



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 3RD QUARTER ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER ENDED 31.3.2018	PRECEDING YEAR CORRESPONDING QUARTER ENDED 31.3.2017	CHANGES	CURRENT YEAR-TO-DATE ENDED 31.3.2018	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.3.2017	CHANGES
	UNAUDITED RM'000	UNAUDITED RM'000		%	UNAUDITED RM'000	
Revenue	3,721	3,150	18.1	8,980	11,333	(20.8)
Cost of sales	(3,103)	(2,130)	(45.7)	(6,161)	(8,092)	23.9
Gross profit	618	1,020	(39.4)	2,819	3,241	(13.0)
Other income	123	190	(35.3)	368	1,043	(64.7)
Operating expenses	(2,839)	(2,210)	(28.5)	(6,627)	(5,836)	(13.6)
Other operating expenses	(134)	(208)	35.6	(320)	(209)	(53.1)
Finance costs	(4)	(5)	20.0	(15)	(17)	11.8
Loss before taxation	(2,236)	(1,213)	84.3	(3,775)	(1,778)	(112.3)
Taxation	(27)	(37)	27.0	5	(124)	104.0
Loss after taxation	(2,263)	(1,250)	81.0	(3,770)	(1,902)	(98.2)
Other comprehensive income/ (expenses) net of tax:						
- Foreign currency translation	6	5	(20.0)	19	(35)	154.3
Total comprehensive expenses	(2,257)	(1,245)	81.3	(3,751)	(1,937)	(93.6)
Loss after taxation attributable to:-						
Owners of the Company	(2,263)	(1,250)	81.0	(3,770)	(1,902)	(98.2)
Total comprehensive expenses attributable to:-						
Owners of the Company	(2,257)	(1,245)	81.3	(3,751)	(1,937)	(93.6)
Loss per share attributable to Owners of the Company (sen):						
Basic	(1.15)	(0.86)		(2.03)	(1.40)	
Diluted	(1.15)	(0.86)		(2.03)	(1.40)	

(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 3RD QUARTER ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.3.2018 UNAUDITED RM'000	AS AT 30.6.2017 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	33,557	21,173
Investment properties	800	800
Goodwill	3,693	-
	38,050	21,973
Current assets		
Inventories	7,184	972
Trade and other receivables	48,813	40,796
Development costs	3,684	-
Current tax assets	495	572
Deposits with licensed banks	5,659	14,338
Cash and bank balances	8,000	18,086
	73,835	74,764
TOTAL ASSETS	111,885	96,737
EQUITY AND LIABILITIES		
Equity		
Share capital	77,209	57,147
Share premium	22,577	22,577
Warrants reserve	1,145	1,146
Foreign exchange translation reserve	216	197
Retained profits	3,041	6,811
Total equity	104,188	87,878
Non-current liabilities		
Hire purchase payables	207	192
Deferred tax liabilities	2,315	2,357
	2,522	2,549
Current liabilities		
Trade and other payables	5,047	5,356
Amount owing to contract customers	-	798
Hire purchase payables	128	156
	5,175	6,310
Total liabilities	7,697	8,859
TOTAL EQUITY AND LIABILITIES	111,885	96,737
Net assets per ordinary share (sen)	52.48	54.45

(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 3RD QUARTER ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Share capital →		Share Premium	Warrants Reserve	Foreign Exchange Translation Reserve	Retained Profits	Total Equity/ Attributable to Owners of the Company
	Ordinary Shares	Irredeemable Convertible Preference Shares					
	RM'000	RM'000					
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")	20,963	(929)	-	-	-	-	20,034
Issuance of shares pursuant to exercise of warrants	28			(1)			27
Total transactions with Owners of the Company	20,991	(929)	-	(1)	-	-	20,061
Loss after taxation for the financial period	-	-	-	-	-	(3,770)	(3,770)
Other comprehensive income for the financial period, net of tax	-	-	-	-	19	-	19
Total comprehensive income/(expenses) for the financial period	-	-	-	-	19	(3,770)	(3,751)
Balance at 31.3.2018	66,714	10,495	22,577	1,145	216	3,041	104,188



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 3RD QUARTER ENDED 31 MARCH 2018

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

	← Share capital →		Share Premium	Warrants Reserve	Foreign Exchange Translation Reserve	Retained Profits/ (Accumulated Losses)	Total Equity/ Attributable to Owners of the Company
	Ordinary Shares	Irredeemable Convertible Preference Shares					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1.7.2016	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

(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 3RD QUARTER ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	CURRENT PERIOD-TO-DATE ENDED 31.3.2018 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.3.2017 UNAUDITED RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(3,775)	(1,778)
Adjustments for:-		
Bad debts written off	2	-
Deposit written off	-	1
Depreciation of investment properties	-	32
Depreciation of property, plant and equipment	857	742
Interest expense	15	17
Equipment written off	-	207
Unrealised loss/(gain) on foreign exchange	139	(287)
Gain on disposal of plant and equipment	(11)	(14)
Interest income	(199)	(406)
Reversal of inventories written down	-	(46)
Waiver of debts	(4)	(8)
Operating loss before working capital changes	(2,976)	(1,540)
Net change in inventories	(6,212)	(344)
Net change in trade and other receivables	(7,436)	(27,606)
Net change in development costs	(3,684)	-
Net change in trade and other payables	(1,116)	2,394
Net change in amount owing to contract customers	(798)	229
Cash flows for operations	(22,222)	(26,867)
Interest paid	(15)	(17)
Income tax paid	35	(468)
Net cash for operating activities	(22,202)	(27,352)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	199	406
Acquisition of subsidiaries, net of cash acquired	(6,685)	-
Purchase of property, plant and equipment	(8,954)	(307)
Proceeds from disposal of plant and equipment	11	14
Withdrawal/(Placement) of fixed deposits	1,282	(281)
Net cash for investing activities	(14,147)	(168)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 3RD QUARTER ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	CURRENT PERIOD-TO-DATE ENDED 31.3.2018 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 31.3.2017 UNAUDITED RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(14)	(128)
Repayment of term loan	(1,219)	-
Proceeds from issuance of shares pursuant to conversion of ICPS	20,034	9,404
Proceeds from issuance of shares pursuant to exercise of warrants	27	-
Proceeds from issuance of shares pursuant to private placement, net of expenses	-	
Repayment to a director	-	
Net cash from financing activities	18,828	9,276
Net changes in cash and cash equivalents	(17,521)	(18,244)
Cash and cash equivalents at beginning of period	30,594	40,262
Effect of foreign exchange translation	38	- *
Cash and cash equivalents at end of period	13,111	22,018
Cash and cash equivalents at end of financial period comprised:-		
Cash and bank balances	8,000	9,624
Deposits with licensed banks	5,659	14,225
	13,659	23,849
Less: Deposits pledged with licensed banks	(548)	(1,831)
	13,111	22,018

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 3RD QUARTER ENDED 31 MARCH 2018**

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

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard 134: *Interim Financial Reporting* (“MFRS 134”), International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 30 June 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:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
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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2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

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: - Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters - 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.



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4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

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

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

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

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

7. DEBT AND EQUITY SECURITIES

Total of 37,101,400 ordinary shares (“SGB Shares”) have been issued and listed on the following dates pursuant to the conversion of 37,101,400 ICPS to 37,101,400 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 Shares
6.7.2017	2,800,000	2,800,000
11.7.2017	6,868,300	6,868,300
31.10.2017	19,623,100	19,623,100
1.11.2017	6,255,000	6,255,000
13.2.2018	120,000	120,000
21.2.2018	1,200,000	1,200,000
9.3.2018	235,000	235,000
Total	37,101,400	37,101,400



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7. DEBT AND EQUITY SECURITIES (CONT'D)

Total of 45,000 SGB Shares have been issued and listed on the following dates pursuant to the exercise of 45,000 warrants into 45,000 SGB Shares at the exercise price of RM0.60 per share.

Listing Date	No. of Warrants	No. of SGB Shares
20.2.2018	10,000	10,000
26.2.2018	35,000	35,000
Total	45,000	45,000

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 four main business segments as follows:-

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

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

Property investment segment - involved in property investment.

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

The Group operates principally in Malaysia.



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9. SEGMENTAL INFORMATION (CONT'D)

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

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property</u> <u>Investment</u> RM'000	<u>Property</u> <u>Development</u> RM'000	<u>The Group</u> RM'000
Current year quarter ended 31.3.2018						
External revenue	-	3,721	-	-	-	3,721
Results						
Results before following adjustments	(630)	(327)	(466)	(11)	(427)	(1,861)
Interest income	-	1	24	-	-	25
Waiver of debts owing to payables	-	-	4	-	-	4
Gain on disposal of plant and equipment	-	11	-	-	-	11
Realised loss on foreign exchange	-	(63)	-	-	-	(63)
Unrealised loss on foreign exchange	-	(26)	-	-	-	(26)
Bad debts written off	-	(2)	-	-	-	(2)
Depreciation of property, plant and equipment	(45)	(266)	(9)	-	-	(320)
Segment results	<u>(675)</u>	<u>(672)</u>	<u>(447)</u>	<u>(11)</u>	<u>(427)</u>	<u>(2,232)</u>
Finance costs						(4)
Taxation						<u>(27)</u>
Loss after taxation						<u><u>(2,263)</u></u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property</u> <u>Investment</u> RM'000	<u>Property</u> <u>Development</u> RM'000	<u>The Group</u> RM'000
Current year-to-date ended 31.3.2018						
External revenue	-	8,182	798	-	-	8,980
Results						
Results before following adjustments	(1,934)	(328)	66	(17)	(621)	(2,834)
Interest income	104	45	50	-	-	199
Gain on disposal of plant and equipment	-	11	-	-	-	11
Realised loss on foreign exchange	-	(142)	-	-	-	(142)
Unrealised loss on foreign exchange	-	(139)	-	-	-	(139)
Waiver of debts owing to payables	-	-	4	-	-	4
Bad debts written off	-	(2)	-	-	-	(2)
Depreciation of property, plant and equipment	(94)	(744)	(19)	-	-	(857)
Segment results	(1,924)	(1,299)	101	(17)	(621)	(3,760)
Finance costs						(15)
Taxation						5
Loss after taxation						<u>(3,770)</u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>Property</u> <u>Investment</u>	<u>Property</u> <u>Development</u>	<u>The Group</u>
31.3.2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Segment assets	18,485	34,846	21,781	4,084	32,194	111,390
Unallocated assets						495
Consolidated total assets						111,885
Liabilities						
Segment liabilities	506	3,144	251	503	978	5,382
Unallocated liabilities						2,315
Consolidated total liabilities						7,697



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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
Preceding year quarter ended 31.3.2017					
External revenue	-	1,521	1,629	-	3,150
Results					
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					(1,250)

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
Preceding year-to-date ended 31.3.2017					
External revenue	-	4,930	6,403	-	11,333
Results					
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	<u>(1,172)</u>	<u>(1,170)</u>	<u>686</u>	<u>(105)</u>	<u>(1,761)</u>
Finance costs					(17)
Taxation					<u>(124)</u>
Loss after taxation					<u><u>(1,902)</u></u>

Note:-

* - Amount less than RM1,000



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>Property Investment</u>	<u>The Group</u>
31.3.2017	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Segment assets	19,922	31,196	30,839	12,308	94,265
Unallocated assets					537
Consolidated total assets					<u>94,802</u>
Liabilities					
Segment liabilities	424	2,517	4,276	509	7,726
Unallocated liabilities					2,409
Consolidated total liabilities					<u>10,135</u>

Geographical Information for Revenue

	Current year quarter ended 31.3.2018	Current year-to- date ended 31.3.2018
	RM'000	RM'000
United States	215	475
Europe	1,494	2,184
Malaysia	1,994	6,258
Others	18	63
	<u>3,721</u>	<u>8,980</u>



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

Save for the following, there were no material events subsequent to the end of the current quarter up to 16 May 2018, being the last practicable date from the date of the issue of this report (“LPD”) that are expected to have an operational or financial impact on the Group.

- i) In relation to the debt settlement agreement between Prinsip Nusantara Sdn. Bhd. (“PNSB”) and Profit Sunland Sdn. Bhd. (“PSSB”), the debt settlement has been completed and the liability of PNSB in respect of the debt has been discharged on 19 April 2018 upon the issuance of original issue document of title to the properties in the name of PSSB.

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.

On 16 January 2018, the Company additionally subscribed for 900,000 new issued ordinary shares of RM1.00 each in KISB for a cash consideration of RM900,000 to retain its 100% equity interest.

- iii) On 13 October 2017, the proposed acquisition of 2,000,000 ordinary shares in KTG Marine (M) Sdn. Bhd. (“KTG”) for a total consideration of RM2,200,000 was completed. KTG is principally engaged in the business of marine construction and coastal reclamation works.

- iv) On 28 November 2017, the proposed acquisition of 500,000 ordinary shares in Sama Restu Sdn. Bhd. (“SRSB”) for a total consideration of RM1,000,000 was completed. SRSB is principally engaged in the business of trading in nursery and plant.

- v) On 19 March 2018, the Company had disposed the entire equity interest held in Million Rich Resources Sdn Bhd (“MRRSB”) to Ng Bee Lan and Siti Zaleha Binti Sulaiman (“the Purchasers”) for a total cash consideration of RM33,700.00 (“Disposal”). The Disposal has been completed on 10 April 2018 upon the proper execution and stamping of the instrument of transfer of shares of MRRSB to the Purchasers.



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12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

13. CAPITAL COMMITMENTS

There were no capital commitments as at LPD.

14. RELATED PARTY TRANSACTIONS

	Current year quarter ended 31.3.2018 RM'000	Current year- to-date ended 31.3.2018 RM'000
Professional services rendered by a company in which a director is a common director and has substantial financial interest	33	73
Subscription fee for accounting charged by a company in which a director is a common director	4	8
Rental of office premises charged by a company in which a director is a common director	10	25

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 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		
31.3.2018								
<u>Financial Liability</u>								
Hire purchase payables (Non- current)	-	-	-	-	207	-	207	207

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		
	31.3.2018 RM'000	31.3.2017 RM'000	Changes %	31.3.2018 RM'000	31.3.2017 RM'000	Changes %
Revenue						
- Investment holding	-	-	-	-	-	-
- Ceramic	3,721	1,521	144.6	8,182	4,930	66.0
- Construction	-	1,629	(100.0)	798	6,403	(87.5)
- Property investment	-	-	-	-	-	-
- Property development	-	-	-	-	-	-
	3,721	3,150	18.1	8,980	11,333	(20.8)
(Loss)/Profit before taxation						
- Investment holding	(675)	(591)	(14.2)	(1,924)	(1,172)	(64.2)
- Ceramic	(676)	(803)	15.8	(1,310)	(1,187)	(10.4)
- Construction	(447)	202	(321.3)	97	686	(85.8)
- Property investment	(11)	(21)	47.6	(17)	(105)	83.8
- Property development	(427)	-	(100.0)	(621)	-	(100.0)
	(2,236)	(1,213)	84.3	(3,775)	(1,778)	(112.3)

The Group’s revenue in the current quarter increased slightly by RM0.57 million, representing an increase of 18% as compared to the corresponding quarter ended 31.3.2017. The increase was contributed by the revenue derived from ceramic segment, which the revenue had increased significantly by RM2.20 million, representing an increase of 145% as compared to the corresponding quarter ended 31.3.2017, as a result of an increase in orders from existing customers and also new customers in the current quarter. There was no revenue derived from construction segment in the current quarter as compared to the corresponding quarter ended 31.3.2017.

For the cumulative period under review, the Group’s revenue decreased by RM2.35 million, representing a decrease of 21% as compared to the corresponding period ended 31.3.2017. The decrease was mainly due to the decrease in revenue derived from construction segment by RM5.61 million, representing a decrease of 88% as compared to the corresponding period ended 31.3.2017, as a result of the termination of construction projects in the current cumulative period. Meanwhile the revenue from ceramic segment increased by RM3.25 million, representing an increase of 66% as compared to the corresponding period ended 31.3.2017, as a result of an increase in orders from existing customers and also new customers in the current cumulative period.



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17. REVIEW OF GROUP PERFORMANCE (CONT'D)

For the current quarter under review, the Group’s loss before taxation increased by RM1.02 million, representing an increase of 84% as compared to the corresponding quarter ended 31.3.2017. The higher loss was mainly due to loss recorded in construction segment and property development segment. The higher loss in construction segment was due to no revenue generated to cover its operating costs as a result of the termination of construction projects in Johor and Kemaman in the first quarter ended 30.9.2017, which resulted in a loss before taxation of RM0.45 million. Meanwhile, the loss before taxation of property development segment was mainly due to no revenue derived from the project, i.e. no progress billing as project has yet to launch to generate the revenue to cover its operating costs.

For the current cumulative period under review, the Group’s loss before taxation increased by RM2.0 million, representing an increase of 112% as compared to the corresponding period ended 31.3.2017. However, despite the higher revenue in ceramic segment, the loss before taxation still increased by RM0.12 million mainly due to decrease in profit margin caused by the increase in natural gas and other production costs. The higher loss in investment holding segment was due to the expenses incurred in relation to the acquisition of properties and corporate proposals in the current cumulative period while there was none in the corresponding period ended 31.3.2017. Meanwhile the property development segment recorded a loss before taxation of RM0.62 million was due to no revenue derived from the project, i.e. no progress billing as project has yet to launch to cover its operating costs.



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18. MATERIAL CHANGE IN PERFORMANCE AS COMPARED TO PRECEDING QUARTER

	Current quarter ended 31.3.2018 RM'000	Immediate preceding quarter ended 31.12.2017 RM'000	Changes %
Revenue			
- Investment holding	-	-	-
- Ceramic	3,721	3,034	22.6
- Construction	-	-	-
- Property investment	-	-	-
- Property development	-	-	-
	3,721	3,034	22.6
(Loss)/Profit before taxation			
- Investment holding	(675)	(527)	28.1
- Ceramic	(676)	94	822.4
- Construction	(447)	(185)	142.0
- Property investment	(11)	(5)	(120.0)
- Property development	(427)	(166)	(157.2)
	(2,236)	(789)	(183.4)

Revenue in the current quarter increased by RM0.69 million, representing an increase of 23% as compared to the preceding quarter mainly due to increase in orders from existing customers and also new customers in the current quarter for ceramic segment.

The Group’s loss before taxation increased by RM1.45 million, representing an increase of 183% as compared to the preceding quarter. The higher loss was mainly due to no revenue derived from all segments except ceramic segment to cover its operating costs. However, despite the higher revenue in ceramic segment, the loss before taxation still increased by RM0.77 million, representing an increase of 822% in the current quarter mainly caused by the increased in natural gas and other production costs. The higher loss in construction segment was due to no revenue derived from the projects in which all projects have been terminated to cover its operating costs which resulted in a loss of RM0.45 million in the current quarter as compared to a loss before taxation of RM0.19 million in the preceding quarter. Meanwhile, the higher loss in property development was due to no revenue derived from the project, i.e. no progress billing as project has yet to launch to generate revenue to cover its operating costs.



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19. COMMENTARY ON PROSPECTS

Moving forward, the Group’s diversification exercise into property development sector under a wholly-owned subsidiary KISB, the Group has already successfully gained the Development Order (also known as Perintah Pembangunan/”PP”) for 455 units residential development consists of one block of 250 units under “Unit Perumahan Penjawat Awam 1 Malaysia” (or “PPA1M”) scheme and one block of 205 units open market apartments. The Group is in view that this is good progress and is expecting a sales launch by year end of 2018.

The Group, under MRDSB another wholly-owned subsidiary of SGB, has appointed Entertainment & Culture Advisors, Limited (“ECA”), a specialist theme park consultant to conduct a feasibility study, as part of their proposed theme park development and operation in Melaka. This is in respect to the Group’s earlier acceptance of letter of intent from Village Roadshow Theme Parks Pty. Limited, which forms part of the Group’s strategic concept masterplanning development.

Taking into consideration of the Group’s challenges and future development business potentials, the Group is working towards improving better momentum in securing both financial and more profitable property development projects, whilst seeking to continue 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:

	Current year quarter ended 31.3.2018 RM'000	Current year-to- date ended 31.3.2018 RM'000
Current tax expense	42	42
Deferred tax expense	(15)	(47)
	<u>27</u>	<u>(5)</u>

22. CORPORATE PROPOSALS

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



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23. UTILISATION OF PROCEEDS

Rights issue of ICPS with warrants

Rights issue of ICPS with warrants was completed with the listing of 522,500,000 ICPS together with 52,250,000 warrants on the Main Market of Bursa Securities on 19 April 2016 and the details of the utilisation of proceeds raised from the rights issue as at 31 March 2018 are disclosed in the table below:-

Description	Proposed /Revised Utilisation RM'000	Actual Utilisation as at 31 March 2018 RM'000	Timeframe for Utilisation	Deviation RM'000	%	Explanation
Southern City Project - Phase 1B	4,000	4,000	-	-	-	
Construction Project in Johor	8,000	8,000	-	-	-	
PPA1M Project	10,000	3,100	Within 24 months	6,900	69.0	^
Future projects and/or acquisitions	4,500	4,500	-	-	-	
Working capital	4,178 [#]	4,178	-	-	-	
Expenses in relation to the rights issue	672 [#]	672	-	-	-	
	31,350	24,450				

Notes:-

The variation of the actual amount of expenses for the rights issue was 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 31.3.2018</u> RM'000	<u>As at 30.6.2017</u> RM'000
Current - unsecured		
Hire purchase payables	128	156
Non-current - unsecured		
Hire purchase payables	207	192
	<u>335</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 quarter ended 31.3.2018	Preceding year corresponding quarter ended 31.3.2017	Current year-to- date ended 31.3.2018	Preceding year corresponding period ended 31.3.2017
Loss attributable to Owners of the Company (RM'000)	(2,263)	(1,250)	(3,770)	(1,902)
Weighted average number of ordinary shares ('000)	197,266	144,874	185,810	135,785
Basic loss per share (sen)	(1.15)	(0.86)	(2.03)	(1.40)



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27. LOSS PER SHARE (CONT'D)

(ii) Diluted loss per share

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

	Individual Quarter		Cumulative Period	
	Current year quarter ended	Preceding year corresponding quarter ended	Current year-to- date ended	Preceding year corresponding period ended
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
Loss attributable to Owners of the Company (RM'000)	(2,263)	(1,250)	(3,770)	(1,902)
Weighted average number of ordinary shares ('000)	197,266	144,874	185,810	135,785
Adjustment for assumed conversion of ICPS ('000)	-	-	-	-
Adjustment for assumed conversion of warrants ('000)	-	-	-	-
	197,266	144,874	185,810	135,785
Diluted loss per share (sen)	(1.15)	(0.86)	(2.03)	(1.40)

Note:-

The diluted loss per share is equal to the basic loss per share as there is anti-dilutive effect arising from the assumed conversion of the ICPS and exercise of warrant.



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

	Current year quarter ended 31.3.2018	Current year-to-date ended 31.3.2018
	RM'000	RM'000
Interest income	25	199
Other income	38	115
Interest expense	4	15
Amortisation	NA	NA
Depreciation of investment properties	NA	NA
Depreciation of property, plant and equipment	320	857
Impairment loss on other receivable	NA	NA
Inventories written down	NA	NA
Reversal of inventories written down	NA	NA
Bad debts written off	2	2
Property, plant and equipment written off	NA	NA
Waiver of debts owing by a contract customer	NA	NA
Gain on disposal of plant and equipment	11	11
Realised loss on foreign exchange	63	142
Unrealised loss on foreign exchange	26	139
Waiver of debts owing to payables	4	4
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:-

	As at 31.3.2018 RM'000	As at 30.6.2017 RM'000
Total retained profits of the Group:		
- Realised	8,602	13,080
- Unrealised	(2,454)	(2,127)
	<u>6,148</u>	<u>10,953</u>
Less: Consolidation Adjustments	(3,107)	(4,142)
	<u>3,041</u>	<u>6,811</u>

Dated: 23 May 2018