



**SPRING GALLERY BERHAD (504718-U)**  
**QUARTERLY REPORT FOR THE 1<sup>ST</sup> QUARTER ENDED 30 SEPTEMBER 2017**

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

|   | INDIVIDUAL QUARTER               |  | CUMULATIVE PERIOD                 |   |
|---|----------------------------------|--|-----------------------------------|---|
|   | CURRENT YEAR<br>QUARTER<br>ENDED | PRECEDING YEAR<br>CORRESPONDING<br>QUARTER ENDED | CURRENT YEAR-<br>TO-DATE<br>ENDED | PRECEDING YEAR<br>CORRESPONDING<br>PERIOD ENDED |
|   | 30.9.2017                        | 30.9.2016  | 30.9.2017                         | 30.9.2016                                       |
|   | UNAUDITED<br>RM'000              | UNAUDITED<br>RM'000                              | UNAUDITED<br>RM'000               | UNAUDITED<br>RM'000                             |
| Revenue   | 2,225                            | 2,299  | 2,225                             | 2,299   |
| Cost of sales   | (1,197)                          | (1,602)  | (1,197)                           | (1,602)   |
| Gross profit  | 1,028                            | 697  | 1,028                             | 697   |
| Other income  | 160                              | 336  | 160                               | 336   |
| Operating expenses  | (1,867)                          | (1,722)  | (1,867)                           | (1,722)   |
| Other operating expenses                                    | (67)                             | -  | (67)                              | -   |
| Finance costs   | (4)                              | (6)  | (4)                               | (6)   |
| Loss before taxation  | (750)                            | (695)  | (750)                             | (695)   |
| Taxation  | (159)                            | (72)   | (159)                             | (72)  |
| <b>Loss after taxation</b>                                  | <b>(909)</b>                     | <b>(767)</b>                                     | <b>(909)</b>                      | <b>(767)</b>                                    |
| <b>Other comprehensive expenses net of tax:</b>             |                                  |  |                                   |   |
| - Foreign currency translation                              | (2)                              | (13)   | (2)                               | (13)  |
| <b>Total comprehensive expenses</b>                         | <b>(911)</b>                     | <b>(780)</b>                                     | <b>(911)</b>                      | <b>(780)</b>                                    |
| Loss after taxation attributable to:-                       |                                  |  |                                   |   |
| Owners of the Company                                       | (909)                            | (767)  | (909)                             | (767)   |
| Total comprehensive expenses attributable to:-              |                                  |  |                                   |   |
| Owners of the Company                                       | (911)                            | (780)  | (911)                             | (780)   |
| Loss per share attributable to Owners of the Company (sen): |                                  |  |                                   |   |
| Basic   | (0.53)                           | (0.59)   | (0.53)                            | (0.59)  |
| Diluted   | (0.53)                           | (0.59)   | (0.53)                            | (0.59)  |

(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 2017 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U)**  
**QUARTERLY REPORT FOR THE 1<sup>ST</sup> QUARTER ENDED 30 SEPTEMBER 2017**

| <b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> |                            |                            |
|---|----------------------------|----------------------------|
|   | <b>AS AT<br/>30.9.2017</b> | <b>AS AT<br/>30.6.2017</b> |
|   | <b>UNAUDITED</b>           | <b>AUDITED</b>             |
|   | <b>RM'000</b>              | <b>RM'000</b>              |
| <b>ASSETS</b>   |                            |                            |
| <b>Non-current assets</b>                                     |                            |                            |
| Property, plant and equipment                                 | 20,952                     | 21,173                     |
| Investment properties   | 800                        | 800                        |
| Goodwill  | 3,442                      | -                          |
|   | <u>25,194</u>              | <u>21,973</u>              |
| <b>Current assets</b>   |                            |                            |
| Inventories   | 1,679                      | 972                        |
| Trade and other receivables                                   | 49,283                     | 40,796                     |
| Current tax assets  | 473                        | 572                        |
| Deposits with licensed banks                                  | 12,909                     | 14,338                     |
| Cash and bank balances  | 11,000                     | 18,086                     |
|   | <u>75,344</u>              | <u>74,764</u>              |
| <b>TOTAL ASSETS</b>   | <b>100,538</b>             | <b>96,737</b>              |
| <b>EQUITY AND LIABILITIES</b>                                 |                            |                            |
| <b>Equity</b>   |                            |                            |
| Share capital   | 62,368                     | 57,147                     |
| Share premium   | 22,577                     | 22,577                     |
| Warrants reserve  | 1,146                      | 1,146                      |
| Foreign exchange translation reserve                          | 195                        | 197                        |
| Retained profits  | 5,902                      | 6,811                      |
| <b>Total equity</b>   | <b>92,188</b>              | <b>87,878</b>              |
| <b>Non-current liabilities</b>                                |                            |                            |
| Hire purchase payables  | 160                        | 192                        |
| Deferred tax liabilities                                      | 2,341                      | 2,357                      |
|   | <u>2,501</u>               | <u>2,549</u>               |
| <b>Current liabilities</b>                                    |                            |                            |
| Trade and other payables                                      | 5,704                      | 5,356                      |
| Amount owing to contract customers                            | -                          | 798                        |
| Hire purchase payables  | 145                        | 156                        |
|   | <u>5,849</u>               | <u>6,310</u>               |
| <b>Total liabilities</b>                                      | <b>8,350</b>               | <b>8,859</b>               |
| <b>TOTAL EQUITY AND LIABILITIES</b>                           | <b>100,538</b>             | <b>96,737</b>              |
| <b>Net assets per ordinary share (sen)</b>                    | <b>53.89</b>               | <b>54.45</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 2017 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U)**  
**QUARTERLY REPORT FOR THE 1<sup>ST</sup> QUARTER ENDED 30 SEPTEMBER 2017**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|  | ← Share capital →  |   | Share<br>Premium | Warrants<br>Reserve | Foreign<br>Exchange<br>Translation<br>Reserve | Retained<br>Profits | Total Equity/<br>Attributable<br>to Owners of<br>the Company |
|--|--------------------|---|------------------|---------------------|---|---------------------|--|
|  | Ordinary<br>Shares | Irredeemable<br>Convertible<br>Preference<br>Shares |                  |                     |   |                     |  |
|  | RM'000             | RM'000  | RM'000           | 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   |



**SPRING GALLERY BERHAD (504718-U)**  
**QUARTERLY REPORT FOR THE 1<sup>ST</sup> QUARTER ENDED 30 SEPTEMBER 2017**

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

|   | ← Share capital →  |   |                  |                     |   |                       | Total Equity/<br>Attributable<br>to Owners of<br>the Company |
|---|--------------------|---|------------------|---------------------|---|-----------------------|--|
|   | Ordinary<br>Shares | Irredeemable<br>Convertible<br>Preference<br>Shares | Share<br>Premium | Warrants<br>Reserve | Foreign<br>Exchange<br>Translation<br>Reserve | Accumulated<br>Losses |  |
|   | 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 ICPS                 | 745                | (74)  | 134              | -                   | -   | -                     | 805  |
| Total transactions with Owners of the Company                     | 745                | (74)  | 134              | -                   | -   | -                     | 805  |
| Loss after taxation for the financial period                      | -                  | -   | -                | -                   | -   | (767)                 | (767)  |
| Other comprehensive expenses for the financial period, net of tax | -                  | -   | -                | -                   | (13)  | -                     | (13)   |
| Total comprehensive expenses for the financial period             | -                  | -   | -                | -                   | (13)  | (767)                 | (780)  |
| Balance at 30.9.2016  | 65,114             | 24,407  | 18,136           | 1,146               | 210   | (31,788)              | 77,225   |

(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 2017 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U)**  
**QUARTERLY REPORT FOR THE 1<sup>ST</sup> QUARTER ENDED 30 SEPTEMBER 2017**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

|   | CURRENT<br>PERIOD-TO-DATE<br>ENDED<br><b>30.9.2017</b> | PRECEDING YEAR<br>CORRESPONDING<br>PERIOD ENDED<br><b>30.9.2016</b> |
|---|--|---|
|   | UNAUDITED<br>RM'000                                    | UNAUDITED<br>RM'000   |
| <b>CASH FLOWS FOR OPERATING ACTIVITIES</b>        |  |   |
| <b>Loss before taxation</b>                       | (750)  | (695)   |
| Adjustments for:-                                 |  |   |
| Depreciation of investment properties             | -  | 11  |
| Depreciation of property, plant and equipment     | 238  | 247   |
| Interest expense                                  | 4  | 6   |
| Unrealised loss/(gain) on foreign exchange        | 20   | (125)   |
| Interest income                                   | (118)  | (149)   |
| Reversal of inventories written down              | -  | (10)  |
| Operating loss before working capital changes     | (606)  | (715)   |
| Net change in inventories                         | (707)  | (696)   |
| Net change in trade and other receivables         | (7,916)  | (9,995)   |
| Net change in trade and other payables            | (189)  | 194   |
| Net change in amount owing to contract customers  | (798)  | 184   |
| Cash flows for operations                         | (10,216)   | (11,028)  |
| Interest paid                                     | (4)  | (6)   |
| Income tax paid                                   | (75)   | (254)   |
| <b>Net cash for operating activities</b>          | (10,295)   | (11,288)  |
| <b>CASH FLOWS FOR INVESTING ACTIVITIES</b>        |  |   |
| Interest received                                 | 118  | 149   |
| Acquisition of a subsidiary, net of cash acquired | (3,500)  | -   |
| Purchase of plant and equipment                   | (17)   | (55)  |
| Uplift/(Placement) of fixed deposits              | 1,282  | (240)   |
| <b>Net cash for investing activities</b>          | (2,117)  | (146)   |



**SPRING GALLERY BERHAD (504718-U)**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)**

|   | CURRENT<br>PERIOD-TO-DATE<br>ENDED<br><b>30.9.2017</b> | PRECEDING YEAR<br>CORRESPONDING<br>PERIOD ENDED<br><b>30.9.2016</b> |
|---|--|---|
|   | UNAUDITED<br>RM'000                                    | UNAUDITED<br>RM'000   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |  |   |
| Repayment of hire purchase payables                                     | (42)   | (47)  |
| Proceeds from issuance of shares pursuant to conversion of ICPS         | 5,221  | 805   |
| <b>Net cash from financing activities</b>                               | 5,179  | 758   |
| <b>Net changes in cash and cash equivalents</b>                         | (7,233)  | (10,676)  |
| <b>Cash and cash equivalents at beginning of period</b>                 | 30,594   | 40,262  |
| <b>Effect of foreign exchange translation</b>                           | -  | -   |
| <b>Cash and cash equivalents at end of period</b>                       | 23,361   | 29,586  |
| <b>Cash and cash equivalents at end of financial period comprised:-</b> |  |   |
| Cash and bank balances  | 11,000   | 10,294  |
| Deposits with licensed banks  | 12,909   | 21,082  |
|   | 23,909   | 31,376  |
| Less: Deposits pledged with licensed banks                              | (548)  | (1,790)   |
|   | 23,361   | 29,586  |

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 2017 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)  
QUARTERLY REPORT FOR THE 1<sup>ST</sup> QUARTER ENDED 30 SEPTEMBER 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 2017. 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 2017.

**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 2017, 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:-

| <b>MFRSs and/or IC Interpretations (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        |
| MFRS 17 Insurance Contracts   | 1 January 2021        |
| IC Interpretation 22 Foreign Currency Transactions and Advance Consideration  | 1 January 2018        |
| IC Interpretation 23 Uncertainty over Income Tax Treatments   | 1 January 2019        |
| Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions                                  | 1 January 2018        |
| Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts                               | 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              |
| Amendments to MFRS 15: Effective Date of MFRS 15  | 1 January 2018        |



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STANDARD 134 AND INTERNATIONAL ACCOUNTING STANDARD 34**

|   |                |
|---|----------------|
| Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’  | 1 January 2018 |
| Amendments to MFRS 140: Transfers of Investment Property  | 1 January 2018 |
| Annual Improvements to MFRS Standards 2014 – 2016 Cycles:<br>- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters<br>- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value | 1 January 2018 |

The adoption of the above accounting standards and/or interpretations (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 2014) 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 2017 was not qualified.

### **4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

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





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

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

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

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

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

**7. DEBT AND EQUITY SECURITIES**

Total of 9,668,300 ordinary shares (“SGB Shares”) have been issued and listed on the following dates pursuant to the conversion of 9,668,300 ICPS to 9,668,300 SGB Shares by conversion of 1 ICPS and payment of RM0.54 in cash for 1 new SGB Share.

| <b>Listing Date</b> | <b>No. of ICPS</b> | <b>No. of SGB Shares</b> |
|---------------------|--------------------|--------------------------|
| 6.7.2017            | 2,800,000          | 2,800,000                |
| 11.7.2017           | 6,868,300          | 6,868,300                |
| Total               | 9,668,300          | 9,668,300                |

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

**8. DIVIDENDS**

No dividend was paid during the current financial period under review.



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)  
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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 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><br><u> Holding</u><br>RM'000 | <u>Ceramic</u><br>RM'000 | <u>Construction</u><br>RM'000 | <u>Property</u><br><u>Investment</u><br>RM'000 | <u>Property</u><br><u>Development</u><br>RM'000 | <u>The Group</u><br>RM'000 |
|---|--|--------------------------|-------------------------------|--|---|----------------------------|
| <b>Current year quarter ended 30.9.2017/<br/>Current year-to-date ended 30.9.2017</b> |  |                          |                               |  |   |                            |
| External revenue  | -  | 1,427                    | 798                           | -  | -   | 2,225                      |
| <b>Results</b>  |  |                          |                               |  |   |                            |
| 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<br>equipment                                      | (4)  | (234)                    | - *                           | -  | -   | (238)                      |
| Segment results   | (722)  | (724)                    | 729                           | (1)  | (28)  | (746)                      |
| Finance costs   |  |                          |                               |  |   | (4)                        |
| Taxation  |  |                          |                               |  |   | (159)                      |
| Loss after taxation   |  |                          |                               |  |   | <u>(909)</u>               |

Note:-

\* - Amount less than RM1,000



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

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



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

|   | <u>Investment<br/>Holding</u><br>RM'000 | <u>Ceramic</u><br>RM'000 | <u>Construction</u><br>RM'000 | <u>The Group</u><br>RM'000 |
|---|---|--------------------------|-------------------------------|----------------------------|
| <b>Preceding year corresponding quarter ended 30.9.2016/Preceding year corresponding period ended 30.9.2016</b> |   |                          |                               |                            |
| External revenue  | -                                       | 787                      | 1,512                         | 2,299                      |
| <b>Results</b>  |   |                          |                               |                            |
| Results before following adjustments  | (305)                                   | (641)                    | 217                           | (729)                      |
| Interest income   | 145                                     | 4                        | -                             | 149                        |
| Reversal of inventories written down  | -                                       | 10                       | -                             | 10                         |
| Realised gain on foreign exchange   | -                                       | 14                       | -                             | 14                         |
| Unrealised gain on foreign exchange   | -                                       | 125                      | -                             | 125                        |
| Depreciation of investment properties   | (11)                                    | -                        | -                             | (11)                       |
| Depreciation of property, plant and equipment   | (14)                                    | (233)                    | -                             | (247)                      |
| Segment results   | (185)                                   | (721)                    | 217                           | (689)                      |
| Finance costs   |   |                          |                               | (6)                        |
| Taxation  |   |                          |                               | (72)                       |
| Loss after taxation   |   |                          |                               | <u>(767)</u>               |

Note:-

\* - Amount less than RM1,000



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

| <b>30.9.2016</b>               | <u><b>Investment<br/>Holding</b></u><br>RM'000 | <u><b>Ceramic</b></u><br>RM'000 | <u><b>Construction</b></u><br>RM'000 | <u><b>The Group</b></u><br>RM'000 |
|--------------------------------|--|---------------------------------|--------------------------------------|-----------------------------------|
| <b>Assets</b>                  |  |                                 |                                      |                                   |
| Segment assets                 | 22,926   | 31,896                          | 29,959                               | 84,781                            |
| Unallocated assets             |  |                                 |                                      | 442                               |
| Consolidated total assets      |  |                                 |                                      | 85,223                            |
| <b>Liabilities</b>             |  |                                 |                                      |                                   |
| Segment liabilities            | 419  | 2,640                           | 2,462                                | 5,521                             |
| Unallocated liabilities        |  |                                 |                                      | 2,477                             |
| Consolidated total liabilities |  |                                 |                                      | 7,998                             |

**Geographical Information for Revenue**

|               | <b>Current year<br/>quarter ended<br/>30.9.2017</b> | <b>Current year-to-<br/>date ended<br/>30.9.2017</b> |
|---------------|---|--|
|               | RM'000  | RM'000   |
| United States | 55  | 55   |
| Europe        | 64  | 64   |
| Malaysia      | 1,263   | 1,263  |
| Others        | 45  | 45   |
|               | 1,427   | 1,427  |



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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 20 November 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.

- i) On 5 October 2017, Profit Sunland Sdn. Bhd. (“PSSB”) had entered into a Debt Settlement Agreement with Prinsip Nusantara Sdn. Bhd. (“PNSB”) to fully settle the debt owing by PNSB to PSSB. The debt settlement involves the full and final settlement of the debt amounting to RM15,297,320 owing by PNSB to PSSB which are to be satisfied as follows:-
  - (a) the transfer of 16 units of residential condominium, all located at Altitude 236 Condominium, Jalan Alam Damai, Alam Damai, 56000 Cheras, Kuala Lumpur based on a consideration value of RM13,234,500 to PSSB; and
  - (b) cash payment by PNSB to PSSB of RM2,062,820 on or before 15 November 2017. The cash payment has not been received by PSSB on or before 15 November 2017 and a letter of demand was served to PNSB on 15 November 2017.
- ii) On 13 October 2017, the proposed acquisition of 2,000,000 ordinary shares in KTG Marine (M) Sdn Bhd for a purchase consideration of RM2,200,000 was completed.
- iii) On 16 October 2017, the proposed acquisition of five (5) properties in Mukim Ceras, Daerah Hulu Langat, Negeri Selangor on five (5) parcels of freehold land for a total cash consideration of RM8,250,000 was completed.
- iv) On 1 November 2017, the Company had granted its consent to the vendor to extend the conditional period of the Sale and Purchase Agreement (“SPA”) in relation to the proposed acquisition of Kolej Poly-Tech Mara Campus, Batu Pahat by Instant Initiative Sdn. Bhd. for a period of one (1) month from 1 November 2017 to 30 November 2017 for the satisfaction of the following conditions precedent as set out in the SPA:-
  - (a) The vendor obtaining MARA’s consent for the vendor to sell the property to the purchaser and novate the tenancy agreement for the property between Mara and the vendor to the purchaser in accordance with the terms and conditions as agreed in the construction agreement; and
  - (b) The vendor obtaining the original letter of consent to transfer from the State Authority to transfer the lands and the property to the purchaser and to charge the lands and the property to the purchaser’s financier, if applicable.



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**11. CHANGES IN COMPOSITION OF THE GROUP**

- i) On 18 July 2017, the Company additionally subscribed for 99,998 new issued ordinary shares of RM1.00 each in Million Rich Development Sdn. Bhd. (“MRDSB”) for a cash consideration of RM99,998 to retain its 100% equity interest. MRDSB is presently engaged in the businesses of property development and other related services.
- ii) On 30 August 2017, the proposed acquisition of 100,000 ordinary shares in Klasik Ikhtiar Sdn. Bhd. (“KISB”) for a total consideration of RM3,500,000 was completed. KISB is principally 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<br/>RM'000</b> |
|--|-----------------------------|
| Approved and contracted for:-              |                             |
| Acquisition of Kolej Poly-Tech Mara Campus | 9,500                       |
|  | <u>9,500</u>                |

**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.





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**16. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

|   | Fair Value Of Financial<br>Instruments Carried At Fair<br>Value |         |         | Fair Value Of Financial<br>Instruments Not Carried At<br>Fair Value |         |         | Total<br>Fair<br>Value<br>RM'000 | Carrying<br>Amount<br>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  |                                  |                              |
| 30.9.2017                                   |   |         |         |   |         |         |                                  |                              |
| <u>Financial Liability</u>                  |   |         |         |   |         |         |                                  |                              |
| Hire purchase<br>payables (Non-<br>current) | -   | -       | -       | -   | 160     | -       | 160                              | 160                          |
|   | <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% (30.6.2017 - 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   |                     |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
|                               | 30.9.2017<br>RM'000 | 30.9.2016<br>RM'000 | 30.9.2017<br>RM'000 | 30.9.2016<br>RM'000 |
| Revenue                       |                     |                     |                     |                     |
| - Investment holding          | -                   | -                   | -                   | -                   |
| - Ceramic                     | 1,427               | 787                 | 1,427               | 787                 |
| - Construction                | 798                 | 1,512               | 798                 | 1,512               |
| - Property investment         | -                   | -                   | -                   | -                   |
| - Property development        | -                   | -                   | -                   | -                   |
|                               | 2,225               | 2,299               | 2,225               | 2,299               |
| (Loss)/Profit before taxation |                     |                     |                     |                     |
| - Investment holding          | (722)               | (185)               | (722)               | (185)               |
| - Ceramic                     | (728)               | (727)               | (728)               | (727)               |
| - Construction                | 729                 | 217                 | 729                 | 217                 |
| - Property investment         | (1)                 | -                   | (1)                 | -                   |
| - Property development        | (28)                | -                   | (28)                | -                   |
|                               | (750)               | (695)               | (750)               | (695)               |

The Group’s revenue in the current quarter slightly decreased by RM0.07 million as compared to the corresponding quarter ended 30.9.2016. The decrease was due to decrease in revenue derived from the construction segment. The revenue from construction segment decreased by RM0.71 million, representing a decrease of 47% as compared to the corresponding quarter ended 30.9.2016, as a result of the termination of construction projects in Johor and Kemaman on 5 July 2017 and 25 August 2017 respectively. Meanwhile, the revenue from ceramic segment increased slightly by RM0.64 million as compared to the corresponding quarter ended 30.9.2016 mainly due to the increase in orders from major customers in the current quarter.

For the current quarter under review, the loss before taxation had increased slightly by RM0.06 million, representing an increase of 8% as compared to the corresponding quarter ended 30.9.2016. The loss was mainly due to the loss from investment holding segment, as a result of expenses incurred in relation to the acquisition of properties and also the corporate proposals in the current quarter as compared to the corresponding quarter ended 30.9.2016. However the increase in loss was offset by the increased profit of RM0.51 million from construction segment mainly contributed by the revenue recognized for construction segment upon termination of construction projects in Johor and Kemaman in the current quarter.



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

|                               | <b>Current<br/>quarter ended<br/>30.9.2017<br/>RM'000</b> | <b>Immediate<br/>preceding quarter<br/>ended<br/>30.6.2017<br/>RM'000</b> |
|-------------------------------|---|---|
| Revenue                       |   |   |
| - Investment holding          | -   | -   |
| - Ceramic                     | 1,427   | 2,511   |
| - Construction                | 798   | -   |
| - Property investment         | -   | -   |
| - Property development        | -   | -   |
|                               | <b>2,225</b>  | <b>2,511</b>  |
| (Loss)/Profit before taxation |   |   |
| - Investment holding          | (722)   | (1,255)   |
| - Ceramic                     | (728)   | 180   |
| - Construction                | 729   | (2,453)   |
| - Property investment         | (1)   | (4)   |
| - Property development        | (28)  | (1,494)   |
|                               | <b>(750)</b>  | <b>(5,026)</b>  |

Revenue in the current quarter decreased by RM0.29 million, representing a decrease of 11% as compared to the preceding quarter mainly due to decrease in export sales for ceramic segment as a result of orders from major customers being lost to competitors, partially offset with revenue recognised for construction segment upon termination of construction projects in Johor and Kemaman in the current quarter.

The Group's loss before taxation decreased by RM4.28 million, representing a decrease of 85% as compared to the preceding quarter. The lower loss was mainly contributed by profit before taxation of RM0.73 million recorded in construction segment and also the lower loss recorded in property development segment. The significant loss in construction segment in the preceding quarter was mainly due to the waiver of debts owing by a contract customer amounting to RM2.19 million while there was none in the current quarter. Meanwhile, the significant loss in property development segment in the preceding quarter was due to the professional fee of RM1.40 million incurred for the concept masterplan project in Melaka while there was none in the current quarter.



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**19. COMMENTARY ON PROSPECTS**

The prospects for SGB Group remains challenging, which sees volatility in sales and profit recorded. Management has taken steps to develop new strategies and development initiatives.

SGB continues to intensify its efforts to achieve success. The Group’s diversification exercise into the property development sector included the acquisition of KISB, where KISB has secured a residential development project from Unit Perumahan Penjawat Awam 1 Malaysia (“PPA1M”) and anticipated the launch of this project by second quarter of year 2018. Strategically, we have also introduced a complementary service to the property development, i.e., strategic concept masterplanning. With this, we had announced two (2) new concept masterplan agreements involving our wholly-owned subsidiary, MRDSB with Arena Progresif Sdn. Bhd. and with Titanium Hallmark Sdn. Bhd. whereby MRDSB be given the rights to carry out and complete the concept masterplan on pieces of land with a total land area of approximately 292,813 square meters in Melaka.

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, whilst continuing to grow the ceramic business.

**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<br/>quarter ended<br/>30.9.2017<br/>RM'000</b> | <b>Current year-to-<br/>date ended<br/>30.9.2017<br/>RM'000</b> |
|----------------------|--|---|
| Current tax expense  | 175  | 175   |
| Deferred tax expense | (16)   | (16)  |
|                      | <u>159</u>   | <u>159</u>  |

The effective tax rate of the Group for the current quarter is higher than the statutory tax rate principally due to certain subsidiary was making profit in the current quarter.

## 22. CORPORATE PROPOSALS

SGB had on 19 April 2016 completed a rights issue of 522,500,000 new irredeemable convertible preference shares (“ICPS”) together with 52,250,000 free detachable warrants and raised total gross proceeds of RM31.35 million to be utilized in the manner set out in the circular to the shareholders of SGB dated 5 February 2016, as approved by the shareholders of SGB at the extraordinary general meeting on 1 March 2016.

On 9 August 2017, the Company announced its intention to vary the utilization of the proceeds it previously raised from a rights issue of ICPS (“Proposed Variation”).

On 9 October 2017, the Company had obtained its shareholders’ approval for the Proposed Variation of the utilization of proceeds raised from the rights issue of ICPS with warrants which the revised utilization of proceeds are set out in the circular to the shareholders of the Company dated 8 September 2017 at the Extraordinary General Meeting.

There was no other 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 30 September 2017 are disclosed in the table below:-

| Description                                 | Proposed<br>/Revised<br>Utilisation<br>RM'000 | Actual<br>Utilisation<br>as at 30<br>September<br>2017<br>RM'000 | Timeframe<br>for<br>Utilisation | Deviation |       | Explanation |
|---|---|--|---------------------------------|-----------|-------|-------------|
|   |   |  |                                 | RM'000    | %     |             |
| Southern City Project<br>- Phase 1B         | 4,000   | 4,000  | -                               | -         | -     |             |
| Southern City Project<br>- Phase 2          | 15,680*                                       | -  | Within 30<br>months             | 15,680    | 100.0 | ^           |
| Construction Project<br>in Johor            | 8,000*  | 8,000  | -                               | -         | -     |             |
| Working capital                             | 2,998 <sup>#</sup>                            | 2,998  | -                               | -         | -     |             |
| Expenses in relation<br>to the Rights Issue | 672 <sup>#</sup>                              | 672  | -                               | -         | -     |             |
|   | <b>31,350</b>                                 | <b>15,670</b>  |                                 |           |       |             |



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**23. UTILISATION OF PROCEEDS (CONT'D)**

Notes:-

- \* *The Company foreseen the delay in Southern City Project – Phase 2 and had re-allocated RM8.0 million to fund the construction project in Johor in order to reduce the Company’s dependence on bank borrowings.*
- # *The variation of the actual amount of expenses for the Rights Issue was adjusted against the working capital of the Company.*
- ^ *On 9 October 2017, the Company had obtained its shareholders’ approval to redeploy the balance of RM15.68 million allocated for Southern City Project – Phase 2 as additional working capital for SGB Group, working capital for the PPAIM Project and as initial outlays and/or working capital for future construction, development and/or other projects and/or for the acquisitions of companies, properties and/or lands as and when the opportunities arise. The revised timeframe for the utilisation of the balance of RM15.68 million is between 18 to 24 months.*

**24. BORROWINGS AND DEBT SECURITIES**

The Group’s borrowings are as follows:

|                         | <b>As at<br/>30.9.2017</b> | <b>As at<br/>30.6.2017</b> |
|-------------------------|----------------------------|----------------------------|
|                         | <b>RM'000</b>              | <b>RM'000</b>              |
| Current - unsecured     |                            |                            |
| Hire purchase payables  | 145                        | 156                        |
| Non-current - unsecured |                            |                            |
| Hire purchase payables  | 160                        | 192                        |
|                         | <u>305</u>                 | <u>348</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 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<br>quarter ended<br>30.9.2017 | Preceding year<br>corresponding<br>quarter ended<br>30.9.2016 | Current year-to-<br>date ended<br>30.9.2017 | Preceding year<br>corresponding<br>period ended<br>30.9.2016 |
| Loss attributable to<br>Owners of the Company<br>(RM'000) | (909)                                      | (767)   | (909)                                       | (767)  |
| Weighted average number of<br>ordinary shares ('000)      | 170,550                                    | 129,683   | 170,550                                     | 129,683  |
| Basic loss per<br>share (sen)                             | (0.53)                                     | (0.59)  | (0.53)                                      | (0.59)   |





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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<br>quarter ended<br>30.9.2017 | Preceding year<br>corresponding<br>quarter ended<br>30.9.2016 | Current year-to-<br>date ended<br>30.9.2017 | Preceding year<br>corresponding<br>period ended<br>30.9.2016 |
| Loss attributable to<br>Owners of the Company<br>(RM'000) | (909)                                      | (767)   | (909)                                       | (767)  |
| Weighted average number of<br>ordinary shares ('000)      | 170,550                                    | 129,683   | 170,550                                     | 129,683  |
| Adjustment for assumed<br>conversion of ICPS ('000)       | -  | -   | -   | -  |
| Adjustment for assumed<br>conversion of warrants ('000)   | -  | -   | -   | -  |
|   | <u>170,550</u>                             | <u>129,683</u>  | <u>170,550</u>                              | <u>129,683</u>   |
| Diluted loss per<br>share (sen)                           | <u>(0.53)</u>                              | <u>(0.59)</u>   | <u>(0.53)</u>                               | <u>(0.59)</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**

|  | <b>Current<br/>year quarter<br/>ended<br/>30.9.2017</b> | <b>Current<br/>year-to-date<br/>ended<br/>30.9.2017</b> |
|--|---|---|
|  | <b>RM'000</b>   | <b>RM'000</b>   |
| Interest income                                | 118   | 118   |
| Other income                                   | 37  | 37  |
| Interest expense                               | 4   | 4   |
| Amortisation                                   | NA  | NA  |
| Depreciation of investment properties          | NA  | NA  |
| Depreciation of property, plant and equipment  | 238   | 238   |
| Impairment loss on other receivable            | NA  | NA  |
| Inventories written down                       | NA  | NA  |
| Reversal of inventories written down           | NA  | NA  |
| Deposits written off                           | NA  | NA  |
| Property, plant and equipment written off      | NA  | NA  |
| Waiver of debts owing by a contract customer   | NA  | NA  |
| (Loss)/Gain on disposal of plant and equipment | NA  | NA  |
| Realised loss on foreign exchange              | 43  | 43  |
| Unrealised loss on foreign exchange            | 20  | 20  |
| Waiver of debts owing to payables              | NA  | NA  |
| Gain or loss on derivatives                    | NA  | NA  |
| Exceptional items                              | NA  | NA  |



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

The breakdown of the 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:-

|                                      | <b>As at<br/>30.9.2017<br/>RM'000</b> | <b>As at<br/>30.6.2017<br/>RM'000</b> |
|--------------------------------------|---------------------------------------|---------------------------------------|
| Total retained profits of the Group: |                                       |                                       |
| - Realised                           | 12,635                                | 13,080                                |
| - Unrealised                         | <u>(2,361)</u>                        | <u>(2,127)</u>                        |
|                                      | 10,274                                | 10,953                                |
| Less: Consolidation Adjustments      | <u>(4,372)</u>                        | <u>(4,142)</u>                        |
|                                      | <u>5,902</u>                          | <u>6,811</u>                          |

Dated: 27 November 2017