreciation of investment properties	11	32
Depreciation of property, plant and equipment	243	742
Provision for and write off of receivables	NA	NA
Provision for and write off of inventories	NA	NA
Reversal of inventories written down	6	46
Deposits written off	1	1
Equipment written off	207	207
Gain or loss on disposal of quoted or unquoted investment	NA	NA
Gain on disposal of plant and equipment	8	14
Impairment of assets	NA	NA
Realised gain on foreign exchange	1	166
Unrealised gain on foreign exchange	34	287
Waiver of debts	8	8
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA



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**29. REALISED AND UNREALISED PROFIT OR LOSSES**

The breakdown of the 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:-

	<b>As at 31.3.2017 RM'000</b>	<b>As at 30.6.2016 RM'000</b>
Total retained profits/(accumulated losses) of the Group:		
- Realised	26,231	(16,274)
- Unrealised	<u>(2,115)</u>	<u>(2,402)</u>
	24,116	(18,676)
Less: Consolidation Adjustments	<u>(12,279)</u>	<u>(12,345)</u>
	<u>11,837</u>	<u>(31,021)</u>

Dated: 29 May 2017