# SINOTOP HOLDINGS BERHAD

**(114842-H)**

***(Incorporated In Malaysia)***

## QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

## CONTENTS


1. Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

2. Unaudited Condensed Consolidated Statement of Financial Position

3. Unaudited Condensed Consolidated Statement of Cash Flows

4. Unaudited Condensed Consolidated Statements of Changes in Equity

5. Explanatory Notes

(i) Part A – Explanatory Notes Pursuant to MFRS134
(ii) Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements

SINOTOP HOLDINGS BERHAD CO. NO. 114842-H

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

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

| | 3 MONTHS | | CUMULATIVE 9 MONTHS | |
|---|---|---|---|---|
| | CURRENT YEAR QUARTER ENDED 30/9/2017 RM'000 Unaudited | PRECEDING YEAR CORRESPONDING QUARTER ENDED 30/9/2016 RM'000 Unaudited | CURRENT YEAR TO DATE ENDED 30/9/2017 RM'000 Unaudited | PRECEDING YEAR CORRESPONDING PERIOD ENDED 30/9/2016 RM'000 Unaudited |
| Revenue | 40,012 | 46,293 | 108,455 | 119,963 |
| Cost of sales | (37,354) | (43,163) | (100,432) | (113,094) |
| **Gross profit** | **2,658** | **3,130** | **8,023** | **6,869** |
| Other operating income | 683 | 795 | 3,098 | 2,112 |
| Distribution and marketing expenses | (1,162) | (854) | (2,807) | (2,456) |
| Administrative expenses | (3,024) | (1,027) | (6,984) | (3,618) |
| Other operating expenses | (2,957) | (232) | (3,853) | (298) |
| **(Loss)/profit from operations** | **(3,802)** | **1,812** | **(2,523)** | **2,609** |
| Share of loss in a joint venture | (166) | (301) | (683) | (756) |
| **(Loss)/profit before taxation** | **(3,968)** | **1,511** | **(3,206)** | **1,853** |
| Taxation | (447) | (770) | (741) | (770) |
| **(Loss)/profit after taxation for the financial period** | **(4,415)** | **741** | **(3,947)** | **1,083** |
| Other comprehensive income<br>*Items that May be Reclassified Subsequently to Profit or Loss*<br>Foreign currency translation differences | (470) | 5,726 | (4,430) | (13,972) |
| **Total comprehensive (expense)/income for the period** | **(4,885)** | **6,467** | **(8,377)** | **(12,889)** |
| (Loss)/profit atributable to:<br>Equity holders of the parent<br>Minority interest | (4,415)<br>- | 741<br>- | (3,947)<br>- | 1,083<br>- |
| | **(4,415)** | **741** | **(3,947)** | **1,083** |
| Total comprehensive (expense)/income attributable to:<br>Equity holders of the parent<br>Minority interest | (4,885)<br>- | 6,467<br>- | (8,377)<br>- | (12,889)<br>- |
| | **(4,885)** | **6,467** | **(8,377)** | **(12,889)** |
| (Loss)/earnings per share (sen) :<br>- Basic<br>- Diluted | (0.49)<br>N/A | 0.04<br>N/A | (0.43)<br>N/A | 0.05<br>N/A |

**This statement should be read in conjunction with the notes to this report.**

SINOTOP HOLDINGS BERHAD CO. NO. 114842-H

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | AS AT 30/9/2017 RM'000 UNAUDITED | AS AT 31/12/2016 RM'000 AUDITED |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Investment in a joint venture | 3,951 | 4,655 |
| Property, Plant and Equipment | 35,358 | 43,172 |
| Invesment Property | 6,480 | 5,810 |
| Land use rights | 6,883 | 7,018 |
| Other Investments | - | 14,884 |
| | **52,672** | **75,539** |
| **Current Assets** | | |
| Land use rights | 44 | 179 |
| Inventories | 21,646 | 16,817 |
| Trade and other receivables | 63,170 | 71,201 |
| Cash and cash equivalents | 61,382 | 70,724 |
| | **146,242** | **158,921** |
| **Total assets** | **198,914** | **234,460** |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to equity holders of the parent** | | |
| Share capital | 118,470 | 394,899 |
| Statutory reserve | 15,644 | 15,644 |
| Foreign currency translation reserve | 49,689 | 54,119 |
| Retained profits | 1,480 | (241,188) |
| **Total equity** | **185,283** | **223,474** |
| **Current Liabilities** | | |
| Trade and other payables | 13,590 | 10,153 |
| Income tax payable | 41 | 833 |
| **Total current liabilities** | **13,631** | **10,986** |
| **Total liabilities** | **13,631** | **10,986** |
| **Total equity and liabilities** | **198,914** | **234,460** |
| **Net assets ("NA") per share (RM)** | **0.47** | **0.11** |
| Number of shares outstanding as at 30.9.2017 / 31.12.2016 ('000) | 394,899 * | 1,974,497 # |
| Weighted average number of shares as at 30.9.2017 / 31.12.2016 (000) | 909,860 | 1,974,497 |

* *Number of shares ('000) in Sinotop Holdings Berhad as at 30 September 2017, after the consolidation of every 5 shares into 1 share, completed on 30 March 2017*

\# *Number of shares ('000) in Sinotop Holdings Berhad as at 31 December 2016.*

***This statement should be read in conjunction with the notes to this report.***

**SINOTOP HOLDINGS BERHAD CO. NO. 114842-H**

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

| | < Non distributable > | | | | Distributable | |
|---|---|---|---|---|---|---|
| | Share Capital | Reverse Acquisition Reserve | Statutory Reserve | Foreign Currency Translation Reserve | Unappropriated Profits | Total Equity |
| | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| Balance at 1 January 2017 (audited) | 394,899 | - | 15,644 | 54,119 | (241,188) | 223,474 |
| Capital reduction | (276,429) | - | - | - | 246,615 | (29,814) |
| Total comprehensive income for the financial year | - | - | - | (4,430) | (3,947) | (8,377) |
| Transfer to statutory reserve | - | - | - | - | - | - |
| Balance at 30 September 2017 (unaudited) | 118,470 | - | 15,644 | 49,689 | 1,480 | 185,283 |

**This statement should be read in conjunction with the notes to this report.**

**SINOTOP HOLDINGS BERHAD CO. NO. 114842-H**

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| | | AS AT CURRENT QUARTER ENDED 30/9/2017 | AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2016 |
|---|---|---|---|
| | | RM'000 UNAUDITED | RM'000 AUDITED |
| **OPERATING ACTIVITIES** | | | |
| (Loss)/profit before taxation | | (3,206) | 4,264 |
| Adjustments for :- | | | |
| Depreciation | | 4,165 | 6,154 |
| Amortisation of land use right | | 133 | 173 |
| Allowance for impairment losses on trade receivables | | 3,441 | 909 |
| Loss on disposal of plant and machinery | | 2,579 | - |
| Unrealised loss/(gain) on foreign exchange | | 330 | (105) |
| Write-back of allowance for impairment losses on trade receivables | | (1,173) | (1,897) |
| Share of results of a joint venture | | 683 | 1,113 |
| Non-operating items | - interest income | (1,368) | (1,745) |
| Changes in working capital | - Inventories | (4,829) | 1,810 |
| | - Trade receivables and other receivables | 8,031 | 9,760 |
| | - Trade and other payables | 3,437 | (277) |
| Cash from operations | | 12,223 | 20,159 |
| Income tax paid | | (1,533) | (2,188) |
| Income tax refund | | - | 30 |
| Net cash generated from operating activities | | 10,690 | 18,001 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | (32) | (500) |
| Purchase of investment in a joint venture | | (63) | (1,555) |
| Proceeds from disposal of plant and machinery | | 295 | - |
| Proceeds from disposal of unquoted investment | | 14,771 | - |
| Purchase of an investment property | | - | (1,400) |
| Interest received | | 1,368 | 1,745 |
| Net cash used in investing activities | | 16,339 | (1,710) |
| **FINANCING ACTIVITY** | | | |
| Capital repayment to shareholders | | (29,814) | - |
| Net cash for financing activity | | (29,814) | - |
| Net (decrease)/increase in cash and cash equivalents | | (2,785) | 16,291 |
| Foreign exchange translation differences | | (6,557) | (682) |
| Cash and cash equivalents at beginning of the year | | 70,724 | 55,115 |
| Cash and cash equivalents at end of the period | | 61,382 | 70,724 |

**Note :**
**( ) Denotes cash outflow**

**This statement should be read in conjunction with the notes to this report.**

# SINOTOP HOLDINGS BERHAD (114842-H)

## QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

## PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

### A1. BASIS OF PREPARATION`

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting, and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. These explanatory notes attached to the condensed 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 year ended 31 December 2016.

### A2. SIGNIFICANT ACCOUNTING POLICIES

During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

**MFRSs and/or IC Interpretations (Including the Consequential Amendments)**

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above accounting standards and/or interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

The Group has not applied in advance the following accounting standards and/or interpretations (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 year:-

| **MFRSs and IC Interpretations (Including The Consequential Amendments)** | **Effective Date** |
|---|---|
| MFRS 9 Financial Instruments (IFRS 9 as 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 |

## A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group has not applied in advance the following accounting standards and/or interpretations (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 year :- (cont'd)

| | |
|---|---|
| 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 |
| Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers' | 1 January 2018 |
| Amendments to MFRS 107: Disclosure Initiative | 1 January 2017 |
| Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendments to MFRS 140 – Transfers of Investment Property | 1 January 2018 |
| Annual Improvements to MFRS Standards 2014 – 2016 Cycles: | |
| ▪ Amendments to MFRS 12: Clarification of the Scope of the Standard | 1 January 2017 |
| 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 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.

## A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

## A3. AUDITORS' REPORT

The auditors' report of the preceding financial year of the Group was not subject to any qualification.

## A4. SEASONAL OR CYCLICAL FACTORS

### i) FABRIC PRODUCTION SEGMENT

The Group's sales of fabric products are subject to seasonality effect by virtue of fabrics being a primary input material of fashion and some household products. The majority of the Group's customers are downstream players, i.e. export-oriented garment manufacturers. As such, sales of the Group's fabric products are affected by factors such as change in fashion trends, consumer taste and surge in demand ahead of festive seasons. Economic outlook inevitably will also has a significant impact on the demand of fabric finished products, and hence on the demand of fabrics.

Exchange rates fluctuation and the generally higher production costs (primarily arisen from higher wages, costs relating to compliance to environmental protection rules and utilities costs) do impact the financial performance of fabric production.

Consumer sentiment is another important factor that impacts earnings of the fabric production segment, given their spending pattern differs at different stages in the economic cycle, which affects the demand for fashion products and consequently the demand over the Group's fabric products.

### ii) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT

Business operations of the Group's project management services and infrastructure construction segment is not significantly affected by seasonal or cyclical factors.

## A5. EXCEPTIONAL ITEMS

Not applicable.

## A6. CHANGES IN ESTIMATES

There were no changes to the estimates that had been used in the preparation of the current financial statements.

## A7. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period under review.

## A8. DIVIDEND

There were no dividends paid for the financial period ended 30 September 2017.

## A9. SEGMENTAL INFORMATION

The Company obtained approval from its shareholders on 15 December 2016 to diversify into project management and infrastructure construction and related businesses. During the final quarter of financial year ended 31 December 2016, the Group commenced its project management services business through a wholly-owned subsidiary, Gorgeous Goldhill Sdn. Bhd. ("**GGSB**").

On 31 May 2017, GGSB obtained the Contractor Registration Certificate issued by the Construction Industry Development Board of Malaysia under Grade 7 (no limit for tender / value of work) ("**CIDB Registration**"). GGSB commenced its infrastructure construction business in June 2017.

Accordingly, segmental information of the Group is presented from the perspectives of the Group's major operating business segments in addition to geographical areas. As a substantial amount of the Group's assets and liabilities are located in PRC, therefore, there is no separate geographical segment for assets and liabilities being presented for the current reporting quarter.

### (i) BY BUSINESS SEGMENTS

| | Individual Quarter | | Cumulative Quarters | |
|---|---|---|---|---|
| | Current Quarter Ended | Preceding Year Corresponding Quarter Ended | Current Year To Date Ended | Preceding Year Corresponding Period Ended |
| | 30/9/2017 RM'000 | 30/9/2016 RM'000 | 30/9/2017 RM'000 | 30/9/2016 RM'000 |
| **Revenue** | | | | |
| Fabric production | 35,647 | 46,293 | 101,337 | 119,963 |
| Project management services and infrastructure construction | 4,365 | - | 7,118 | - |
| **Total** | **40,012** | **46,293** | **108,455** | **119,963** |

## A9. SEGMENTAL INFORMATION (CONT'D)

### (ii) BY GEOGRAPHICAL AREA

Revenue by geographical segment is based on the geographical location of the Group's customers.

| | Individual Quarter | | Cumulative Quarters | |
|---|---|---|---|---|
| | Current Quarter Ended | Preceding Year Corresponding Quarter Ended | Current Year To Date Ended | Preceding Year Corresponding Period Ended |
| | 30/9/2017 RM'000 | 30/9/2016 RM'000 | 30/9/2017 RM'000 | 30/9/2016 RM'000 |
| **Revenue** | | | | |
| China | 33,595 | 42,915 | 93,145 | 108,979 |
| Malaysia | 4,365 | - | 7,118 | - |
| Other overseas countries | 2,052 | 3,378 | 8,192 | 10,984 |
| **Total** | **40,012** | **46,293** | **108,455** | **119,963** |

The Group's revenue, based on customers' locations, was derived mainly from the PRC and other overseas countries for the fabric production segment whilst revenue of the project management services and infrastructure construction segment was derived solely from Malaysia.

## A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Not applicable

## A11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There was no post balance sheet event.

## A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period under review.

## A13. CHANGES IN CONTINGENT LIABILITIES / ASSETS

(i) There is no contingent liability as at the date of this announcement.

(ii) There was no change in contingent assets since the last annual financial statements.

## A14. CAPITAL COMMITMENTS

There was no capital commitment as at the financial period ended 30 September 2017.

## PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)

### A15. FOREIGN CURRENCY TRANSLATION

The translation of the condensed consolidated financial statements from RMB to RM is based on the following exchange rates:-

| | As at Quarter Ended 30/9/2017 | As at Financial Year Ended 31/12/2016 |
|---|---|---|
| Condensed consolidated statement of comprehensive income | | |
| Based on average rates for the financial period/year RMB1.00 to RM | 0.6379 | 0.6223 |
| Condensed consolidated statement of financial position | | |
| Based on closing rates for the financial period/year RMB1.00 to RM | 0.6331 | 0.6455 |

### A16. SIGNIFICANT RELATED PARTY TRANSACTION

**(a) Identities of Related Parties**

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

**(b) Related Party Transactions**

There was no significant related party transaction during the current reporting quarter.

**PART B :-**
**EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B)**

## B1. REVIEW OF PERFORMANCE FOR THE CURRENT YEAR QUARTER AND CORRESPONDING QUARTER IN THE PRECEDING FINANCIAL YEAR AND YEAR-TO-DATE PERFORMANCE IN THE CURRENT AND PRECEDING FINANCIAL YEARS

A summary of financial performance of the Group is tabulated as follows:

| | Individual Period (3rd Quarter) | | | Cumulative 9M Period | | |
|---|---|---|---|---|---|---|
| | Current Year Quarter 30/9/2017 | Preceding Year Corresponding Quarter 30/9/2016 | Changes | Current Year To-date ("YTD") 30/9/2017 | Preceding Year Corresponding Period 30/9/2016 | Changes |
| | RM'000 | RM'000 | | RM'000 | RM'000 | |
| Revenue | 40,012 | 46,293 | -6,281<br>-14% | 108,455 | 119,963 | -11,508<br>-10% |
| Operating (loss)/profit | (3,802) | 1,812 | -5,614<br>-310% | (2,523) | 2,609 | -5,132<br>-197% |
| (Loss)/Profit Before Interest and Tax | (3,968) | 1,511 | -5,479<br>-363% | (3,206) | 1,853 | -5,059<br>-273% |
| (Loss)/Profit Before Tax | (3,968) | 1,511 | -5,479<br>-363% | (3,206) | 1,853 | -5,059<br>-273% |
| (Loss)/Profit After Tax | (4,415) | 741 | -5,156<br>-696% | (3,947) | 1,083 | -5,030<br>464% |
| (Loss)/Profit Attributable to Equity Holders of the Parent | (4,415) | 741 | -5,156<br>-696% | (3,947) | 1,083 | -5,030<br>464% |

**PART B :-**
**EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)**

## B1. REVIEW OF PERFORMANCE FOR THE CURRENT YEAR QUARTER AND CORRESPONDING QUARTER IN THE PRECEDING FINANCIAL YEAR AND YEAR-TO-DATE PERFORMANCE IN THE CURRENT AND PRECEDING FINANCIAL YEARS (CONT'D)

### (i) REVENUE

#### a) FABRIC PRODUCTION SEGMENT

Decrease in revenue was observed in the fabric production segment, as demand is weaker in a generally softer global economy. The effect of sluggish economic condition remains as the major factor that has taken its toll on the Group's sales revenue in the fabric production segment.

Meanwhile, fluctuations in revenue observed in both of the geographical market segments (domestic & export), however, are not signs of any significant change in the sales and marketing direction of the fabric production segment. Instead, analysis of the fabric production segment's sales revenue in totality would be more meaningful in assessing its financial performance.

#### b) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT

The Group's project management services and infrastructure construction segment reported revenue of RM4.37 million in the current quarter as the Group's wholly-owned subsidiary, GGSB, had successfully secured a contract to carry out building construction and civil engineering work after the CIDB Registration on 31 May 2017.

GGSB commenced its infrastructure construction business operation in June 2017.

.

### (ii) OPERATING LOSS/PROFIT

The Group reported loss from operations of RM3.80 million in the current quarter as opposed to profit from operations of RM1.81 million in the corresponding quarter of financial year 2016 ("**FY16**") due to the following factors:

- Decrease in sales revenue of the fabric production segment ;
- Additional allowances for impairment losses on trade receivables of RM1.99 million were made ; and
- Loss on disposal of motor vehicle and machineries amounting to RM2.58 million was reported in the current year quarter.

### (iii) LOSS BEFORE INTEREST AND TAX AND LOSS BEFORE TAX

Apart from factors that have affected the results from operations (as detailed in Note B1 (ii) above), the Group's share of loss in a joint venture, namely Suzhou Han Ling Packaging Co., Ltd. ("**Han Ling**") had also increased further the amount of loss before taxation to RM3.97 million. Quarter-on-quarter, the share of loss in Han Ling attributable to the Group is lower by approximately 45% compared to the corresponding quarter in FY16 as sales revenue of Han Ling has begun to pick up in pace in the current financial year.

The Group does not have any interest-bearing liability owing to financial institution/(s), therefore, its pre-tax results and results before interest and tax are essentially of the same amount.

PART B :-
EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)

## B1. REVIEW OF PERFORMANCE FOR THE CURRENT YEAR QUARTER AND CORRESPONDING QUARTER IN THE PRECEDING FINANCIAL YEAR AND YEAR-TO-DATE PERFORMANCE IN THE CURRENT AND PRECEDING FINANCIAL YEARS (CONT'D)

### (iv) LOSS AFTER TAXATION

Post-tax results of the Group after taking into account the provision for current year taxation, as lower amount than as reported in third quarter of FY16, in line with decrease in sales revenue and results before taxation of the sub-subsidiary, Top Textile (Suzhou) Co., Ltd ("**Top Textile**"), which is under the jurisdiction of PRC tax law.

### (v) LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Tax expense and share of loss in Han Ling in the current year quarter increased the loss attributable to equity holders of the parent.

**PART B :-**
**EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)**

## B2. MATERIAL CHANGES IN THE CURRENT REPORTED QUARTER COMPARED TO THE IMMEDIATE PRECEDING QUARTER OF FY17

A summary of financial performance of the Group is as tabulated below:-

| | Current Quarter Ended | Immediate Preceding Quarter Ended | Changes | |
|---|---|---|---|---|
| | 30/9/2017 | 30/6/2017 | | |
| | RM '000 | RM '000 | RM'000 | |
| Revenue | 40,012 | 38,645 | 1,367 | 4% |
| Operating (Loss)/Profit | (3,802) | 710 | -4,512 | 635% |
| (Loss)/Profit Before Interest and Tax * | (3,968) | 339 | -4,307 | -1,271% |
| (Loss)/Profit Before Tax | (3,968) | 339 | -4,307 | -1,271% |
| (Loss)/Profit After Tax | (4,415) | 49 | -4,464 | -9,110% |
| Profit or Loss Attributable to Ordinary Equity Holders of the Parent | (4,415) | 49 | -4,464 | -9,110% |

**The Group did not have borrowing from any financial institutions for the 9-month financial period ended 30 September 2017.*

### (i) REVENUE

**a) FABRIC PRODUCTION SEGMENT**

Revenue of the fabric production segment decreased by RM442,000 to RM35.65 million, which is a normal fluctuation in the ordinary course of business. The fluctuation in sales revenue does not indicate any change in the Group's sales and marketing direction.

**b) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT**

Revenue from the Group's project management services and infrastructure construction segment contributed an increase amounting to RM1.81 million, due mainly to the revenue recognized from a new project secured by GGSB after the CIDB Registration in May.

PART B :-
EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)

## B2. MATERIAL CHANGES FOR THE CURRENT REPORTED QUARTER AS COMPARED TO THE IMMEDIATE PRECEDING QUARTER (CONT'D)

### (ii) OPERATING PROFIT/LOSS

Results from operations of the Group for the current reporting quarter is lower by RM4.42 million compared to the preceding quarter ended 30 June 2017, as a result of a combination of factors detailed below :-

- Decrease in sales revenue of the fabric production segment ;
- Additional allowances for impairment losses on trade receivables of RM1.99 million were made ; and
- Loss on disposal of motor vehicle and machineries amounting to RM2.58 million as reported in the current quarter.

### (iii) LOSS BEFORE INTEREST AND TAX & LOSS BEFORE TAX

Loss before interest and tax and loss before tax deteriorated further after accounting for the Group's share of losses of investment in Han Ling, in the current quarter, albeit the quantum of losses shared by the Group reduced by RM205,000 to RM166,000.

### (iv) LOSS AFTER TAX & LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Loss after tax and loss attributable to ordinary equity holders of the parent of the Group, for the current reporting quarter increased further due to the provision for tax charge.

## B3. PROSPECTS

### a) FABRIC PRODUCTION SEGMENT

The Group will continue to strive for improvement in productivity, to counter challenges posed by the up-trending wages and other manufacturing overheads (eg energy and electricity cost). In addition, the Group has also been exercising prudent costs control measures to preserve profit margin.

However, uncertainty over the recovery pace of global economy and the development of China gross domestic product growth in the coming years, economic policies, coupled with higher manufacturing overheads, especially wages and utilities, are still affecting the Group's financial performance, particularly when the Group is operating in the fast-moving consumer goods segment which demand is largely dependent on trend and fashion.

The China government is going to impose more stringent requirements on the back of environment protection concern. Moving forward, the Group anticipates higher fuel costs resulted from the compulsory switch from coal to liquefied natural gas used in its production process.

### b) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT

The Group has diversified its business into the project management services and infrastructure construction ("**Diversification**") through a wholly-owned subsidiary, Gorgeous Goldhill Sdn Bhd ("**GGSB**"), effective from the fourth quarter of financial year ended 31 December 2016 and 1 June 2017, respectively. Shareholders' approval for the Diversification was obtained by the Company on 15 December 2016. The Diversification is expected to bring additional revenue sources and enhance profits of the Group, instead of depending solely on the existing fabric production business which is facing limited profitability growth as indicated by weakened earnings recorded in recent years. To date, GGSB has begun to contribute positive financial results to the Group.

**PART B :-**
**EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)**

## B4. EXPLANATORY NOTE FOR VARIANCE FROM PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee during the quarter ended 30 September 2017.

## B5. TAXATION

| | Individual Quarter | | Cumulative Quarters | |
|---|---|---|---|---|
| | Current Quarter Ended 30/9/2017 | Preceding Year Corresponding Quarter Ended 30/9/2016 | Current Year To-Date Ended 30/9/2017 | Preceding Financial Year Ended 30/9/2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Tax on profit for the year | 447 | 770 | 741 | 770 |
| In respect of :- | | | | |
| - Top Textile (Suzhou) Co., Ltd | 447 | 770 | 735 | 770 |
| - Gorgeous Goldhill Sdn. Bhd. | - | - | 6 | - |

The corporate tax rate applicable to the Company and its subsidiaries are as follows:

(a) the corporate income tax rate of a subsidiary in the People's Republic of China is 25%.

(b) the subsidiary incorporated in The British Virgin Islands is not subject to any corporate tax; and

(c) the Company and its wholly-owned subsidiary incorporated in Malaysia are subject to a statutory tax rate at 24%. Nevertheless, the Company is in a tax loss position.

## B6. CORPORATE PROPOSALS

The Capital Reduction and Repayment, Share Consolidation and Diversification exercises, collectively referred to as Corporate Proposals reported in previous quarterly results announcements, had duly been completed on 13 April 2017, after cash payment been made to all the entitled shareholders.

## B7. BORROWINGS

There was no outstanding borrowing as at 30 September 2017.

## B8. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There are no off balance sheet financial instruments as at the date of this announcement.

## B9. CHANGES IN MATERIAL LITIGATION

The Group does not have any material litigation.

## B10. PROPOSED DIVIDEND

The Board does not recommend the payment of any dividend for the financial period ended 30 September 2017.

**PART B :-**
**EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)**

## B11. NON-COMPLIANCE TO THE PUBLIC SHAREHOLDING SPREAD REQUIREMENT

On 27 February 2017, the Company announced that it is not in compliance with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

Based on the Record of Depositors as at 27 November 2017, the public shareholding spread of the Company was 21.29%.

The Company will implement its rectification plan to rectify shortfall in the public shareholding spread based on the further extension of time granted by Bursa Securities till 31 December 2017.

## B12. DISPOSAL OF UNQUOTED INVESTMENT

On 18 April 2017, a subsidiary of the Group, Top Textile (Suzhou) Co., Ltd has disposed its 36.625% of equity interest held in Suzhou Xuande Equity Investment Centre (Limited Partnership) to Beijing Zhifu Yihe Investment Management Co., Ltd. for a total cash consideration of RMB23.1 million (equivalent to RM 14.77 million).

## B13. (EXPENSE)/EARNINGS PER SHARE ("EPS")

| | Current year quarter ended 30/9/2017 RM '000 | Preceding financial year ended 31/12/2016 RM '000 |
|---|---|---|
| | **Unaudited** | **Audited** |
| **a) Basic (expense)/earnings per share** | | |
| Net loss attributable to equity holders of the Company | (4,415) | 2,033 |
| Weighted average number of ordinary shares ('000) | 909.860 | 1,974,496 |
| Basic (expense)/earnings per share (sen) | (0.49) | 0.10 |

The weighted average number of ordinary shares used in the computation of the basic EPS in the current reporting quarter has taken into account the effect of 394,899,274 consolidated shares that were listed on Bursa Malaysia, with effect from 31 March 2017.

**b) Diluted earnings per share**

The Group has no potential dilutive ordinary shares outstanding at the end of the reporting period, therefore, diluted earnings per share is not applicable to the Group.

**PART B :-**
**EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)**

## B14. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the retained profits/(accumulated losses) of the Group as at 30 September 2017, into realised and unrealised profits/(losses) is as follows:-

| | As at Quarter Ended 30/9/2017 RM '000 Unaudited | As at Financial Year Ended 31/12/2016 RM '000 Audited |
|---|---|---|
| - Realised | (146,989) | (142,817) |
| - Unrealised | (330) | 105 |
| Less: Consolidation adjustments | (98,476) | (98,476) |
| Capital reduction | 246,615 | - |
| Total retained earnings as per condensed consolidated statement of changes in equity | 1,480 | (241,188) |

The breakdown of the retained profits /(accumulated losses) of the Group as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

## B15. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging /(crediting)

| | Current Year Quarter Ended 30/9/2017 RM'000 Unaudited | Financial Year Ended 31/12/2016 RM'000 Audited |
|---|---|---|
| Amortisation of land use rights | 133 | 173 |
| Depreciation of property, plant and equipment | 4,165 | 6,154 |
| Interest income | (1,368) | (1,745) |
| Write-back of allowance for impairment losses on trade receivables | 1,173 | (1,897) |
| Allowance for impairment losses on trade receivables | 3,441 | 909 |
| Loss on disposal of plant and machinery | 2,579 | |
| Unrealised loss/(gain) on foreign exchange | 330 | (105) |