SINOTOP 顶峰控股

ANNUAL REPORT 2018

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SINOTOP HOLDINGS BERHAD (Incorporated in Malaysia)
Company No: 114842 - H

CORPORATE INFORMATION

BOARD OF DIRECTORS

PAN DING
Group Managing Director / Executive Director

PAN DONG
Executive Director

DATO' SOO SZE CHING
Executive Director

DATUK DR. NG BEE KEN
Independent Non-Executive Chairman

LOW YAN SEONG
Independent Non-Executive Director

WAN KAMARUL ZAMAN BIN WAN YAACOB
Independent Non-Executive Director

AUDIT COMMITTEE

CHAIRMAN
Datuk Dr. Ng Bee Ken

MEMBERS
Low Yan Seong
Wan Kamarul Zaman Bin Wan Yaacob

REMUNERATION COMMITTEE

CHAIRMAN
Wan Kamarul Zaman Bin Wan Yaacob

MEMBERS
Datuk Dr. Ng Bee Ken
Low Yan Seong

NOMINATING COMMITTEE

CHAIRMAN
Low Yan Seong

MEMBER
Datuk Dr. Ng Bee Ken

COMPANY SECRETARIES

Kang Shew Meng (MAICSA 0778565)
Seow Fei San (MAICSA 7009732)

AUDITORS

Crowe Malaysia
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya   Tel : 603 7784 3922
Selangor Darul Ehsan   Fax : 603 7784 1988

REGISTERED OFFICE

802, 8th Floor, Block C
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya   Tel : 603 7803 1126
Selangor Darul Ehsan   Fax : 603 7806 1387

PRINCIPAL BANKERS

AmFunds Management Berhad
Malayan Banking Berhad

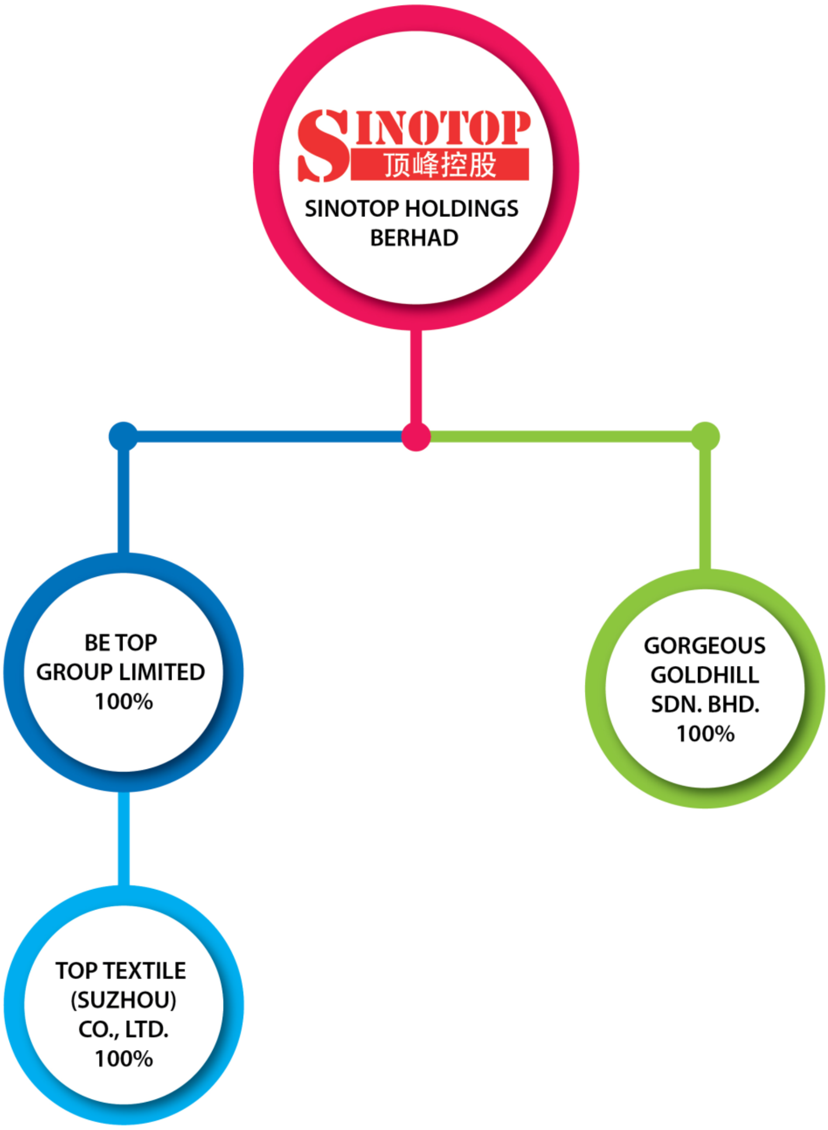
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

WEBSITE

www.sinotop.com.my

CORPORATE STRUCTURE



PROFILE OF THE BOARD OF DIRECTORS

DATUK DR. NG BEE KEN 拿督黄美锦博士

Independent Non-Executive Chairman
Male, 63 years old
Malaysian

Datuk Dr. Ng Bee Ken ("**Datuk Dr. Ng**") was appointed to the Board on 27 January 2006. Datuk Dr. Ng is the Chairman of the Board of Directors and the Audit Committee. He is also a member of both the Nominating Committee and the Remuneration Committee.

Datuk Dr. Ng holds a Bachelor of Law (Honours) from the University of Wales, Cardiff, Wales and a Master of Laws from King's College, University of London. He is also a Barrister-at-Law of Lincoln's Inn, London, an Advocate & Solicitor of the High Court of Malaya and a Certified Mediator of the Malaysian Mediation Centre. He has been practicing as a lawyer since 1987 and is presently the Managing Partner of a law firm.

Datuk Dr. Ng also holds Doctor of Divinity, a Master of Science (Corporate Communication) from Universiti Putra Malaysia and is an Associate of the Association of Costs and Executive Accountants, England.

Datuk Dr. Ng also sits on the Board of Widetech (Malaysia) Berhad, Talam Transform Berhad, OpenSys (M) Berhad and Yong Tai Berhad. He is also the local representative Independent Non-Executive Director of Glencore Recycling Inc. (Malaysia) Sdn. Bhd., whose parent company is listed in London, Hong Kong and Johannesburg. Glencore is one of the world largest global diversified natural resource companies and a major producer and marketer of more than 90 commodities.

Datuk Dr. Ng does not have any family relationship with other director(s) and/or major shareholder of the Company and has no conflict of interest with the Company.

Datuk Dr. Ng attended seven (7) out of eight Board Meetings held in the financial period ended 30 June 2018.

PAN DING 潘鼎

Group Managing Director / Executive Director
Male, 53 years old
Citizen of the People's Republic of China ("**China**")

Mr. Pan Ding was appointed to the Board on 3 June 2010. He graduated with a Diploma in Mechanical Manufacturing and Machinery Engineering from Suzhou Vocational University. He is the co-founder of Be Top Group Limited and its wholly-owned subsidiary company, Top Textile (Suzhou) Co., Ltd. ("**Be Top Group**"), a fabric production company based in China. He has over twenty years of experience in the fabric industry and is currently responsible for the formulation and execution of the overall business strategies and policies of Be Top Group.

He is the brother of Mr. Pan Dong, an Executive Director of the Company.

Mr. Pan Ding attended all eight (8) Board meetings held in the financial period ended 30 June 2018.

PAN DONG 潘東

Executive Director
Male, 48 years old
Citizen of the People's Republic of China ("**China**")

Mr. Pan Dong was appointed to the Board on 3 June 2010 and is the co-founder of Be Top Group. He graduated with a Diploma in Economics Management from the Continuing Education Institute of Suzhou University. Prior to the formation of Be Top Group, Mr. Pan Dong has close to twenty years of experience in the fabric production industry in China. He is currently overseeing the Group's production operations, marketing, quality control, public relations and technology.

He is the brother of Mr. Pan Ding, the Group Managing Director of the Company.

Mr. Pan Dong attended six (6) out of eight (8) Board meetings held in the financial period ended 30 June 2018.

DATO' SOO SZE CHING 拿督苏仕振

Executive Director
Male, 42 years old
Malaysian

Dato' Soo Sze Ching ("**Dato' Soo**") was appointed to the Board on 28 October 2016. He holds a Bachelor of Engineering in Civil Engineering from Swinburne University of Technology. Dato' Soo is a Civil Engineer by profession and a member of Institute of Engineers Malaysia.

Dato' Soo began his construction career as a civil engineer with various construction companies with over 15 years of varied corporate and management experience. He has in depth exposure in the construction industry. Currently, he is managing a few companies with interest in construction which has more than few hundred million worth of projects comprising building and infrastructure works.

Other than managing construction companies, Dato' Soo also involves in property investments and property development on joint venture basis. He is a director of Dexview Sdn. Bhd., a subsidiary of Symphony Life Bhd., which is listed on the Main Market of Bursa Malaysia Securities Berhad.

Dato' Soo attended six (6) out of eight (8) Board meetings held in the financial period ended 30 June 2018.

LOW YAN SEONG 刘延祥

Independent Non-Executive Director
Male, 46 years old
Malaysian

Mr. Low Yan Seong ("**Mr. Low**") was appointed to the Board on 11 June 2010. He is the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Mr Low qualified as a Fellow of the Association of Chartered Certified Accountants (FCCA) in June 2005. He has extensive experience in financial management and reporting, financial due diligence and investors relations in various industries. Mr Low began his professional career with an international accounting firm in Malaysia, and held a position with Deloitte & Touche ("**Deloitte**") Singapore office since 1998. He joined Deloitte's Beijing office in 2004 and subsequently joined a public listed company in Singapore as Chief Financial Officer, before assuming positions in various appointments in The People's Republic of China. He was the Chief Financial Officer of China Green Material Technologies, Inc. until October 2012. He then joined a corporate advisory firm, Capital360 Investment Management Center as Partner.

Mr. Low attended all eight (8) Board meetings held in the financial period ended 30 June 2018.

WAN KAMARUL ZAMAN BIN WAN YAACOB

Independent Non-Executive Director
Male, 63 years old
Malaysian

Encik Wan Kamarul Zaman Bin Wan Yaacob ("**Encik Wan**") was appointed to the Board on 11 June 2010. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

En. Wan holds a LLB (Hons) Degree from the University of London and CLP (Malaya) as well as an M.Sc (A.Econs) and B.Sc. Degree from Louisiana State University, USA.

He was a banker for more than 20 years and has worked with several financial institutions in Malaysia. During his tenure in the financial services industry, he was involved in corporate finance and advisory work, corporate banking and loan syndication, treasury as well as the corporate bonds/sukuks and the private debt securities market. After leaving the financial services industry, he joined a legal firm, Messrs Abu Talib Shahrom, as Partner.

Encik Wan attended seven (7) out of eight Board meetings held in the financial period ended 30 June 2018.

Notes:

- None of the Directors have been convicted for any offences other than traffic offences within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.
- Save as disclosed above, none of the Directors have any family relationship with any Director and/or substantial shareholder of the Company.
- None of the Directors have any conflict of interest with the Company.
- Save as disclosed above, none of the Directors sit on the Board of any other public companies and listed issuers.

PROFILE OF KEY SENIOR MANAGEMENT

PAN DING 潘鼎

Group Managing Director / Executive Director
Male, 53 years old
Citizen of The People's Republic of China ("**China**")

Mr. Pan Ding was appointed to the Board of Top Textile (Suzhou) Co., Ltd. ("**Top Textile**") on 13 March 2006 and hold office in Top Textile since then until to date.

He graduated with a Diploma in Mechanical Manufacturing and Machinery Engineering from Suzhou Vocational University. He is the co-founder of Be Top Group Limited, the holding company of Top Textile (Suzhou) Co., Ltd. ("**Be Top Group**"). Top Textile is a fabric production company based in China. He has over twenty years of experience in the fabric production industry and is currently responsible for the formulation and execution of the overall business strategies and policies of Be Top Group.

He is the brother of Mr. Pan Dong, a Director of Top Textile.

PAN DONG 潘東

Executive Director
Male, 48 years old
Citizen of The People's Republic of China ("**China**")

Mr. Pan Dong was appointed to the Board of Top Textile (Suzhou) Co., Ltd. ("**Top Textile**") on 13 March 2006 and hold office in Top Textile since then until to date.

Mr. Pan Dong graduated with a Diploma in Economics Management from the Continuing Education Institute of Suzhou University. He is the co-founder of Be Top Group. Prior to the formation of Be Top Group, Mr. Pan Dong has close to twenty years of experience in the fabric production industry in China. He is currently overseeing Be Top Group's production operations, marketing, quality control, public relations and technology, leveraging on his experience in the industry.

He is the brother of Mr. Pan Ding, a Director of Top Textile.

DATO' SOO SZE CHING 拿督苏仕振

Executive Director
Male, 42 years old
Malaysian

Dato' Soo Sze Ching ("**Dato' Soo**") was appointed to the Board of Directors of Sinotop Group's wholly-owned subsidiary, Gorgeous Goldhill Sdn. Bhd. ("**GGSB**") on 26 November 2016.

Dato' Soo holds a Bachelor of Engineering in Civil Engineering from Swinburne University of Technology. He is a Civil Engineer by profession and a member of Institute of Engineers Malaysia.

Dato' Soo began his construction career as a civil engineer with various construction companies with over 15 years of varied corporate and management experience. He has wide exposure in the construction industry. Currently, he is managing a few companies with interest in construction which has more than few hundred million worth of projects comprising building and infrastructure works.

Notes:

- None of the key senior management has been convicted for any offences other than traffic offences within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.
- Save as disclosed above, none of the key senior management has any family relationship with any Director and/or substantial shareholder of the Company.
- None of the key senior management has any conflict of interest with the Company.
- Save as disclosed above, none of the key senior management sits on the Board of any other public companies and listed issuers.

CHAIRMAN'S STATEMENT

Dear valued shareholders,

On behalf of the Board of Directors ("**Board**") of Sinotop Holdings Berhad ("**Sinotop**" or "**Group**"), I am pleased to the Annual Report and Audited Financial Statements of Sinotop and its subsidiaries ("**Group**") for the financial period ended 30 June 2018 .

The Group changed its financial year end from 31 December to 30 June and the current reporting period is the transitional period for the first set of financial statements that were made up to 30 June.

REVIEW OF OPERATING ENVIRONMENT

The Group Managing Director, Mr Pan Ding will be briefing on updates on the Group's business performance and review of operating environment. Mr Pan is the director primarily responsible for formulating the overall strategic direction and plans for the Group.

CORPORATE GOVERNANCE

On the corporate governance front, it remains as the Board's main agenda to conform to corporate governance best practices. The Board concurs that the nurture of culture and these best practices are to be internalized in the Group's policies and procedures for thorough compliance. In fact, good corporate governance without compromise is part of the core values of the Group's corporate culture.

BOARD SIZE AND COMPOSITION

The Group is currently steered by a Board of Directors which is of an optimal size and mix of talents. There are equal number of three (3) Executive Directors and three (3) Independent Directors. Apart from its size, the current Board members have a very good mix of entrepreneurship, industrial and professional background. Hence, the Board is satisfied over its size and composition and believes that Board members have the essential mix of experience and skills to carry out their fiduciary duties well.

OTHER CORPORATE GOVERNANCE BEST PRACTICE

The Board practices segregation of duties and power, the roles of Chairman and Group Managing Director are being held by different individuals. Segregation of these top positions in the Group balances power, and provides an effective check and balance mechanism within the Board when the respective members are carrying out their fiduciary duties. It is consistent to the Group's vow and determination to apply principles of good corporate governance.

WORDS OF APPRECIATION

The Board continues its support and expresses gratitude towards the Executive Directors who had contributed efforts beyond speech in managing the Group's business operations.

On behalf of the Board all my fellow Board members, I thank you for all your unwavering support and immense contribution of ideas that throughout the year in guiding the Group. Lastly, I would like to express our sincere appreciation to all shareholders and stakeholders for their faithful support and patience.

Yours truly,
Datuk Dr. Ng Bee Ken
Independent Non-Executive Chairman

MANAGING DIRECTOR'S STATEMENT 董事经理献词

Dear esteemed shareholders
尊敬的股东大家好

I am honoured to present the Managing Director's Statement to shareholders of Sinotop Holdings Berhad ("**Sinotop**"). Sinotop announced on 29 December 2017 that it changed its financial year end from 31 December to 30 June. For this round, I will be briefing on the Company's information for the 18-month financial period ended 30 June 2018
我很荣幸为顶峰控股集团有限公司(“**顶峰**”或“**公司**”）的股东们再次发表董事经理献词。由于顶峰以在 2017 年 12 月 29 号宣布将公司的财政年度从过往的每年 12 月 31 号换成 6 月 30 号，因而此次我向各位股东汇报的是公司在过去 18 个月财政期的概况。

RESULTS BRIEFING
For the financial period then ended, the operational sub-subsidiary of Sinotop, Top Textile (Suzhou) Co., Ltd., ("**Top Textile**" or "**Subsidiary**") recorded sales revenue of RMB328 million (2016-12M : RMB276 million) and profit after tax of RMB848,000 (2016-12M : RMB4.14 million).
业绩汇报
截至 2018 年 6 月 30 日的财政期，顶峰旗下子公司中国托普纺织（苏州）有限公司（“**托普**”）的销售额为 3 亿 2848 万元人民币（2016 年 12 个月: 2 亿 7621 万元人民币）, 税后盈利则为 84.8 万元人民币（2016: 414 万元人民币）。

Fabric production business remains as Top Textile's core business operation and I shall move on to brief about the Company's overall operational and visionary matters.
托普依然以面料生产业务为主轴，以下我将公司的运营概况和理念方向为各位做一个汇报。

1. COST MANAGEMENT AND SALES STRATEGIES 成本管理与销售策略

(i) RAW MATERIALS 原材料

The Company secures its supplies of raw materials from suppliers with good reputations to ensure good quality of the raw materials with reliable supply at the most favourable price.
向信誉良好的供应商取货，以确保原材料质量受保证并供应稳定并且锁定最佳价格。

(ii) ENERGY 能源

Since the Chinese government ("**Government**") imposes mandatory requirements regarding the source of procuring steam for industrial use and the ban on use of coal two years ago, the energy cost element in the total production overhead has increased significantly and hence vigilant energy costs control has been an important agenda of Top Textile.
自从政府在两年前强制性规定改用工业用蒸气供应来源和禁用煤炭作为燃料后，托普的生产成本面临剧涨, 因此积极控制能源成本成了托普重要事项之一。

The Government mandated manufacturers to obtain supply of steam from power plants and a switch from coal to the use of liquefied natural gas (LPG) on grounds of environmental preservation. Furthermore back then two years ago, the Company's main production facility, i.e. its jet-loom machines, have been in use for over 10 years since the machines were first deployed into production, hence the efficiency of these machines has dropped and maintenance costs have shot up considerably, increasing the total production overhead of the Company.
政府规定纺织厂改用热电厂集中供蒸汽取代传统上更具经济效益但不环保的煤炭锅炉产蒸汽，除此当时托普的主要生产设备喷气织机使用年限已经超过 10 年，设备效率及维修保养成本大幅度上涨也影响公司生产成本。

One of the tactics adopted was Top Textile phased out some compact-sized air compressors and replaced them with an America-made larger capacity and energy efficient compressor in response to the afore-mentioned situations. This tactic has been effective. Apart from being more energy-efficient than the previous coal-powered compressor, the new set of compressor is capable of producing sufficient supplies of compressed steam (used in the jet loom machines). As a result, Top Textile has reduced considerably its reliance on third party suppliers and any possible price hike that will certainly have unfavourable cost impact on the production overhead. Furthermore, self-sufficiency of steam supplies also has contributed to least interruption in the production schedule planning, and a greater control over costs.
托普所实施的其中一个策略为淘汰原来多台小型空压机，转用美国寿力牌大容量空压机，效果理想；该套配备具有节能功效，同时也确保托普在在供气生产方面自供自足，大幅度减低对第三方压缩空气供应商的依赖，一箭双雕达到成本控制和供气稳定的目的。此外，面料生产规划较少受到（供汽）干扰，成本控制也比较好掌握。

(iii) LABOUR COSTS

China government has been devoting unrelenting effort in labour market policy reform. As such, competitive advantages in terms of costs that China labour market used to enjoy has diminished over the years. Rising labour costs have turned the factor into China's competitive disadvantage. China's one-child policy has been in place for over 35 years, and has inevitably skewed the age and demographic profiles of its population. Generation born under the one-child policy has shrunk the country's employable labour force. Generally, nowadays younger generation in the working class is unwilling to work in factories or leave their hometowns to work in faraway places. Apart from the afore-mentioned, the country is facing ageing issue as well, which exaggerates the labour costs escalation challenge.
随着中国政府近年来极力推进民生工程，改革劳动力政策；因此，现在中国劳动力市场已不再廉宜，过往的优势有转化成劣势的趋向。由于一胎政策施行了超过 35 年之久，年轻劳动力群体人口大幅度萎缩。当今就业群体因为当地发展，普遍不太愿意离乡别井外出打工。除此，一胎也造成人口老化的问题，更是加剧了人力资源与其成本的窘境。

With the consultation of professional human resource consultants, Top Textile has been providing training courses and team-building activities for staff. Apart from organizing training courses, Top Textile review its operation procedures with a view to identify areas of improvement, introduce change / adjustments so as to cut wastages of materials and production hours to a minimal level, which ultimately has increase the overall productivity.
在人力资源咨询顾问的专业协助下， 托普积极提供员工培训课程，建立全面团队文化，审核生产部运作，从各方面作出合适调整。此举有助于整合工人团队工作效率，进一步减低原材料耗损及提升人力资源管理。

Overall, the workers turnover rate at Top Textile remain manageable as Top Textile has been proven being able to provide job security.
由于托普能够提供就业保障，迄今员工流失率尚在可掌控范围内。

(iv) PRODUCT VALUE CHAIN AND RESEARCH AND DEVELOPMENT

Top Textile has a sizeable number of customers who are export-oriented garment manufacturers. These customers have stringent requirements and expectation on product specifications, which causes our product value chain to be more complicated. Nevertheless, high expectation from our customers has turned into a solid proof of our strength, competitiveness and market positioning. The Company will continue to develop more products at a faster pace to meet customer requirements and fulfill orders replenishment from existing customers, and eventually market share expansion.

托普的客户当中，有不少是做出口市场的成衣厂家；因此，对于产品质量要求很高，价值链是愈趋复杂。客户高质量的要求恰好印证了托普的强项，竞争力与市场定位；公司的产品研发部持续开发新品种，将产品的种类多元化，快速达到客户对产品变化的要求，稳固现有客户追加订单，同时也是公司提高市场占有率的重要筹码。

2. CONTINUAL ENHANCEMENT OF TOP TEXTILE'S MANAGEMENT INFORMATION SYSTEM ("MIS")

The management of Top Textile reckons that Top Textile's MIS is an integral part of the Sinotop Group's control system as it captures production and other data which eventually will be flowed into the Group's accounting system and used in various performance analyses. Hence, the Group has initiated a makeover on upgrading of the MIS in 2012 and had successfully deployed into application an Enterprise Resource Planning System ("ERP") at end of year 2014, which is the commencement of a computerized production management era.

管理层认同托普的信息系统（“**系统**”）是顶峰集团的一个关键环节，因为系统所存放的生产及其部门的数据最终会被运用在各种数据分析当中并且被记载入财务报表内， 因此，托普在 2012 年致力投入资源作全面系统升级，并且在 2014 年末全面投入运用企业资源计划系统（“**ERP**”），掀开了电脑化生产管理的序幕。

In 2016, Top Textile engaged a Certified Public Accountants ("**CPA**") firm, Suzhou Hao Sheng CPA ("**Suzhou Hao Sheng**") and outsourced its internal audit function to the firm. Suzhou Hao Sheng conducted an independent review on Top Textile's MIS from the perspectives of the accounting system and the ERP. In view of the ERP being a remarkable milestone in the history of Top Textile, the independent review on the MIS of Top Textile is essential in providing confidence endorsement and confidence of the MIS with regard to its effectiveness, adequacy, and integrity.

集团聘用了苏州昊盛会计师事务所（“**昊盛**”）为内部审计师；昊盛的聘约包含了对托普信息系统进行从会计系统和 ERP 角度的独立回顾。ERP 是托普发展的一个重要的里程碑，因此让昊盛对 ERP 作独立回顾使必要的，其旨在于提供对系统的效果、其充足性和诚信度提供了信心和验证。

After performing their internal audit procedures in the review of Top Textile's MIS, Suzhou Hao Sheng, in its capacity as the Group's internal auditor ("**IA**"), concluded in the internal audit report that the MIS implemented at Top Textile is ascertained to be at mid to high rank among the fabric production industry.

昊盛的内部审计结果显示托普的信息系统平在行业中是居于中高水平。

The IA recommended some enhancement/upgrading to Top Textile's MIS of higher technology. We concur with the IA that the recommended system enhancement/upgrading is beneficial to the Group, however, prior to committing in any system enhancement/upgrading plans, a detailed cost-benefit analysis must be carried out to ensure the upgrading is able to bring long term benefits to Top Textile's operations.

昊盛也提出了一些技术层面上的改善、提升建议，我们认同这些改善、提升必然有利于集团；但是，在系统改善、提升工作展开之前必须得进行一项详尽的成本效益分析以确保能为托普带来长远利益。

3. CORPORATE GOVERNANCE 企业监管

TRADE RECEIVABLES 应收账款

During the financial period, the level of outstanding trade receivables has reduced substantially as a result of step-up efforts made by the management in the working capital management of Top Textile.
在过去 18 个月内，托普的应收账款大幅度下降， 这些都是管理层努力不懈积极控制流动资金的成果。

Whilst striving for higher sales revenue and market share, the Company remains cautious, prudent and diligent in managing our portfolio of customers. The Management assures our shareholders that we ensure the Company deals with customers of high credit-worthiness. We will not compromise any risk of unrecoverable debts for the sake of securing sales order.
即使托普仍努力争取提高销售额和市场份额，但公司依然审慎评估客户。管理层始终以保障公司和股东们的利益为大前提，只选择高质量客户， 不会因为销售业绩而冒着不能回款的风险接单。

4. JOINT VENTURE INVESTMENT IN HL PAINTING CO.（“HAN LING”）

联营投资 - 苏州韩羚包装有限公司（“韩羚”）

In 2015, Top Textile sealed a joint venture investment in Han Ling. To date, the total cost of investment to date is RMB12.6 million (approximately RM7.686 million) for the Group’s 50% equity interest in Han Ling. The principal business operations of Han Ling are painting of labels and patterns on the exterior of glass and plastic bottles and jars for packaging of cosmetic/skin care as well as other consumer products. Since the commencement of trial production run at end of 2015 and continual calibration and commissioning of production lines, Han Ling operated at round-the-clock full capacity production starting from 2017. For the 18-month financial period ended 30 June 2018, Han Ling’s revenue is RMB 11.79 million, and have started to accrue some profits which contributes to the earnings of the Group.
托普自 2015 年起迄今总共投入了 1260 万元人民币 （约马币 768.6 万）的资金持有韩羚 50%的股份。韩羚的主营业务是玻璃及塑料制品的喷涂和涂装，用于化妆品的包装瓶罐。韩羚于 2015 年底开始小批量试生产， 经过各阶段调试之后，所有流水线于 2017 年正式全天候运作。截至 2018 年 6 月 30 号，韩羚的销售额为 1179 万元人民币， 也已转亏为盈，开始为集团整体收益作出贡献。

5. PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION

工程管理和基本建设业务

The group has diversified its business to include project management services and infrastructure construction business through its wholly-owned subsidiary, Gorgeous Goldhill Sdn. Bhd. (“**GGSB**”) helmed by Dato’ Soo Sze Ching. GGSB has started to contribute to the earnings of the Group.

顶峰集团通过独资子公司，Gorgeous Goldhill Sdn. Bhd.（“**GGSB**”），已把旗下的主营业务拓展到工程管理和基本建设业务。GGSB 是由拿督苏仕振 所掌舵，目前专注于基本建设工程业务，已经为集团的收益带来贡献。

6. UPDATES ON THE ECONOMIC AND INDUSTRIAL ENVIRONMENT 经济大环境简报

Currently, China government is advocating wrenching measures in supply side structural reform, to shift the economy's growth drivers from large-scale investments and export-oriented manufacturing sector to a more sustainable domestic consumption-based and service sector growth model. The supply-side structural reform on one hand is aimed at managing the adverse impact from the global economic slowdown on the China economy, whilst on the other hand, it is a bridge to introduce the concept of economy new normal (which indicates that stellar growth rates in the past three decades will not be replicated indefinitely into the future).
目前，中国政府正积极推动供给侧结构性改革，把中国的经济体系从过往依靠大规模投资驱动和低成本出口导向的发展模式，转型升级到由内需作主导的经济模式; 一方面是对应全球经济放缓而造成的制造业产品出口需求下滑， 另一方面则是适应和引领中国经济发展的新常态。

As world major manufacturer, the China manufacturing sector is currently facing the following situation:
作为世界主要制成品出口国，现今中国制造业所面对的整体概况如下:

(i) Shrinkage in the global demand ;
国际市场需求的减缓；

(ii) Significant spike in the labour costs resulting in erosion of competitiveness ; and
劳动力成本剧增而造成竞争力减低；及

(iii) Compulsory switch from the use of coal to LPG imposed by the government on grounds of environmental preservation (this has directly impacted the production overheads and profit margin of Top Textile).
政府加速推动环保，进一步强制工厂以热电厂集中供蒸汽取代煤炭作为燃料，因此推高了整体蒸汽使用成本，减低了利润。

The management is putting in effort to improve the profitability of the Group, in this turbulent situation especially for conventional human-intensive industries. Inherently, garments and fabric household products are consumer goods with relatively higher elasticity of demand.
管理层也在努力不懈的经营， 期望在当前经济滑坡并且对人工密集类型的制造业不理想的大环境中能够把集团的盈利提高，主要是纺织产品本身就是一种比较高弹性的消费品。

7. OUTLOOK 展望

As the China economy enters the age of new normal, growth rates in the near future is believed to be comparatively lower, coupled with the high base effect of stellar growth rates achieved in the past. China economic growth is expected to normalize into a more stable pace at more sustainable rates. However, even if the economy is not doing well, this labour-intensive industry will not be phased out as it is the backbone of one of the basic necessities that cannot be done away.
中国经济增长趋势正迈向新常态，在高基数效应的拱托之下，与过往的高速成长明显的减低许多。然而纺织行业这一个劳动密集型的行业不会被时代所淘汰；相反地，即便是经济局势再低迷，纺织业仍然是支撑着人类四大需求，衣、食、住、行之首的骨干。

In the downturn, the management adopts a strategy of being innovative to differentiate from competitors. Research and development of new products remains a core activity to increase business volumes. Below are the factors that support our stance that the fabric manufacturing industry remains relevant:
在当前低迷的运营环境中，管理层采取了创新概念以便能够在同行当中脱颖而出, 研发新品种仍然是主力活动。

(i) Stable political climate in China and various efforts are devoted towards the structural reforms of the China economy to stimulate growth of service sector and domestic demand. Domestic market demand is targeted as the major growth factor in the China GDP, which aimed at increasing the consumer groups and purchasing power of its people;
中国政局稳定 政府积极推经济体系动结构性改革以刺激服务行业和内需, 把内需市场定位转化为往后 GDP 增长率的主要推手, 因而带动中国消费群体，预料消费力将持续增长；

(ii) The quality of living continues to improve as a result of various social programmes initiated by the Chinese government ("**Government**"), such as urbanization programmes aimed at improving the well-being of people, and hence the demand for goods ;
政府推动各项民生计划使得人民的生活质量得以提升，进而刺激需求;

(iii) Government's supportive stance towards manufacturing sector ; and
政府极力支持制造业领域；及

(iv) Gargantuan domestic consumption market for basic necessities and fabric products from China's 1.4 billion populations. Domestic market will be the core factor that supports market share.
中国接近 14 亿人口的庞大消费群体是庞大的基本需求及纺织品市场。今后内需市场会持续扮演着更吃重的角色，继续支撑市场。

Although the overall manufacturing industry in China has yet to recover from adverse effects of external factors in terms of global demand contraction, we believe the market will eventually back to a healthy level, gradually.
尽管中国整体的制造业尚未完全从之前的负面外围因素影响（全球市场萎缩及景气度欠佳）恢复，但在各方面的努力之下，市场未来的展望是逐渐复苏。

Lastly, I would like to express my sincere gratitude to our shareholders for their patience and support. Together with my Management Team, we continue to work relentlessly to manage the business operations of Sinotop Group.
最后，我依然要对股东们的支持表示衷心的感谢！我和我的团队必定竭尽所能管理好集团业务。

Pan Ding 潘鼎
Group Managing Director 集团董事经理

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MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis is a review on the Company and the Group and shall be read in conjunction with the audited financial statements.

BACKGROUND

Sinotop Holdings Berhad ("**Sinotop**" or "**Company**" or "**Group**") was incorporated on 15 February 1984. The Company is listed on the Main Market of Bursa Malaysia Securites Berhad ("**Bursa Securities**"). The Company has two wholly-owned subsidiaries, namely,

i) Be Top Group Limited, an investment holding company that in turn holds the entire equity interest in Top Textile (Suzhou) Co., Ltd, a company that involves in the production and sale of loom-state fabrics in China; and
ii) Gorgeous Goldhill Sdn. Bhd., a company that principally involves in the business of project management services and infrastructure construction.

PRINCIPAL BUSINESS OPERATIONS OF THE GROUP

The principal business operations of the Group are as follows:

Subsidiary	Principal Business Activities
1) Top Textile (Suzhou) Co., Ltd. ("**Top Textile**")	Investment holding, production of customized woven loom-state fabrics made from cotton, synthetic and mixed yarn
2) Be Top Group Limited	Investment holding
3) Gorgeous Goldhill Sdn. Bhd. ("**GGSB**")	Project management services and infrastructure construction

Top Textile has a corporate culture of achieving excellence, as demonstrated by the motto it has chosen "An Excellent Enterprise Establish and Ideal Platform". Top Textile remains relevant in the fabric production industry by being innovative in its products (through product differentiation strategy) and maintaining a high standard of product quality. It is Top Textile's priority to be never slack off in the face of technology because Top Textile believes that only with technical innovation quality of products will be guaranteed. With unrelenting efforts, Top Textile has built a solid record of good reputation among its customers that have enabled the business to sustain proudly despite operating in a relatively tough environment of weak demand. It is through consistently delivering products of good quality, Top Textile is able to retain its market share.

FINANCIAL PERFORMANCE REVIEW

REVENUE

The breakdown of the Group's revenue for financial period/year ended 30 June 2018 and 31 December 2016, respectively, is tabulated below:

EXHIBIT 1

	REVENUE FINANCIAL PERIOD/YEAR ENDED		**VARIANCE**	
GEOGRAPHICAL CLASSIFICATION	**30.6. 2018 RM'000**	**31.12. 2016 RM'000**	**RM'000**	**%**
China	196,249	154,848	41,401	27
Outside China	21,257	17,305	3,952	23
	217,506	**172,153**	**45,343**	
BUSINESS SEGMENT				
Fabric production	206,611	171,889	34,722	20
Project management services and infrastructure construction	10,883	255	10,628	4,168
Investment holding	12	9	3	33
	217,506	**172,153**	**45,343**	

∗ *Commenced operations in 2016 after receiving a Letter of Award from Asianmax Corporation Sdn. Bhd. on 1 September 2016*

The Group registered revenue of RM217 million compared to RM172 million. The main reason for the increase in revenue is attributable to increase in sales volume and average order price generated from the domestic market, contribution from the project management services and infrastructure construction business division.

In overall, there has not been any change in the sales and marketing direction of the Group with regard to the percentage mix on domestic and export markets.

OPERATING SEGMENTS REVIEW

The Group's revenue is primarily generated from its major business operations in China through a sub-subsidiary, namely Top Textile. On this basis, we classified the Group's business operations into two (2) major segments, namely generated in and outside of China (please refer to Exhibit 1 above).

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INVESTMENT IN A JOINT VENTURE

The Group has a 50% equity interest in a joint venture, namely HL Painting Co**.** ("**Han Ling**"). The principal business activity of Han Ling is the packaging of plastic and glass made product, involving printing of logos, product information and decorative patterns according to customer requirements. Han Ling commenced its trial production run in December 2015 and subsequently embarked into full production in 2016. Commencing from 2017, Han Ling is on track to operate on a full production capacity in a round the clock 24-7 mode. In 2017, a new production line has been commissioned to cater for influx of orders that Han Ling management anticipates in the years to come, on ground that the previous production lines have not been able to cope with increased sales orders secured by Han Ling.

For the financial period ended 30 June 2018, the Group's share of loss for the 18-month period is RMB944,000 (RM593,000) compared to the Group's share of Han Ling's results is a net loss of RMB1,788,000 (RM1,113,000) for the financial year ended 31 December 2016. In fact, for the first 6 months in 2018, Han Ling made a minor profit of RMB688,000 (RM433,000). Management of Han Ling is confident that Han Ling will begin its era as a profit-making company commencing from the financial year ended 30 June 2019. The reason for a net loss reported by Han Ling for the 18-month financial period is that the company is still offsetting the start-up losses that it accumulated in the earlier years of 2015 and 2016.

In respect of calendar year 2018, the management of Han Ling projected the sales revenue of Han Ling will likely to surpass RMB14 million, on the back of sales order that it has secured, or, either in the progress of negotiating /finalizing on the terms of contracts, and the 6-month results recorded.

The average exchange rate used in the translation of the above financial information is RMB1 : RM0.6290.

LIQUIDITY POSITIONS REVIEW

From the perspective of financial position, the Group's liquidity remains healthy, cash and cash equivalents balances as at end of financial period/year 2018 and 2016 are RM36.3 million and RM70.7 million respectively. The cash flows were generated from the Group's operating activities.

CAPITAL EXPENDITURE REQUIREMENTS, CAPITAL STRUCTURE AND CAPITAL RESOURCES

i) **Capital Expenditure Requirements**

The Group's capital requirements for its fabric production segment remain minimal in the current financial period while the project management services segment does not require investment in capital expenditure.

ii) **Capital Structure**

The Group does not have any plan to alter its capital structure as at the date of this Annual Report.

iii) **Capital Resources**

Capital resource of the Group is from internally-generated funds.

UPDATES ON THE COMPLETED CORPORATE EXERCISE AND NEW DEVELOPMENT OF CORPORATE SCENE

Pursuant to the corporate exercises that involve capital reduction and repayment, share consolidation and diversification of business, completed on 13 April 2017, the Company has seen its wholly-owned subsidiary, Gorgeous Goldhill Sdn. Bhd. ("**GGSB**") has seen some encouraging income accretive potential that contributed to the earnings of the Group.

SIGNING OF A BINDING TERM SHEET WITH DATO' SOO SZE CHING ("DATO' SOO")

On 20 April 2018, the Company entered into a binding term sheet with Dato' Soo to explore and negotiate further on a proposed acquisition by Sinotop of at least 60% equity interest and/or up to the entire equity interest in Asianmax Corporation Sdn. Bhd. ("**ACSB**") from Dato' Soo and/or such other shareholder(s) of ACSB to be procured by Dato' Soo for an indicative total purchase consideration of up to RM165.00 million for the entire stake.

SIGNIFICANT FACTORS THAT AFFECT THE GROUP'S PRINCIPAL BUSINESS SEGMENTS AND MITIGATION MEASURES

The operating activities of the Group are likely to be affected by the following risk factors:

FABRIC PRODUCTION ("FP") BUSINESS

i) **General economic performance**

Under good economic conditions, the Group will have higher demand over its fabric products and hence better earnings potential accrued to the Group. Demand over the Group's fabric products is affected by the overall consumer demand of clothing and other fabric household products.

The Group mitigates risk of falling sales under general weak economic condition by being innovative in the design, be accommodative to customer's specification of its fabric products and stay focused in our core areas of competitive advantage.

ii) **Foreign currency risk**

The Group is exposed to foreign currency risk on transaction and balances that are denominated in currencies other than the Group's functional currency, i.e. Renminbi. Fluctuations in foreign exchange rates will result in the Group being exposed to foreign currency risks as it exports to Middle Eastern and the United States markets. In addition, the Group also has deposits that are denominated in foreign currencies. The currencies that give rise to such foreign exchange risks are primarily the US Dollar, Renminbi and Hong Kong Dollar. The Group mitigates foreign currency risk by practicing close monitoring of the movement on foreign exchange rates.

iii) **Credit risk**

The Group's business operations are exposed to credit risk, i.e. the risk of counterparties defaulting, arises from credit sales of its fabric products. The Group manages its exposure to credit risk through the application of appropriate credit approval, setting of credit limits based on the respective profile of customers and monitoring procedures on an ongoing basis.

iv) **Liquidity risk**

Liquidity risk arises from the Group's cash flows generating from operating and funding activities. In this aspect, the Group is prudent to ensure the liquidity risk is well-contained at an acceptable level by prudently maintaining a sufficient level of cash balances and adequate working capital to meet financial obligations when they fall due.

v) **Quality, cost and supply of raw materials**

The FP segment faces the possibility of stability of quality level, price spikes of and shortage in supply of yarns, being the major raw materials in this segment. The Group manages the risk of price hikes by maintaining a relatively strong negotiation power and ability to pass the additional cost to their customers. With regard to the stability of quality level and supply of raw materials, the Group mitigates this risk factor by retaining reliable suppliers.

PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION ("PMIC")

The Group's PMIC segment will likely be affected by the following risk factors:

i) **Business risks**

The PMIC segment will be exposed to inherent business risks associated to the construction industry, amongst others, global and regional economic downturn that result in lesser construction project kick-offs, occurrence of *force majeure* events such as adverse weather conditions and natural disasters that may prolong the construction period.

The Group seeks to mitigate these risks by close monitoring of these risk factors and careful planning.

ii) **Operational risks**

Prior to embarking on the PMIC business, the Group was primarily operating its fabric production business in China, and the PMIC is an entirely new business ventured into by the Group, hence, there is a certain degree of operational risks from this new venture.

The Group mitigates any possible adverse consequences in the operations of the PMIC business by appointing an Executive Director, Dato' Soo, who is an experienced entrepreneur and civil engineer by profession, to helm the segment. The vast exposure of Dato' Soo in this segment will definitely be the primary success factor in steering the Group to sail smoothly in the PMIC business segment.

iii) **Dependence on key personnel**

The Group depends solely on Dato' Soo, the Executive Director managing the PMIC business segment. Apart from retaining the key management personnel, the Group recognizes the need to procure and train more suitably qualified talents to manage the PMIC business segment.

iv) **Competition risks**

PMIC business segment that the Group ventured into has competition risks with other more established companies that operate in the same industry. However, having Dato' Soo as the Executive Director has largely mitigated this risk as the depth of Dato' Soo's exposure in construction industry has brought us confidence.

COMMENTARY ON PROSPECT OF THE GROUP'S BUSINESS SEGMENTS

i) **Fabric production ("FP") segment**

The FP segment helmed by the Group Managing Director and Executive Director is in an industry supported by fundamentals of one of the human basic necessities. Hence, although the FP segment is now going through a tough market phase, the Executive Directors who are responsible for its operations management represented the segment will remain relevant on the back of the afore-mentioned fundamental reason.

The fabric production segment has an Enterprise Resource Planning ("**ERP**") System that manages its production resources. Back in 2012, the idea of establishing the ERP was conceptualized by the Group MD and Executive Director responsible for the operations management of the fabric production segment. The ERP was planned and established as a mainstream fabric production process-oriented system developed and supported by Huansi Intelligent Technology Inc ("**Huansi**").

Currently, Huansi is the only China information system company that covers the entire value chain in the fabric manufacturing industry. It is also the largest information system company that concentrates on the configuration of MIS for manufacturers in the fabric manufacturing industry in China. With a responsible management team supported by a reliable and reasonably well-developed ERP system, the Group believes that the FP segment is in good hands.

ii) **Project management services and infrastructure construction segment**

The PMIC segment was established with the view to enhance the earnings base of the Group. Prior to embarking on this segment, the Group has made a great deal of efforts in identifying its potential, from the earnings contribution perspective and the way paved for venturing into the infrastructure construction related business.

The Malaysian government is supportive of infrastructure construction following the kick-off of the 11^{th} Malaysia Plan in 2016. In general, the construction section will be a major catalyst of other economic sectors as construction activities utilize approximately 96 products of other sectors whilst employing 9.3% of the national workforce. Hence the construction sector remains capable to assume its role as an expeditious and effective economic driver, particularly during times of economic slowdown.

However, there is a note of caution that under the administration of the current government, contracts are being proactively reviewed and hence more time will be needed to have a clearer visibility of the near to medium term outlook of the construction sector. Otherwise, on the back of the positive factors mentioned, the long term outlook of the PMIC segment has the potential of achieving reasonably healthy growth.

CONCLUSION

The management looks forward to a brighter prospect for the Group.

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GROUP FINANCIAL HIGHLIGHTS

FINANCIAL PERIOD/YEAR ENDED		June 2018*	Dec 2016	Dec 2015	Dec 2014	Dec 2013
Revenue	(RM'000)	217,506	172,153	185,629	159,841	172,358
Profit Before Taxation	(RM'000)	2,590	4,264	4,010	4,087	3,574
After Taxation - Attributable to equity holders of the Company	(RM'000)	122	2,033	2,083	2,749	2,068
Earnings per share	(sen)	0.02	0.10	0.11	0.14	0.10
Net asset	(RM'000)	182,251	223,474	226,801	190,682	180,377
Net asset per share	(sen)	46.15	11.32	11.49	9.66	9.14
KEY RATIOS						
Return on equity #		0.07%	0.91%	0.92%	1.44%	1.15%
Return on assets @		0.06%	0.87%	0.87%	1.35%	1.08%
Debt to equity ^		n.a.	n.a.	n.a.	n.a.	n.a.

* *18-month statistics pursuant to the change of financial year end from 31 December 2017 to 30 June 2018 and thereafter on 30 June in the ensuing years.*

Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Equity attributable to Equity Holders
@ *Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Assets*
^ *Based on Total Borrowings expressed as a percentage of Total Equity attributable to Equity Holders*

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SUSTAINABILITY STATEMENT

PREFACE
The Sustainability Statement as prescribed in the Corporate Governance Guide 2017 released by Bursa Malaysia Berhad, paragraph 29, Part A of Appendix 9C and Practice Note 9 is a narration of the Group's management of material economic, environmental and social risk and opportunities.

The following are the three (3) main categories of sustainability assessment that the Group have evaluated on:-

A) Economic sustainability
B) Environmental sustainability
C) Social sustainability

A) IDENTIFIED KEY SUSTAINABILITY ASPECTS

Sustainability Aspect	Identified Issues
1) Economic sustainability	▪ Skilled & experienced labour shortage ▪ Competition from fabric producers based in Vietnam & Cambodia ▪ Energy costs escalation (mandatory switch of usage from coal to natural gas in production process) ▪ Intermittent power rationing during period of high electricity consumption ▪ Diversification into the project management services and infrastructure construction business ▪ Procurement of new projects (project management services and infrastructure construction business)
2) Environment sustainability	▪ Industrial waste (including waste water) management
3) Social sustainability	▪ Work safety ▪ Use of environment-friendly materials in production process ▪ Workers welfare schemes

The Group counter the challenges by taking the following sustainability challenges faced by

ECONOMIC SUSTAINABILITY

Sustainability Issues	Measures taken to counter these issues
a) Fabric production business operated under sub-subsidiary in China, Top Textile (Suzhou) Co., Ltd	
Skilled & experienced labour shortage	▪ Top Textile is diligently engaging in skilled workforce retention by providing these workers a stable employment opportunity with higher pay and bonus in accordance with performance.
Competition from fabric producers based in Vietnam and Cambodia	▪ Fabric producers based in Vietnam and Cambodia enjoy the competitive advantage of relatively lower labour costs and more import orders from the United States of America ("US") being shifted from China to Vietnam and Cambodia as a result of the US-China trade war. ▪ Top Textile's substantial sales are contributed by domestic market instead of export sales. It responds to the US-China trade war by exploring more business collaboration with domestic customers.

ECONOMIC SUSTAINABILITY (CONT'D)

Sustainability Issues	Measures taken to counter these issues
Energy costs escalation	▪ The China government has mandated the cease of coal usage in the boiler used to generate steam for supply to the production process. Liquefied natural gas ("**LPG**") is used a substitute of coal. In view of this, Top Textile has phased out a compact-sized compressor using boiler and replaced it with a larger capacity American-made compressor to supply steam required for used in the company's jet loom machines in the production of fabric. The higher costs of using LPG has partially been offset by the benefits of lower reliance on third party steam supplier and has made the production schedules face less disruption.
Intermittent power rationing during period of high electricity consumption	▪ Being a leader in the local entrepreneur that contributes to creating employment opportunities and promoting the economic well-being of Wujiang City, the local government has rewarded Top Textile by imposing less frequent power rationing schedule, which happens more often in summer where the consumption of electricity is high due to hot weather.

b) Project management services and infrastructure construction business operated under a wholly-owned subsidiary in Malaysia, Gorgeous Goldhill Sdn. Bhd.

Diversification into project management services and infrastructure construction business ("**Business Diversification**")	▪ The management has foresight over the compelling need to strengthen the Group's earnings visibility and hence have embarked into the Business Diversification, with the objective to have more income-generating sources. Over the period, the project management and infrastructure construction related business division has seen some positive income accretive potential, under the leadership of Dato' Soo, the executive director who is the principal steer of managing this business division.
Procurement of new projects	▪ This division is helmed by Dato' Soo who is a well-known seasoned entrepreneur in the construction industry. Under the leadership of Dato' Soo, the risk of being unable to procure contracts for new projects are reduced considerably.

ENVIRONMENT SUSTAINABILITY

Industrial waste (including waste water) management	▪ Industrial wastes (which may contain harmful chemical residues) from fabric production process that requires careful management as any contamination of land or the sewerage water system may result in hefty fine or even suspension/retract of business licence. The China government places high emphasis on issues that relate to environment protection. In view of the responsibility of strict adherence to waste management compliance requirement, Top Textile invested in a waste water treatment and disposal system ("**System**") that has passed the stringent assessment of and endorse by the relevant government authority. Maintenance is performed from time to time to ensure satisfactory functioning of the System, not only to comply to the environmental law enforceable in China, but more importantly to ensure the continuity of business operation of Top Textile.

SOCIAL SUSTAINABILITY

Sustainability Issues	Measures taken to counter these issues
Work safety	▪ Top Textile is a manufacturing-based company which majority of its workers are based at the production floor. As such, work safety at the production floor is one of the emphases that the management places high weightage on. Top Textile implemented a work safety management system that originates from a commonly adopted 5S principles in production process, where it is a culture that enables and promotes efficient production by being focused and organised, which are also important principles that ensure work safety.
Use of environment-friendly materials in production process	▪ Top Textile has since long changed the conventional process of sizing yarn using Polyvinyl Alcohol (PVA), and have refrained using PVA in its production process. PVA is commonly used in textile industry as a sizing agent on warp sizing and unfortunately is a cause of water pollution. In this manner, Top Textile contributes its share of effort towards the protection of environment.
Workers welfare schemes	▪ Top Textile provides accommodation (adjacent to the factory) and meal options for workers (mainly to cater for outstation workers) at subsidized rates. The objective is based on humanity principle that the basic needs of accommodation and meals are well take care of to entice them into a longer term employment with Top Textile and hence maintain a more stable labour turnover. Top Textile organizes training programmes that enhance the core skills required in a more efficient production with a view to improve productivity and simultaneously reduce downtime./wastages of materials. Ensuing from the implementation of a tailored-commission Enterprise Resource Planning ("**ERP**") system, many workers who were previously computer illiterate / change-resistant have seen a very encouraging scenario (change in mindset), in overall, that not only these workers are now able to handle computerised systems, effortlessly, vis-à-vis to manual systems used previously, they are also able to utilize reports generated by the ERP system to improve operational efficiency.

The Group has outlined a Corporate Social Responsibility ("**CSR**") Policy adopted by the Board, which are subject to review from time to time to adapt to the prevailing situation and keep up with current development. The CSR policy can be found at the Company's website at www.sinotop.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**Board**") of Sinotop Holdings Berhad ("**Company**" or "**Sinotop**") reckons the importance of good corporate governance practices which is a fundamental responsibility as a listed company. Good corporate governance is instrumental in preserving stakeholders' interests and enhancing shareholders' value. The Board is aware of and strives to incorporate values of recommended corporate governance practices in the Company and its subsidiaries ("**Group**").

Pursuant to the coming into force of the Corporate Governance Guide 2017 (Third Edition) ("**CG Guide 2017**") released by Bursa Malaysia Berhad in December 2017 and the Malaysian Code on Corporate Governance 2017 ("**MCCG 2017**") which superceded the earlier versions, the Board has taken steps to review and ensure compliance to the principles stipulated in both CG Guide 2017 and MCCG 2017. Accordingly, the Board is pleased to report on the corporate governance ("**CG**") practices required in CG Guide 2017 and MCCG 2017 and practiced by the Group during the financial period ended 30 June 2018.

In addition to this Corporate Governance Overview Statement ("**Statement**"), the Company has also completed a Corporate Governance Report that has been submitted together with this Annual Report (collectively referred to as "**Reports**") on the website of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). The Statement is also accessible on the investor relation page of the Company's website, www.sinotop.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

A) PRINCIPAL FUNCTIONS AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall financial performance and delivery of results of the Group. The Board has fiduciary duties and duty to exercise reasonable care, skills and diligence to various stakeholders of the Company. The Board's principal functions and responsibilities are guided by principles set out in the Board Charter, of which the gist is as follows, amongst others:-

- Formulation of the Group's strategic goals, review and approval of strategic proposals/plans tabled to the Board, and ensure appropriate allocation of resources to implement and monitor the strategic plans approved for the Group. The Board sets the strategic directions and long term targets of the Group, and it assumes the steering, supervision and monitoring roles over the strategic direction that the Group intends to head towards in long term;
- Oversee the conduct and performance of the management in implementing the strategic proposals;
- Oversee the management of the Group's business in terms of financial and operational performance to ensure the Group's businesses have been properly managed;
- Approval of revision of business strategies in line with the prevailing internal and external environment;
- Ensures integrity of the Group's financial information;
- Identify key risks factors that have significant impact on the Group's operations and performance;
- Establishment of a sound and effective risk management and internal control system to mitigate negative impact of the risks so identified;
- Review of adequacy and the integrity of the Group's risk management & internal control and management information systems.
- Assessment of business and/or investment opportunities to enhance the Group's financial performance;
- Review of succession planning, including appointment of senior management; and
- Develop and implement investor relations programme or shareholder communications policy.

The Company's Board Charter which was last reviewed by the Board on 10 October 2018 is available for review at the Company's website at www.sinotop.com.my.

B) BOARD COMMITTEES

Board committees are established to assist the Board in the oversight of various aspects of the Company, including but not limited to financial, talent management of directors and senior management and remuneration of executive directors. There are three (3) Board Committees, which are Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**").

These Committees have been granted with full authority to investigate any matter within their scope of responsibility and to obtain satisfactory information as it may requires from directors and/or employees of the Group. In the event where independent professional advice are needed to discharge their duties, the Committees are entitled to engage external professionals and/or consultants at the cost of the Group after due consultation with the Board.

The Committees shall discharge their duties within their respective terms of reference and recommend to the Board for approval. The functions, roles and responsibilities of the AC are presented in the Audit Committee Report while other Committees' roles and responsibilities are detailed in this Statement.

i) NOMINATING COMMITTEE

The NC is delegated with the responsibility of talent management for the Group. NC comprise solely of independent non-executive directors.

CHAIRMAN

Low Yan Seong	Independent Non-Executive Director

MEMBER

Datuk Dr. Ng Bee Ken	Independent Non-Executive Chairman

The NC's principal responsibilities are as follows:

- Recommend the nomination of Board members and senior management;
- Consideration over candidates recommended by the Group Managing Director ("**Group MD**") to be appointed as Board members or senior management;
- Recommend to the Board, directors to be elected as members of Board Committees;
- Identify, evaluate and recommend candidates for appointment as Company Secretary;
- Review annually the term of office and performance of the Audit Committee and each of its members;
- Assess annually the effectiveness of the Board as a whole, the Board committees and the contribution of each director and thereafter, table the results to the Board;
- Review annually the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board and thereafter, make recommendation to the Board;
- provide a documented, formal and transparent procedure for the appointment of Directors and Board Committee Members;
- recommend the nomination of a person or persons for directorship to be filled by shareholders or the Board;
- consider, in making its recommendations, candidates for directorships proposed by the Executive Directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;
- recommend to the Board, directors to be appointed to the Board Committees;
- bring to the Board's attention results of NC annual review and recommend the Board on the next course of actions;
- assess the performance of each director, the Board and Board Committees; and
- review the Group's keyman succession plan and report to the Board.

- **NOMINATION POLICY**

The key role of the NC is to assist the Board to identify and assess suitability of candidates to be appointed as Board members.

A formal nomination policy has been drawn up by the Company to assist the NC in the nomination criteria and process. The Company's directors nomination policy set out essential criteria of candidates for vacancy(ies) in the Board, and the process and procedures for directors nomination. The nomination policy can be found at the Company's website at www.sinotop.com.my.

In carrying out these duties, members of the NC have been identified as having respectable exposure in the corporate world, hence, they are well-versed with the essential qualities that any Board member must possess to maintain an effective Board.

- **PROCESS AND PROCEDURE OF DIRECTOR/(S) NOMINATION**

BOARD ASSESSMENT

The Board assesses its composition and the adequacy of members' exposure / knowledge in meeting the stewardship needs and decides whether there is any need and urgency to expand its size.

REQUIRED PROFILE AND LIST OF COMPETENCIES OF CANDIDATES

The NC will table the list of preferred attributes of Board members, such as profile, competencies, industry exposure, professional qualification and employment background for Board confirmation.

COMMENCEMENT OF SEARCH

The NC, through various channels, will commence the search for and invite suitable candidates to submit their resume. The channels that the NC can utilize include fellow Board members' / business associates' recommendation, trade association, professional bodies listing and professional headhunters.

SELECTION AND SHORTLISTING

The NC will select and shortlist candidates based on the attributes that the Board is seeking. Matters that will be considered other than core competencies would be possible conflict of interest, commitment of time and factors that may lead to compromise of independence in discharging the duties as directors of a public listed company.

INTERVIEW

Interview will be arranged for the shortlisted candidates.

VERIFICATION OF BACKGROUND

The NC will perform verification checking on the candidates' declared background and profile with references provided by the candidate.

NOMINATION OF THE FINALISED CANDIDATE AND BOARD APPROVAL

NC will nominate the finalized candidate that best suits the position and recommend to the Board for approval.

FORMAL APPOINTMENT AND MANDATORY ACCREDITATION PROGRAMME ("MAP")

Formal appointment letter, registration with the Companies Commission of Malaysia as well as announcement to Bursa Securities will be made. All newly appointed directors of a listed company must attend the MAP within four months from the formal appointment date, pursuant to provisions in paragraph 15.08 of the Main Market Listing Requirements ("**MMLR**") and Practice Note 5 issued by Bursa Securities.

The NC supports recommendation in MCCG 2017 on gender diversity in Board composition and adopted a gender diversity policy. The Group will place emphasis on suitability of candidates for directorship and senior management posts, rather than purely selecting based on any specific gender preference, so as to consider the appointment of lady director(s) or senior management staff when there are suitable candidates. Nevertheless, the Group upholds the spirit of appointing directors to serve the Board based on merits and experience of the candidates without bias on race, age or gender. The same spirit applies when employing senior management staff of the Group.

➢ **SUMMARY OF ACTIVITIES OF THE NC**

Below are activities of the NC during the financial period ended 30 June 2018:

- Review of the mix of skill and experience and other qualities of the Board;
- Assessment of the effectiveness of the Board as a whole, the Board committees and the Directors;
- Annual assessment of the independence and performance of Independent Directors; and
- Discussion of the Company's Directors' retirement by rotation.

During the financial period, the NC has carried out an annual assessment on the independence of the independent directors. The criteria used in the assessment are based on requirements and definition in MMLR. Assessment has also been carried out on aspects as to whether the independent directors are able to express objective and independent views on issues raised for deliberation and decision-making at Board and Board Committee levels.

The NC has received confirmation letters from the independent directors confirming their independence and the exercise of independent judgment and that they have been able to act impartially in the best interest of the Company.

Based on the following points, the NC reported to the Board that to the best of its knowledge, all the independent directors were free from influence that could have affected their ability and willingness to exercise impartial professional judgment in deliberation of issues:

- All independent directors fulfilled the definition of independent director as set out in MMLR;
- All the independent directors has given a written confirmation to the Board confirming their independence;
- All independent directors had acted independently free from the management and had no business relationship with the Company, its subsidiaries and joint venture.

C) BOARD MEETINGS

Board meetings are avenue for Board members to gather and deliberate on strategic, compliance, risk management and internal control issues relating to the Group. The Board meets up once every quarter for these purposes, and to be updated on strategic plans from management. There were eight (8) Board meetings held during the financial period ended 30 June 2018.

The summary of attendance of each Director is as follows:

Directors	Number of Meetings Attended
1. Datuk Dr. Ng Bee Ken	7/8
2. Pan Ding	8/8
3. Pan Dong	6/8
4. Dato' Soo Sze Ching	6/8
5. Low Yan Seong	8/8
6. Wan Kamarul Zaman Bin Wan Yaacob	7/8

ACCESS TO AND SUPPLY OF INFORMATION BY BOARD MEMBERS

The Board meets at least four (4) times a year to deliberate on strategic, control and risk management issues. Senior management of the Group, who are responsible in determining the strategic direction of the Group will table business plans (e.g. diversification) to the Board. The Board will then examine business plans tabled and evaluate these plans from perspective such as the congruence of goals (of strategic plans and the Group's), alignment of the Group's strategic direction vis-à-vis direction of business plans proposed by executive directors (who are managers of the Group's businesses).

Under exceptional situation, the Board meets at appropriate times when circumstances warrant the call for meetings. All Directors are furnished with board papers that contain information of the agenda to be tabled at Board or Board Committee meetings. The Board/meeting papers will provide information relating to issues to be deliberated by the directors.

The Board invites senior management staff and auditors, when necessary, to attend Board meetings to furnish clarifications on issues that may be raised by the Directors on issues tabled to them. The Board has direct access to senior management staff to obtain complete.

D) BOARD INDEPENDENCE AND EFFECTIVENESS

Board independence is essential in promoting Board effectiveness as an effective Board needs adequate check and balance mechanism to assess strategic plans tabled by executive directors to the Board.

i) **BOARD INDEPENDENCE**

The roles of Independent Non-Executive Chairman and Group MD are held by separate individuals, with clear division of responsibilities and authorities. The Board is made up of three (3) executive and three (3) independent non-executive directors, respectively, to uphold its independence and effectiveness. Appointment of independent non-executive directors to the Board is a major check and balance mechanism in place to assess strategic directions of executive directors. It is a mechanism to ensure effective functioning of the Board.

ii) **BOARD EFFECTIVENESS**

The presence of independent non-executive directors on Board ensures effectiveness of the Board as a whole. Below is narration of ways that Board effectiveness is achieved:

➢ **THROUGH THE PRESENCE OF INDEPENDENT DIRECTORS**

Independent directors play the following roles in fulfilling their responsibilities to achieve Board effectiveness:

a) Evaluate and assess business strategies tabled to the Board;
b) Advise the Board on issues from an objective angle; and
c) Provide constructive feedback to the Board.

The Company's independent directors are professionals in their own right with respectable business exposures, which the Board values and acknowledges that it has benefited greatly from advices and feedback it receives.

➢ **LEADERSHIP ROLE OF THE INDEPENDENT NON-EXECUTIVE CHAIRMAN**

Chairman of the Group plays the primary role of leading the Board in discharging its fiduciary duties. The Chairman has a leadership role in the Board and Board meetings, therefore this position requires an individual with insights over the corporate matters as well as grasp over the industries the Group is operating in. Chairman of the Board ensures Board meeting agenda are carried through accordingly so that issues are updated to Board members, adequately deliberated and properly addressed to.

In addition to assuming a steering role in Board meetings, the Chairman also serves as the bridge between the Board and management of the Company or its subsidiaries, external advisors and the external auditors. During annual general meetings, Chairman of the Group will also assume the role of communication between shareholders and the Company.

- **SEPERATION OF POWER**

  Currently, Sinotop Board is led by a seasoned practicing lawyer with exposure in the corporate arena. The positions of Chairman and Group MD of the Group are held by two separate directors. Chairman of the Group is an independent non-executive director.

  The segregation of the roles ensures balance of power and authority. The Chairman is responsible for the orderly conduct of the Board while the Group MD is responsible in ensuring the effective and efficient running of the Group's business and daily operations, as well as implementation of the Board's decisions. Segregation of positions (Chairman vis-à-vis Group MD) complies with the recommended best practice in the MCCG 2017.

- **INDEPENDENCE OF NON-EXECUTIVE DIRECTORS**

  The Independent Directors fulfil the criteria of independence as set out in the MMLR. The Board adopts a policy on annual assessment of independent directors and has undertaken an assessment of independence of the three (3) independent directors for the financial period ended 30 June 2018. The criteria used in assessing the independence of the independent directors are based on definition in MMLR, as well as whether they are able to provide objective and independent views on issues deliberated at Board and Board Committee levels. The Board has received written confirmation of independence from the respective independent directors.

iii) **NON-EXECUTIVE DIRECTORS' TENURE OF SERVICE**

Under the MCCG 2017, service tenure of an independent director which exceeds a cumulative term of nine (9) years ("**Term**") upon completion of term, the re-election of such an independent director is subject to the annual approval by shareholders.

MCCG 2017 provides that after the Term, the independent director may continue to serve on the Board subject to:

a) the director's re-designation as a non-independent director; or
b) approval granted by shareholders in a general meeting for the independent director to be re-elected/re-appointed and continue to serve on the Board.

iv) **RE- APPOINTMENT OF A LONG SERVICE INDEPENDENT DIRECTOR**

Datuk Dr. Ng Bee Ken ("**Datuk Dr. Ng**"), the Independent Non-Executive Chairman who is also Chairman of the Audit Committee and a member of both Nominating and Remuneration Committees, was appointed to the Board on 27 January 2006 and has served the Company for a cumulative term of twelve (12) years.

The Board has reviewed and opined that Datuk Dr. Ng shall continue to serve the Board of the Company as Independent Non-Executive Chairman (Board and the Audit Committee). Through assessment of independence and regular engagement with Datuk Dr. Ng, the Board is of the view that the length of Datuk Dr. Ng's service on the Board does not in any way jeopardize the exercise of his independent judgement and capability to act in the best interest of the Company.

In view of the above, the Group is desirable for Datuk Dr. Ng to be retained as an independent director of the Company and as recommended under Recommendation 4.3 of the MCCG 2017, the Company will proceed to seek shareholders' approval to support the Board's decision to retain Datuk Dr. Ng as the Independent Non-Executive Chairman of the Company based on the following justifications:

a) Datuk Dr. Ng fulfils the criteria under the definition of Independent Director as stated in the MMLR;
b) Datuk Dr. Ng's stewardship of the Board has brought an element of objectivity to the Board;
c) Datuk Dr. Ng being a seasoned law practitioner has accumulated vast diverse corporate exposure and therefore would be able to provide constructive viewpoints objectively, which definitely is advantageous to the Group and its shareholders;
d) Datuk Dr. Ng's independence has not in any circumstance been jeopardized; due care was exercised during his tenure of service; and
e) Datuk Dr. Ng had not entered into any related party transactions with the Group and has no conflict of interest with the Group.

v) **POLICIES**

Company policies set by the management will be tabled to the Board for review, deliberation and approval as to its appropriateness. After these policies were granted initial approval for coming into force, there will be reviews being carried out from time to time to ensure its relevance to the prevailing market conditions of the Group's businesses, corporate governance requirements as well as adequacy in management of risk factors faced by the Company.

vi) **COMPANY SECRETARY**

The roles of Company Secretary ("**CS**") have evolved to encompass the advisory role on compliance to and new development of corporate governance matters, in addition to keeping of statutory records and minutes of meeting (Board and Board committees) and filing of mandatory return. The Company and the Board is supported by a well-qualified joint-Company Secretary.

Principally, CS plays the following roles, of which the list is not exhaustive:

- Recording of minutes of Board and Board committees meetings;
- Maintaining and updating of statutory books, registers, meeting minutes and records of the Company;
- Ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded;
- Ensure that any change in the Group's statutory information should be duly completed in the relevant prescribed forms and lodged with the Registrar of Companies within the required period of time;
- Updating and explaining to the Board on corporate governance requirements and the actual practices that meet the compliance requirements; and
- Advising the Board/Board committees on the requirements to issue announcements to Bursa Securities pertaining to compliance to or deviation from listing requirements, corporate developments and/or transactions that entail mandatory public announcements.

2. BOARD COMPOSITION

INTRODUCTION

The Company is helmed by a Board comprising members of different background, including seasoned entrepreneurs, professional civil engineer, corporate law practitioners, corporate finance professional with accounting and auditing exposure. The Board presently comprises three (3) executive directors and three (3) independent non-executive directors, which complies to the MCCG 2017 recommendation that at least half of the Board comprises independent directors.

BOARD MEMBERS

During the financial period ended 30 June 2018, the Board consists of six (6) Directors, namely:

Director	Designation
Datuk Dr. Ng Bee Ken	Independent Non-Executive Chairman
Pan Ding	Group Managing Director / Executive Director
Pan Dong	Executive Director
Dato' Soo Sze Ching	Executive Director
Low Yan Seong	Independent Non-Executive Director
Wan Kamarul Zaman Bin Wan Yaacob	Independent Non-Executive Director

The Board opines that the current composition of Board members is of a balanced mix of professional background and industrial experience, of which the size is optimum too. Profile of the Board members is as set out on pages 3 to 5 of this Annual Report.

A) ANNUAL ASSESSMENT OF BOARD MEMBERS (SELF EVALUATION) AND ASSESSMENT ON PERFORMANCE OF BOARD COMMITTEES

During the financial period ended 30 June 2018, Directors of the Company performed self-evaluation and assessment on the performance of Board Committees.

The objectives of the self-evaluation of Directors are

- assessment on the overall understanding as a Director of a listed company and initiate improvement of Board effectiveness ;
- assessment on the contribution of views, insights when carrying out the fiduciary duties as Director of a listed company, either in individual capacity or collectively as a Board; and
- assessment on the level of participation and commitment as Board members.

The Board is satisfied over the self-evaluation of Board members that due care has been exercised while Board members were carrying out their fiduciary duties.

In addition, MCCG 2017 recommends that the Board shall undertake annual assessment of the independence of its independent directors. In line with this recommendation, the Board has outlined a policy to facilitate procedures for the annual independence assessment of the Group's Independent Directors.

The assessment on independent directors for the current financial period ended 30 June 2018 has been duly completed.

B) DIRECTORS' APPOINTMENT AND RE-ELECTION

In accordance with the provisions of the Constitution of the Company, Directors who are appointed during the period are required to retire at the Annual General Meeting following his appointment. One-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office provided always that an election of Directors shall take place each year and that all directors shall retire from office once at least in every three years. All directors who retire from office shall be eligible for re-election.

C) DIRECTORS' TRAINING

MMLR requires that directors of listed companies are to keep themselves abreast of the relevant development on corporate governance and industrial knowledge that relate to the Group. Prior to their appointment, all directors have undergone the prerequisite requirement of attending the Mandatory Accreditation Programme (MAP) pursuant to requirement of Bursa Securities.

i) ANNUAL TRAINING REQUIREMENTS

The Board has empowered the directors to determine their own training requirements as they may deem fit and necessary to broaden their exposure in the relevant subject matters that are appropriate to contribute to the Group's success. The following are training courses attended by the directors during the financial period ended 30 June 2018:-

Datuk Dr. Ng Bee Ken	▪ Sun Tzu Art of Management and Leadership ▪ 18^{th} China (Guangzhou) International Spring Industry Exhibition ▪ Updates on Applicable Amendments of Malaysian Financial Reporting Standards and International Financial Reporting Standards ▪ Updates on Applicable Amendments of MMLR, MCCG and Companies Act 2016
Pan Ding	▪ Seminar on the Current Economy and Financial Trend ▪ Seminar on Promoting the Listing of Companies in Suzhou City ▪ Educational Training Course on Visionary Beliefs ▪ Seminar on Occupational Safety for Management Level Staff ▪ Seminar on the Strategic Development of Wujiang Rural Commercial Bank
Pan Dong	▪ Seminar on the Current Economy and Financial Trend ▪ Seminar on Occupational Safety for Management Level Staff
Dato' Soo Sze Ching	▪ Director's Mandatory Accreditation Programme
Low Yan Seong	▪ Building Retirement Fund Through Stocks and ETFs Investing
Wan Kamarul Zaman Bin Wan Yaacob	▪ International Professional Practices Framework for Audit Committee ▪ AMLA, Market Misconduct, Chinese Wall and Prevention ▪ Sun Tzu's Art of War for Traders and Investors

D) GENDER DIVERSITY POLICY AND TARGET

The Company supports the notion that the Board should see some diversity not only on professional specialization of directors and senior management but also their gender. The Company reckons that female directors and senior management will be given an equitable chance if their qualification and professional skills meet the requirements of the Company.

3. REMUNERATION

A) DIRECTORS' REMUNERATION POLICY AND PROCEDURE

The group has drawn up a policy on remuneration of the executive and non-executive directors (collectively known as "**Directors**"). The remuneration policy is drawn up to provide a proper, systematic and documented set of procedures as guidelines for the RC in determining the remuneration packages of Directors.

RC recognizes that for an effective talent management, there is a need to be fair in rewarding the Directors in order to attract, retain and motivate the talents. RC's role is to set remuneration levels which ensure that the Directors are fairly and adequately rewarded for their performance of roles and duties.

The RC comprises the following members, all of whom are independent directors:

CHAIRMAN

Wan Kamarul Zaman Bin Wan Yaacob	Independent Non-Executive Director

MEMBERS

Datuk Dr. Ng Bee Ken	Independent Non-Executive Chairman
Low Yan Seong	Independent Non-Executive Director

i) FACTORS TO DETERMINE THE REMUNERATION OF DIRECTORS

- Scope of responsibilities of Directors in accordance with their roles assumed in the Group and/or Company and the degree of complexity of these duties;
- Expertise, professional/industrial background of Directors;
- Management experience of Directors;
- Availability of similar talents as prospective candidates for directorship;
- Performance and contribution of the Directors towards achievement of the Group/Company;
- Market rates of Directors' salary/fees; and
- Market practices of other benefits such as payment of allowances, bonuses and benefits-in-kind.

ii) REMUNERATION STRUCTURE OF DIRECTORS

- **REMUNERATION OF EXECUTIVE DIRECTORS**

  a) All executive directors ("**ED**") are paid a fixed basic salary that commensurate with their expertise, professional/industrial background that have entailed their appointment as Directors; and

  b) All EDs are entitled to and will be paid meeting allowances for their attendance in meetings of the Board and/or Board Committees

  The EDs shall abstain themselves from the deliberation and voting on of his remuneration packages, but may attend the meeting of the RC by invitation.

- **REMUNERATION OF NON-EXECUTIVE DIRECTORS**

  a) Non-Executive Directors ("**Non-ED**") are paid a fixed amount of director's fee, without participation in any long term provident plans or pension schemes. The quantum of fee is varied between a more senior Non-ED who also assumes the role as Chairman of the Board, and other ordinary Non-EDs who sit in the Board of the Company.

  b) All Non-EDs are entitled to and will be paid meeting allowances for their attendance in meetings of the Board and/or Board Committees.

  The remuneration of Non-EDs is determined by the Board as a whole, based on recommendation tabled to the Board by RC. Similarly, the Non-ED concerned shall abstain from discussion of his remuneration package.

  The Board may review this policy from time to time to ensure its relevance to the prevailing conditions and circumstances.

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Company No: 114842 - H

B) DISCLOSURE ON DIRECTORS' REMUNERATION

The remuneration received by Directors for the 18-month financial period ended 30 June 2018 is tabulated as follows:-

Received from the Group

Executive Directors	**Salaries & Bonus**	**Allowances**	**Defined Contribution**	**Total**
	RM	RM	RM	RM
Pan Ding	187,228	8,000	7,939	203,167
Pan Dong	187,228	6,000	7,939	201,167
Dato' Soo Sze Ching	540,000	1,243	64,800	606,043
	914,456	15,243	80,678	1,010,377

Independent Non-Executive Directors	**Fee**	**Allowances**	**Defined Contribution**	**Total**
	RM	RM	RM	RM
Datuk Dr. Ng Bee Ken	90,000	7,000	-	97,000
Low Yan Seong	54,000	8,000	-	62,000
Wan Kamarul Zaman	54,000	7,000	-	61,000
	198,000	22,000	-	220,000
Grand total	1,112,456	37,243	80,678	1,230,377

Received from the Company

Executive Directors	**Salaries & Bonus**	**Allowances**	**Defined Contribution**	**Total**
	RM	RM	RM	RM
Pan Ding	-	-	-	-
Pan Dong	-	-	-	-
Dato' Soo Sze Ching	-	-	-	-
	-	-	-	-

Independent Non-Executive Directors	**Fee**	**Allowances**	**Defined Contribution**	**Total**
	RM	RM	RM	RM
Datuk Dr. Ng Bee Ken	90,000	7,000	-	97,000
Low Yan Seong	54,000	8,000	-	62,000
Wan Kamarul Zaman	54,000	7,000	-	61,000
	198,000	22,000	-	220,000
Grand total	198,000	22,000	-	220,000

C) REMUNERATION OF TOP MANAGEMENT

Received from the Group

	Salaries & Bonus /	Allowances	Defined Contribution	Total
	RM	RM	RM	RM
Pan Ding, Group Managing Director	187,228	8,000	7,939	203,167
Pan Dong, Executive Director	187,228	6,000	7,939	201,167
Dato' Soo Sze Ching, Executive Director	540,000	1,243	64,800	606,043
	914,456	15,243	80,678	1,010,377

Received from the Company

	Fee	Allowances	Defined Contribution	Total
	RM	RM	RM	RM
Pan Ding, Group Managing Director	-	-	-	-
Pan Dong, Executive Director	-	-	-	-
Dato' Soo Sze Ching, Executive Director	-	-	-	-
	-	-	-	-
Grand total	914,456	15,243	80,678	1,010,377

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AUDIT COMMITTEE

The Audit Committee ("**AC**") is responsible in assisting the Board to review the adequacy and integrity of the Group's financial reporting, risk management and internal control systems. The AC reviews all financial statements before recommending the Board for approval. The detailed roles, functions and responsibilities of the Audit Committee can be found on the Terms of Reference on the Company's website www.sinotop.com.my.

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges it is crucial for the Group to maintain a sound system of risk management and internal control ("**RMIC**"), which is capable of providing reasonable assurance that the Group's assets and shareholders' investments in the Group are safeguarded. Nonetheless, due its inherent nature, the Group's RMIC system can only provide reasonable but not absolute assurance against material misstatements, fraud or wilful circumvention of rules and procedures.

In recognition of the importance of having in place a structured and organised approach to identify and manage appropriately risk factors affecting the Company, a risk management and internal control framework has been established to set out principles of the Company's risk identification and management culture, which provide input of its internal control system.

A Statement on Risk Management and Internal Control of the Company is set out on pages 44 to 47 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. INTERGRITY IN CORPORATE REPORTING

Corporate reporting of the Company primarily comprises of financial results reporting, compliance-related reporting and corporate activities reporting.

A) FINANCIAL REPORTING

The Company presents quarterly public financial announcements in accordance with the MMLR. The Board is assisted by the Audit Committee in ensuring quality and timely release of financial reports. The Board is responsible to ensure that the financial statements conform to the applicable rules, regulations and accounting standards issued by the Malaysian Accounting Standards Board.

B) COMPLIANCE-RELATED REPORTING

Compliance-related reporting mainly concerns matters like announcement on book closure date, entitlement date and status updates on non-compliance to the public shareholding spread that requires at least 25% of the Company's shares must be held by public.

C) CORPORATE ACTIVITIES REPORTING

Corporate activities reporting relate to announcement of plans and progress status updates on corporate exercises of the Company.

D) REGULATORY REQUIREMENTS AND INTERNAL POLICY ON DISCLOSURE

i) **MAIN MARKET LISTING REQUIREMENTS ("MMLR")**

MMLR requires that listed companies have obligations to make continuing disclosures on the following:

- Immediate disclosure of material information;
- Clarification, confirmation or denial of rumours;
- Unusual market activities; and
- Quarterly disclosures of financial results and annual audited financial reports.

ii) **MCCG 2017**

Under the guidelines of MCCG 2017, there are various recommendations on best practices of corporate governance the Group has duly adopted.

iii) **CORPORATE DISCLOSURE POLICY ("CD")**

The Group has outlined a Corporate Disclosure Policy as guidance apart from reference to the MMLR, Companies Act 2016 and other relevant laws and regulations in providing transparent, timely and coherent disclosures of information to the investing public.

- **EXTRACT OF CORPORATE DISCLOSURE ("CD") POLICY**

  The Group has drawn up a formal corporate disclosure policy that is aimed at providing a structured and clear set of guidelines based on the regulatory disclosure requirements on the disclosure obligations of a listed company.

  a) OBJECTIVES

  The CD policy is a commitment that the Company adheres strictly to the disclosure obligations. It is one of the internal guidelines in place to ensure disclosures obligations are adhered to in a proper and timely manner in practicing good corporate governance.

  It also serves to bridge the communication gap between the Company and its shareholders and the investing public at large, as well as all other groups of stakeholders.

b) SCOPE OF APPLICATION

This CD policy applies to all directors, management, officers and employees of the Company and its subsidiaries. This policy aims at providing awareness and a clear direction to the Board, management, officers and employees on the Company's disclosure obligations, requirements and responsibilities of relevant persons.

c) OVERSIGHT BY THE BOARD

Ultimately, the Board is responsible for the adherence to disclosure requirements under the applicable laws, regulations and rules. Hence, disclosure of all material information shall only be made after the Board has resolved to make such announcement and/or disclosure of material information.

d) **BASIS FOR DISCLOSURE**

Disclosure of information will be made when the management have assessed it and determined that the information and/or its implication is material. Material information is defined as any information about the Company and its subsidiaries which are reasonably believed to have material impact on its :-

- ➢ share price and/or market activities over its shares
- ➢ the decision of a holder of securities of the Company or an investor in determining his choice of action

e) **JUDGEMENTAL DECISION REGARDING MATERIALITY**

Materiality is a subjective matter. The Company will take the appropriate approach in assessing and deciding the materiality of the event and its likely impact on the Company's share price and trading activities in its shares. Based on the available information, the Board, with due consultation with our Company Secretary, will be able to decide whether these events are material information as defined in the MMLR and hence the requirement to make immediate announcement.

The Company will make immediate announcement to Bursa Securities the events that are material in nature and those as set out in the Paragraph 9.19 in the MMLR when criteria of the events warrant such immediate announcement.

f) **METHODS OF DISCLOSURE**

Immediate announcements will be made to Bursa Securities on material information that warrants the immediate disclosure based on the Chapter 9 of MMLR requirements

g) **CONSISTENCY**

The Company shall be consistent in applying methodology and approaches in deciding the materiality level of events

h) **WITHHOLDING OF INFORMATION**

Material information will be temporarily withheld and kept confidential should the immediate disclosure of such information is detrimental to the interests of the Company. The Board of Sinotop shall decide on the appropriate timing for disclosure of such material information after appropriate assessment.

i) **FACTUAL DISCLOSURE**

The Company shall only make factual disclosure.

j) **PROMPT DISCLOSURE**

The Company will promptly disclose unfavourable information, applying the similar consistency principle on the disclosure of favourable information.

k) **AUTHORISED SPOKESPERSON OF THE GROUP**

The Company's authorized spokesperson would be the Chairman, Group Managing Director / Executive Director and any designates that such authorized spokesperson may appoint.

l) **RECORDS MAINTENANCE**

The Company will maintain a copy of the announcement and other forms of disclosure of information in our database. Such announcement and other disclosure materials will also be made available for public access on the Company's corporate website for a reasonable period of time.

2. MEANINGFUL RELATIONSHIP WITH SHAREHOLDERS AND STAKEHOLDERS

Listed below are the channels that the Company uses to promote and enhance shareholders and/or stakeholders communication. In fact, the Group communicates with all stakeholders via the similar channels (except dissemination of annual reports according to the record of depository).The Group has outlined a policy on communication as guidelines to handle relationship with various stakeholders and some in particular with shareholders.

The Company has also established a Statement on Shareholders' Rights which clearly spelt out the de-facto rights of shareholders. Salient terms of the said statement are made available for review at the Company's website at www.sinotop.com.my.

A) CHANNELS OF COMMUNICATION WITH SHAREHOLDERS

The Group utilizes the following communication channels to engage with stakeholders and/or shareholders:-

i) **ANNOUNCEMENT MADE ON BURSA SECURITIES WEBSITE**

The Group releases periodical announcements on Bursa Securities website, which the public, shareholders and other stakeholders can easily access these reports on computers, iPad and smart phones. The Company's corporate website will also be updated with these announcements.

ii) **DISSEMINATION OF INFORMATION ON THE COMPANY'S WEBSITE**

Other than periodical and ad-hoc announcements, the Group also discloses essential information on its website www.sinotop.com.my. Certain corporate policies and Board Charter are uploaded on the corporate website for access by the investing public and other interested parties. Shareholders and the public could register for the Company's news alert at the website in order to receive the Company's newly posted news and announcements via email.

iii) **DISTRIBUTION OF ANNUAL REPORTS TO SHAREHOLDERS**

The Group publishes annual reports for distribution to shareholders within the stipulated timeframe prior to holding of Annual General Meetings. Electronic version of the full report (contained in a CD) and the printed abridged version are disseminated to shareholders via ordinary postal service at their registered address in accordance with details in the shareholders register.

The annual report contains essential information of the Group, including the audited financial report, corporate governance statement, updates on the Group's risk management and internal control system and report from the Audit Committee, amongst all. By referring to the annual reports, shareholders are updated on the Group's financials and corporate development.

3. CONDUCT OF GENERAL MEETING

General meeting ("**GM**") is the principal forum for dialogue and interaction with the shareholders of the Company. GM can be called on an annual basis, which is the annual general meeting or on an ad-hoc basis, which is an extraordinary general meeting for the purpose of tabling important corporate proposals for poll voting decision making by entitled shareholders. All members of the Board will be present at the general meetings. The Board values feedback from and interaction with shareholders. Shareholders are encouraged to attend and participate actively in reciprocal ways with the Board and management of the Company, at general meetings. Question and answer session open to all shareholders present at the general meetings.

OTHERS

1. ACCOUNTABILITY AND AUDIT

A) ACCOUNTABILITY GUIDED BY THE CODE OF BUSINESS CONDUCT

i) OVERVIEW

A formal Code of Business Conduct ("**CBC**") has been established and mandated for adherence by staff of the Group at all levels. The objective of the CBC is to have a clearly documented set of guidelines pertaining to directives from the Board pertaining to values and spirits of ethical practices that are expected to be observed at all levels, from Board members to operational staff. The CBC is the written guidelines for the setting of the Group's ethical culture that are to be embedded as part of the Group's culture in in own ecosystem.

When dealing with situations where there is potential conflict of interests, all directors and employees are expected to act in good faith for the best interest of the Group at all times. Salient terms of Code of Business Conduct are made available on the Company's website at www.sinotop.com.my.

The CBC is subject to review from time to time to adapt to changes in the internal and external environment, including but not limited to amendments in rules, laws and regulations applicable to the Group and it was last reviewed on 10 October 2018.

ii) GIST OF THE CBC

- Core values of the Group
- Dealing with conflicts of interest
- Definition of related parties and related parties transactions
- Compliance to applicable law, regulations and rules
- Confidentiality of information
- Environment, health and safety
- Discrimination and harassment
- Group assets
- Resignation and termination of employment
- Whistle-blowing policy
- Communication and implementation of the CBC

iii) BOARD'S COMMITEMENT TOWARDS PRACTICING GOOD CORPORATE GOVERNANCE

The Board is mindful over the practice and cultivation of a culture of observing and practicing corporate governance best practices.

B) FINANCIAL REPORTING

ANNOUNCEMENT OF FINANCIAL RESULTS

The Company make quarterly announcement of financial results in accordance with the provisions in MMLR. The Board is assisted by the AC in ensuring quality and timely release of financial reports. The Board, collectively, is responsible to ensure that the financial statements conform to the applicable rules, regulations and accounting standards issued by the Malaysian Accounting Standards Board.

The Audit Committee goes through the financial reports and recommends to the Board as to its appropriateness for release to the general investing public and regulatory bodies. All announcements are tabled to the Board for approval prior to their official release. Every effort is taken to ensure that the announcements present a balanced and understandable assessment of the Group's position and prospects.

C) AUDIT

RELATIONSHIP WITH THE EXTERNAL AUDITORS

- **THROUGH AUDIT COMMITTEE**
  The Board maintains a transparent and formal relationship with the external auditors through the Audit Committee. The Audit Committee meets with the external auditors at least twice a year without the presence of the executive directors and management for feedback of matters regarding the management.

- **ASSESSMENT OF THE EXTERNAL AUDITORS**
  The Company has put in place the policies and procedures to assess the suitability and independence of external auditors. The AC at its meeting held on 10 October 2018 undertook an annual assessment of the suitability and independence of the external auditors in accordance with the Board's Policy and Procedure on Evaluation of External Auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of Crowe Malaysia and the level of non-audit services to be rendered by Crowe Malaysia to the Company for the financial period ended 30 June 2018. The Board is satisfied with their performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Company's Policy and Procedure.

2. RESPONSIBILITY STATEMENT BY THE BOARD

In the course of preparing the annual financial statements of the Group and the Company, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the requirements of the applicable Approved Accounting Standards in Malaysia, the provisions in Companies Act 2016 and the MMLR.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Company present a true and fair view of the state of affairs of the Group and the Company as of the end of the financial year/period (where applicable) and the results and cash flows for the year/period then ended.

The Directors have applied the appropriate and relevant accounting policies on a consistent basis and made judgments and estimates that are reasonable and fair in preparing the financial statements of the Group and the Company. The financial statements are prepared on going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that a reasonably reliable control system ("**System**") is in place for the assets of the Group and the Company to be properly safeguarded. The System is designed with the objectives for the prevention and detection of fraud and other irregularities. Nevertheless, the System, by its inherent nature, can only provide reasonable but not absolute assurance against material misstatements, loss and fraud.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out in page 53 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

AUDIT FEE

The amount of audit fee incurred by the Company and on group basis during the financial period ended 30 June 2018 are RM140,000 and RM270,000.

NON AUDIT FEE

There amount of non-audit fee incurred by the Company and on group basis during the financial period ended 30 June 2018 is RM73,000.

VARIATION OF RESULTS

Not applicable.

MATERIAL CONTRACTS

The Company had on 20 April 2018 entered into a binding term sheet with Dato' Soo Sze Ching ("**Dato' Soo**") to explore and negotiate further with Dato' Soo on a proposed acquisition by Sinotop of at least 60% equity interest and/or up to the entire equity interest in Asianmax Corporation Sdn. Bhd. ("**ACSB**") from Dato' Soo and/or such other shareholder(s) of ACSB to be procured by Dato' Soo for an indicative total purchase consideration of up to RM165.00 million for the entire stake.

RECURRENT RELATED PARTY TRANSACTIONS

The following is a significant related party transaction that the Group entered into during the financial period:
The Group rendered project management services amounted to RM248,000 (2016 : RM255,000) to Asianmax Corporation Sdn. Bhd., in which one of the Executive Directors of the Company, Dato' Soo is a substantial shareholder.

COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF MCCG 2017

The Company complies with the Principles and Best Practices of the MCCG 2017. The Board will endeavor to improve and enhance the procedures from time to time.

SINOTOP HOLDINGS BERHAD (Incorporated in Malaysia)
Company No: 114842 - H

AUDIT COMMITTEE REPORT

1) COMPOSITION

As at the date of this Annual Report, the Audit Committee ("**Committee**") comprised the following members:

CHAIRMAN

Datuk Dr. Ng Bee Ken	Independent Non-Executive Chairman

MEMBERS

Low Yan Seong	Independent Non-Executive Director
Wan Kamarul Zaman Bin Wan Yaacob	Independent Non-Executive Director

2) MEETINGS

Eight (8) meetings were held during the financial period ended 30 June 2018. The summary of attendance of each member is as follows:

Members	Number of Meetings Attended
Datuk Dr. Ng Bee Ken	7/8
Low Yan Seong	8/8
Wan Kamarul Zaman Bin Wan Yaacob	7/8

The Group Managing Director, executive directors and certain senior management staff were invited to attend the Committee's meetings. The external auditors also attended the meetings by invitation to brief the Committee the nature and scope of their audit as well as presenting to the Committee the audit planning memorandum and audit review reports as well as their results on the evaluation of the system of internal controls.

The Committee had conducted two (2) private discussion sessions with the external auditors, without the presence of Executive Directors and management staff, during the financial period ended 30 June 2018.

3) TERMS OF REFERENCE

The Committee had discharged its function and carried out its duties as set out in its Terms of Reference. During the financial period, the Terms of Reference of the Committee was enhanced to be in line with the changes made to MMLR on strengthening the role of the Committee when reviewing financial statements.

The Terms of Reference is accessible through the Company's website at www.sinotop.com.my.

4) SUMMARY OF WORK DONE BY THE COMMITTEE

The following works had been carried out by the Committee during the financial period ended 30 June 2018 in discharging its functions and duties:

i) Reviewed the quarterly unaudited financial results and related announcements and recommended the same to the Board of Directors ("**Board**") for consideration and approval;

ii) Reviewed and approved the Group's financial statements for the financial year ended 31 December 2016;

iii) Reviewed and approved the audit plan and scope of work presented by the external auditors for the statutory audit of the Group's financial statements for the financial period ended 30 June 2018;

iv) Conducted two (2) private discussion sessions with the external auditors, without the presence of Executive Directors and management, in February 2017 and May 2018;

v) Reviewed the Internal Audit Report prepared by the internal auditors;

vi) Reviewed the Statement on Risk Management and Internal Control before recommending to the Board for approval for insertion into the Company's Annual Report;

vii) Reviewed on the benefits to the Group of a change in financial year end from 31 December to 30 June;

viii) Reviewed the annual audited financial statements of the Group with the external auditors prior to the presentation to the Board for approval. The review focused particularly on changes of accounting policy, significant matters highlighted including financial reporting issues, significant and unusual events / transactions and how these matters are addressed and compliance with applicable approved accounting standards in Malaysia;

ix) Reviewed on quarterly basis, the summary of related party transactions and confirming that there was none being undertaken by the Group during the financial period ended 30 June 2018;

x) Reviewed on quarterly basis, the trade receivables and ageing analysis of the Group;

xi) Reported to the Board on matters discussed and addressed at meetings of the Committee;

xii) Reviewed and discussed with the external auditors on significant issues noted in the course of their audit of the Group; and

xiii) Reviewed and recommended to the Board the re-appointment of external auditors and their audit fees.

5) SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Group recognizes the valuable review provided by internal auditors in assisting the Committee to ascertain the integrity and adequacy of the risk management and internal control ("**RMIC"**) system, and currently in operation at the Group. The internal auditors are directed by the Board to report directly to the Committee on results of annual internal audit review carried out on the Group's RMIC system and the findings. The Committee has been made understood that any internal audit review provides a reasonable assurance but not absolute guarantee over the integrity and proper functioning of the Group's RMIC system.

During the financial period, with the recommendation of the Committee, the Board has outsourced the internal audit function of the Group to a certified public accountants ("**CPA**") firm namely Suzhou Hao Sheng Certified Public Accountants ("**IA**"), which based in Suzhou City, Jiangsu Province of the People's Republic of China. This is the second term internal audit review that Messrs Suzhou Hao Sheng has been appointed by the Group.

In respect of the current cycle of internal audit, the IA performed a review on the work safety topic of Top Textile (Suzhou) Co., Ltd's ("**Top Textile**") production and its implementation. The IA reported that Top Textile's work safety management is divided into three stages, namely,

- The initial application of work safety (measures) based on 5S principles;
- Strengthening of the integration of PDCA cycle management with activities in the 5S principles; and
- Promoting continual training on safety-related topics

A report of the internal auditors' findings and recommendations was presented to the Committee for review and deliberation. The Committee looked into the internal audit report with emphasis on the reasonable comfort provided by the IA's conclusion that the work safety standard level at Top Textile is at the forefront of textile industry. A high standard of work safety is important to achieve higher productivity level. With a proper set of work safety guidelines in place, incidents of injury at work, loss of assets and hence the loss of labour force can be reduced, which consequently will enhance the production efficiency and economic benefits to the company. Work safety is indeed a prerequisite condition in production process.

The Committee acknowledged efforts put in by the management in maintaining a high standard work safety measures in the production process.

The cost incurred in outsourcing the internal audit function for the financial period ended 30 June 2018 is RM22,015.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control ("**RMIC**") is drawn pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**MMLR**") and was prepared in accordance with Statement On Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("**SRMIC Guidelines**")

The Board reckons the importance of establishing a sound risk management and internal control system to provide reasonable assurance, but not absolute elimination, of risks that exist in the operations, financial management and reporting as well as regulatory compliance aspects of the Group's operating environment (collectively known as the "**Overall Operating Environment**"). It shall be noted that the risk management and internal control system was designed to manage and monitor rather than to eliminate risks that could result in the Group not achieving its objectives.

The Group has an equity interest of 50% in a joint venture, namely HL Painting Co. which has not been dealt with as part of the Group for the purpose of applying the SRMIC Guidelines. Accordingly, the Board is pleased to provide the following statement, which outlines the nature and scope of Group internal controls during the financial period ended 30 June 2018.

THE GOVERNING LAWS AND REGULATIONS

MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("MCCG 2017") & CORPORATE GOVERNANCE GUIDE – THIRD EDITION ISSUED IN 2017 ("CG GUIDE 2017")

The MCCG 2017 and CG Guide 2017 require that Board of Directors of listed issuers to maintain a sound risk management and internal control system to safeguard shareholders' investments and the Group's assets.

ROLES AND RESPONSIBILITY OF THE BOARD OF DIRECTORS ("BOARD")

The Board is responsible for

(i) **OVERSIGHT AND ASSESSMENT OF GROUP RMIC FRAMEWORK (SYSTEM AND PROCEDURES)**

The Board holds an oversight role in the Group RMIC matters, in relation to the overall RMIC system and procedures, primarily to the key business and operational risk factors faced by the Group, as well as assessment of the impact on the Group's exposure to these risks. This is the very first important step in efforts devoted in safeguarding the Group's assets, shareholders' and other stakeholders' interests.

In the course of assessing the risk factors, the Board collectively determines the Group's tolerance level to each risk factor, to ensure sustainability of the Group's business continuity is not compromised.

(ii) **ENSURING APPROPRIATE AND TIMELY ACTIONS AND UPDATES**

The management is accountable to the Board for the initiation and implementation of risk management and internal control system. These encompass the efficient execution of appropriate, effective procedures (that captures relevant data and able to produce reports to alert the management on any potential breach of risk tolerance level).

After the initial stage of designing and implementing of the RMIC system, preservation of its integrity will be the next most important task. In contrast, the Board plays the role of ensuring the management are alert to risk threatening the Group and responds to situation promptly. The Board has made it a fixed agenda that it receives regular status updates in Board meetings on project progress, relevant preventive and/or remedial action plans (where applicable) as well as results of remedial actions taken. The Board revisits and follows up on aspects highlighted previously by the executive directors in subsequent AC and Board meetings.

ROLES OF MANAGEMENT TEAM

The management team is responsible for

(i) **IDENTIFICATION OF SPECIFIC ISSUES, INITIATE AND IMPLEMENT RECTIFICATION PROCESSES & PROCEDURES**

The management team of subsidiaries collectively are the key persons who identify, evaluate and assess the risk factors that exist in the Overall Operating Environment. Subsequent to performing evaluation and assessment of risk factors identified, the management team, after due discussion and with approval from executive directors, will device and implement appropriate measures to automate/compile exceptional reports from the RMIC system for review and resolve of risk issues. The management team is responsible for the continuous management and monitoring of various issues on business and/or operational risks within their respective delegated authority.

(ii) **REPORTING TO THE GROUP'S AUDIT COMMITTEE ("AC")**

Executive directors of the Group report to the AC, in quarterly meetings and other ad hoc meetings, on findings and progress status updates on the overall RMIC system effectiveness in management decision-making. During the current reporting financial period, management team adhered to the same procedures adopted in the previous financial years. Nonetheless, the Group's RMIC framework has built in the expectation for changes and/or enhancement in procedures/processes whenever situations warrant such changes and/or enhancement for effective and efficient resolution of RMIC issues.

The Board will be updated with progress of the management and monitoring of key risk areas and is satisfied that the Management has initiated reasonable and adequate processes to mitigate undesirable impact on the Group which may arise.

ROLES OF THE AUDIT COMMITTEE ("AC")

The AC was set up to provide oversight and scrutiny over the financial operations and reporting of the Group. A full description of the AC term of reference is disclosed on the Company's website www.sinotop.com.my.

ROLES OF INTERNAL AUDITOR ("IA")

The IA reports directly to the AC, and by extension, to the Board, to provide a reasonable independent assurance, but not absolute guarantee, on the adequacy and effectiveness of the Group's internal control system and its overall control environment. The IA will make enhancement recommendations for the Management and Board to consider. In the current reporting financial year, the Group outsourced its internal audit function to Suzhou Hao Sheng ("**Suzhou Hao Sheng**" or "**IA**") Certified Public Accountants, a public accountants firm based in the Suzhou City of Jiangsu Province, The People's Republic of China ("**China**"). The IA who is responsible for the engagement of internal audit assignment of Top Textile is Mr Ling Yun, a certified public accountant.

The IA is an independent party free from any relationship and conflict of interest with the Company and its subsidiaries and therefore has no impairment as to their independence and objectivity. The IA was carried out within the confine of a carefully drawn up internal audit plan which identifies key auditable areas.

During the current financial period, Suzhou Hao Sheng has been re-appointed to carry out the internal audit of Top Textile. In respect of the current cycle of internal audit, the IA performed a review on the work safety topic of Top Textile (Suzhou) Co., Ltd's ("**Top Textile**") production and its implementation. The IA reported that Top Textile's work safety management is divided into three stages, namely,

➢ The initial application of work safety (measures) based on 5S principles;
➢ Strengthening of the integration of PDCA cycle management with activities in the 5S principles; and
➢ Promoting continual training on safety-related topics.

STRATEGIES TO IDENTIFY AND ADDRESS RISKS

ESTABLISHMENT OF A RISK MANAGEMENT & INTERNAL CONTROL FRAMEWORK

A Risk Management and Internal Control Framework has been established for the purpose of defining the essential elements of a sound and effective RMIC system, identification of risks, assessment & monitoring and detailed description of the risk factors that affect the overall operating environment of the Group.

The RMIC framework serves as a comprehensive structured mechanisms (including documentation) relating to the risk management direction and internal control system of the Group. The RMIC framework encompasses a customised Enterprise Resource Planning system, various company policies that govern the operational segments, Board Charter and Code of Business Conduct that are guidelines for the effective functioning of the Group in a whole.

The framework is subject to and continually being reviewed, from time to time, when new risk issues emerge, resulted from changes either in the internal or external environment, or as highlighted by the internal and/or external auditors.

PERIODICAL PROGRESS STATUS UPDATES

The Group's Management is directed by the Board to update periodically, at quarterly meetings (and other ad hoc meetings, where applicable), the progress status of measures taken within the guidelines of the RMIC framework, in response to mitigate adverse effect of identified risk factors that have significant impact on the Group's business objectives. Apart from progress status reporting of existing risk factors, the management will also report to the AC new risk factors updates at meetings, email communication is another formalised manner of managing information flow.

Day-to-day operations of the Group is delegated to the Group's Management, and therefore the Management is in the best position and holds the irreplaceable role of reporting to the AC, risk factors that evolve / identified in the course of managing the Group's daily business operations.

REVIEW AND UPDATE OF RISK MANAGEMENT POLICIES (WHERE APPLICABLE)

The Company's policies are reviewed by the Management to assess its effectiveness in meeting the risk mitigation/prevention objectives. Company policies will be reviewed from time to time and updated when situation warrants the updating to remain relevant in the prevailing condition (when the review is carried out).

HIGHLIGHTS FROM THE INTERNAL AND EXTERNAL AUDITORS ("AUDITORS")

The Board review feedback from the external and internal auditors ("**Auditors**") pertaining to any absence, weaknesses or deficiencies in the practices that pose significant undesirable consequences to the Group.

In the course of performing audit procedures to obtain audit evidences, the EA gathers information on the deficiencies in the Group's internal control system and highlights these deficiencies in the Report of Deficiencies in Internal Control ("**Report**"). The management studies weaknesses of the Group's internal control system, highlighted by the EA in the Report before furnishing clarification and/or indication to rectify such weaknesses, where practicable. Comments from the Auditors will form the basis where corrective measures are being implemented.

KEY PROCESSES / FEATURES OF INTERNAL CONTROL SYSTEM

(i) Conduct of a yearly internal audit review on major operational areas, for the purpose of obtaining an independent appraisal on the adequacy and effectiveness of the existing internal control system (structure and mechanisms);

(ii) Establishment of an ERP system to enhance the efficiency of processes, flow, data capture and retrieval (for accounting records and performance analysis purposes);

(iii) Establishment of reporting hierarchy and channels to facilitate immediate or timely escalation of issues (depending on situations), from front liners at the production plant to management levels, for effective and/or efficient resolution;

(iv) Open management style culture practiced by the Managing Director, Executive and Non-Executive Directors encourages proactive interaction with senior and middle management staff. This enables timely escalation of issues to the Board and the Board Committees, which helps in making the internal control system more responsive to changes in the operating environment;

(v) The Board meets at least once every quarter to deliberate and be updated on issues that may have significant impact on the Group's financial performance and other aspects. The Executive Directors present to the Board and Board Committees findings in the Group's operating units and rectification measures initiated/planned to mitigate possible financial and non-financial losses; and

(vi) The Group has a Code of Business Conduct which serves as guidance to all employees, about the rules, best practices and attitude that they are expected to observe when carrying out their duties. Employees are expected to act in the best interest of the Group, failing which may result in stern disciplinary actions being taken.

LIMITATION OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

A risk management and internal control system is designed to mitigate rather than to eliminate risks; hence, owing to the inherent limitation of the risk management and internal control system, the Board reckons that the Group's system is unable to provide absolute assurance against events such as poor judgement in decision-making, circumvention of control processes by staff, management overriding control processes and other unforeseen circumstances.

ASSURANCE PROVIDED BY THE EXECUTIVE DIRECTORS

In line with the Guidelines, the Board has received assurance from the Executive Directors dated 27 August 2018 that the risk management and internal control system of the Group is adequate and is operating effectively.

CONCLUSION

The risk management and internal control systems described above have been in place for the financial period under review and up to the approval of this statement for inclusion in the annual report.

The Board believes that the Group's risk management and internal control system is adequate to provide a reasonable (though not absolute assurance) that deficiencies and weaknesses in the Group's internal control system will reasonably be identified and rectified. Nonetheless, the Board is committed in continually enhancing the risk management and internal control system in order to achieve its primary objectives of safeguarding shareholders' investments, Group's assets and interest of other stakeholders, namely suppliers, customers and regulators.

REVIEW OF THE RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT BY THE EXTERNAL AUDITOR

Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Audit and Assurance Practice Guide 3 ("**AAPG 3**") issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 on the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

This statement is issued in accordance with a resolution of the Board dated 10 October 2018.

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period ended 30 June 2018.

CHANGE OF FINANCIAL YEAR END

During the current financial period, the Company has changed its financial year end from 31 December to 30 June.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

RESULTS

	The Group RM'000	The Company RM'000
Profit/(Loss) after taxation for the financial year	122	215
Attributable to:-		
Owners of the Company	122	215

DIVIDENDS

No dividend was recommended by the directors for the financial period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial period:-

(a) the Company completed the following:-

  (i) Capital reduction and repayment of the existing ordinary shares of RM0.20 each in the Company involved the cancellation of RM0.14 of the par value of each ordinary share, of which RM0.1249 from each ordinary share would be set off against the accumulated losses of the Company and RM0.0151 from each ordinary share repaid to the entitled shareholders; and

  (ii) Share consolidation of every five ordinary shares of RM0.06 each in the Company (after the completion of the capital reduction and repayment) into one consolidated share.

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial period, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial period which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial period were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial period and up to the date of this report are as follows:-

Pan Ding
Datuk Ng Bee Ken
Low Yan Seong
Pan Dong
Wan Kamarul Zaman Bin Wan Yaacob
Dato' Soo Sze Ching

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial period in shares of the Company and its related corporations during the financial period are as follows:-

	< ----------------- Number of Ordinary Shares			---------------------- >
The Company	At 1.1.2017 '000	Bought '000	Consolidated '000	Sold '000	At 30.6.2018 '000
Indirect Interests in the Company					
Pan Ding*	1,125,625	-	900,500	-	225,125
Pan Dong*	1,125,625	-	900,500	-	225,125
Dato' Soo Sze Ching#	300,000	-	240,000	-	60,000

* *- Deemed interest by virtue of their direct substantial shareholdings in Gifted Investments Limited.*

 # - Deemed interest by virtue of his direct substantial shareholdings in Noble Pinnacle Sdn. Bhd.

By virtue of their shareholdings in the Company, Pan Ding, Pan Dong and Dato' Soo Sze Ching are deemed to have interests in shares in its related corporations during the financial period to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial period had no interest in shares of the Company or its related corporations during the financial period.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial period was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial period are disclosed in Note 28 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial period, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The significant events during the financial period are disclosed in Note 34 to the financial statements.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 35 to the financial statements.

HOLDING COMPANY

The holding company is Gifted Investments Limited, a company incorporated in The British Virgin Islands.

AUDITORS

The auditors' remuneration are disclosed in Note 24 to the financial statements.

Signed in accordance with a resolution of the directors dated 26 October 2018

Pan Ding

Datuk Ng Bee Ken

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 114842 - H

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Pan Ding and Datuk Ng Bee Ken, being two of the directors of Sinotop Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 59 to 125 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2018 and of their financial performance and cash flows for the financial period ended on that date.

Signed in accordance with a resolution of the directors dated 26 October 2018

Pan Ding **Datuk Ng Bee Ken**

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Pan Ding, being the director primarily responsible for the financial management of Sinotop Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 125 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Pan Ding, at The People's Republic of China on this 26 October 2018

Pan Ding

Before me

Mohamad Ridzuan Bin Zainon
Consular Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINOTOP HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 114842 - H

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sinotop Holdings Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 125.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("*IESBA Code*"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 14 to the financial statements. The Group has granted long credit terms to certain customers ranging from 180 days to 270 days.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINOTOP HOLDINGS BERHAD (CONT'D)
(Incorporated in Malaysia)
Company No: 114842 - H

Key Audit Matters (Cont'd)

We have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of Trade Receivables As disclosed in Note 14 to the financial statements, long credit terms are extended to certain customers and Note 33.1(b)(iii) states that the net amount past due amounted to RM20.301 million at the end of the reporting period. We focused on this area because trade receivables is a major component of the statement of financial position of the Group, the risk of customer insolvency remains high, resulting in significant judgment being applied in the Directors' assessment of the recoverability of its trade receivables.	We performed the following audit procedures:- (a) We considered the history of cash payments, and subsequent receipts from the customers; (b) We tested the adequacy of the Group's allowance for impairment losses against trade receivables by assessing the relevant aging report and debts past due taking into account our own knowledge of recent collection experience; and (c) We also considered sales trend during the financial period for trade receivables, on a test basis.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINOTOP HOLDINGS BERHAD (CONT'D)

(Incorporated in Malaysia)
Company No: 114842 - H

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINOTOP HOLDINGS BERHAD (CONT'D)
(Incorporated in Malaysia)
Company No: 114842 - H

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also (Cont'd):

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINOTOP HOLDINGS BERHAD (CONT'D)
(Incorporated in Malaysia)
Company No: 114842 - H

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia
Firm No: AF 1018
Chartered Accountants

Ooi Song Wan
Approval No: 02901/10/2020 J
Chartered Accountant

26 October 2018

Kuala Lumpur

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 114842 - H

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2018

		The Group		The Company	
		30.6.2018	31.12.2016	30.6.2018	31.12.2016
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	7	-	-	156,227	155,487
Investment in a joint venture	8	6,020	4,655	-	-
Property, plant and equipment	9	42,332	43,172	-	-
Land use rights	10	6,378	7,018	-	-
Investment property	11	4,068	5,810	-	-
Other investment	12	-	14,884	-	-
		58,798	75,539	156,227	155,487
CURRENT ASSETS					
Land use rights	10	170	179	-	-
Inventories	13	13,309	16,817	-	-
Trade receivables	14	52,588	68,842	-	-
Other receivables, deposits and prepayment	15	7,124	2,359	64	11
Amount owing by subsidiaries	16	-	-	-	784
Fixed deposits with licensed banks	17	37,863	445	-	-
Cash and bank balances		24,163	70,279	582	35
		135,217	158,921	646	830
TOTAL ASSETS		194,015	234,460	156,873	156,317
EQUITY AND LIABILITY					
EQUITY					
Share capital	18	118,470	394,899	118,470	394,899
Reserves	19	63,781	(171,425)	(1,471)	(248,301)
TOTAL EQUITY		182,251	223,474	116,999	146,598
CURRENT LIABILITIES					
Trade payables	20	6,806	3,603	-	-
Other payables and accruals	21	4,503	6,550	2,650	2,726
Amount owing to subsidiaries	16	-	-	37,224	6,993
Amount owing to a contract customer	22	^	-	-	-
Current tax liabilities		455	833	-	-
		11,764	10,986	39,874	9,719
TOTAL EQUITY AND LIABILITY		194,015	234,460	156,873	156,317

^ - *less than RM1,000*

The annexed notes form an integral part of these financial statements.

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 114842 - H

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2018

		The Group		The Company	
	Note	1.1.2017 to 30.6.2018 RM'000	1.1.2016 to 31.12.2016 RM'000	1.1.2017 to 30.6.2018 RM'000	1.1.2016 to 31.12.2016 RM'000
REVENUE	23	217,506	172,153	12	9
COST OF SALES		(203,153)	(159,599)	-	-
GROSS PROFIT		14,353	12,554	12	9
OTHER INCOME		5,405	4,505	1,254	115
		19,758	17,059	1,266	124
DISTRIBUTION AND MARKETING EXPENSES		(3,274)	(3,915)	-	-
ADMINISTRATIVE EXPENSES		(10,551)	(7,752)	(1,030)	(1,771)
OTHER OPERATING EXPENSES		(2,750)	(15)	(21)	(5)
SHARE OF RESULTS IN A JOINT VENTURE, NET OF TAX		(593)	(1,113)	-	-
PROFIT/(LOSS) BEFORE TAXATION	24	2,590	4,264	215	(1,652)
INCOME TAX EXPENSE	25	(2,468)	(2,231)	-	-
PROFIT/(LOSS) AFTER TAXATION		122	2,033	215	(1,652)
OTHER COMPREHENSIVE INCOME					
<u>Items that May be Reclassified Subsequently to Profit or Loss</u>					
Foreign currency translation differences		(11,531)	(5,360)	-	-
TOTAL COMPREHENSIVE (EXPENSES)/ INCOME FOR THE FINANCIAL PERIOD/YEAR		(11,409)	(3,327)	215	(1,652)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		122	2,033	215	(1,652)
TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:-					
Owners of the Company		(11,409)	(3,327)	215	(1,652)
EARNINGS PER SHARE (SEN)					
- Basic	26	0.02	0.10		
- Diluted	26	0.02	0.10		

The annexed notes form an integral part of these financial statements.

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 114842 - H

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2018

		Non-Distributable		Distributable	
The Group	Share Capital RM'000	Statutory Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profit/ (Accumulated Losses) RM'000	Attributable to Owners of the Company RM'000
At 1.1.2016	394,899	15,386	59,479	(242,963)	226,801
Profit after taxation for the financial year	-	-	-	2,033	2,033
Other comprehensive income for the financial year: - Foreign currency translation differences	-	-	(5,360)	-	(5,360)
Total comprehensive expenses for the financial year	-	-	(5,360)	2,033	(3,327)
Transfer to statutory reserve	-	258	-	(258)	-
Balance at 31.12.2016	394,899	15,644	54,119	(241,188)	223,474

The annexed notes form an integral part of these financial statements.

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 114842 - H

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2018 (CONT'D)

			← Non-Distributable	→	Distributable	
The Group	Note	Share Capital RM'000	Statutory Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profit/ (Accumulated Losses) RM'000	Attributable to Owners of the Company RM'000
At 31.12.2016/1.1.2017		394,899	15,644	54,119	(241,188)	223,474
Profit after taxation for the financial period		-	-	-	122	122
Other comprehensive income for the financial period:						
- Foreign currency translation differences		-	-	(11,531)	-	(11,531)
Total comprehensive expenses for the financial period		-	-	(11,531)	122	(11,409)
Transfer to statutory reserve		-	53	-	(53)	-
Distributions to owners of the Company:						
- Capital reduction		(246,615)	-	-	246,615	-
- Capital repayment		(29,814)	-	-	-	(29,814)
	18	(276,429)	-	-	246,615	(29,814)
Balance at 30.6.2018		118,470	15,697	42,588	5,496	182,251

The annexed notes form an integral part of these financial statements.

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 114842 - H

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2018 (CONT'D)

The Company	Note	Share Capital RM'000	(Accumulated Losses)/ Retained Profit RM'000	Equity Attributable to Owners of the Company RM'000
Balance at 1.1.2016		394,899	(246,649)	148,250
Loss after taxation/Total comprehensive expenses for the financial year		-	(1,652)	(1,652)
Balance at 31.12.2016/1.1.2017		394,899	(248,301)	146,598
Profit after taxation/Total comprehensive income for the financial period		-	215	215
Distributions to owners of the Company:				
- Capital reduction		(246,615)	246,615	-
- Capital repayment		(29,814)	-	(29,814)
	18	(276,429)	246,615	(29,814)
Balance at 30.6.2018		118,470	(1,471)	116,999

The annexed notes form an integral part of these financial statements.

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 114842 - H

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2018

	The Group		The Company	
	1.1.2017 to 30.6.2018 RM'000	**1.1.2016 to 31.12.2016** RM'000	**1.1.2017 to 30.6.2018** RM'000	**1.1.2016 to 31.12.2016** RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before taxation	2,590	4,264	215	(1,652)
Adjustments for:-				
Allowance for impairment losses on trade receivables	2,330	909	-	-
Amortisation of land use rights	262	173	-	-
Depreciation of property, plant and equipment	7,101	6,154	-	-
Inventories written off	43	-	-	-
Loss on disposal of property, plant and equipment	2,676	-	-	-
Share of results of a joint venture	593	1,113	-	-
Unrealised loss/(gain) on foreign exchange	4	(105)	(1,254)	(115)
Interest income	(2,642)	(1,745)	(12)	(9)
Writeback of allowance for impairment losses on trade receivables	(1,493)	(1,897)	-	-
Operating profit/(loss) before working capital changes	11,464	8,866	(1,051)	(1,776)
Decrease in inventories	2,621	1,810	-	-
Decrease/(Increase) in trade and other receivables	7,120	9,760	(53)	(1)
Increase/(Decrease) in trade and other payables	1,454	(277)	(76)	931
CASH FROM/(FOR) OPERATIONS	22,659	20,159	(1,180)	(846)
Income tax paid	(2,814)	(2,188)	-	-
Income tax refund	-	30	-	30
NET CASH FROM/(FOR) OPERATING ACTIVITIES	19,845	18,001	(1,180)	(816)

The annexed notes form an integral part of these financial statements.

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 114842 - H

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2018 (CONT'D)

	Note	The Group		The Company	
		1.1.2017 to 30.6.2018	**1.1.2016 to 31.12.2016**	**1.1.2017 to 30.6.2018**	**1.1.2016 to 31.12.2016**
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FOR INVESTING ACTIVITIES					
Additional investment in an existing subsidiary		-	-	(740)	(10)
Refund/(Addition) of an investment property		1,466	(1,400)	-	-
Additional investment in a joint venture		(2,264)	(1,555)	-	-
Advances to subsidiaries		-	-	-	(164)
Placement of fixed deposits with tenure more than three months		(25,663)	-	-	-
Purchase of property, plant and equipment		(11,873)	(500)	-	-
Interest received		2,642	1,745	12	9
Proceeds from disposal of property, plant and equipment		515	-	-	-
Proceeds from disposal of other investment		14,503	-	-	-
NET CASH FOR INVESTING ACTIVITIES		(20,674)	(1,710)	(728)	(165)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Advances from subsidiaries		-	-	32,269	606
Capital repayment		(29,814)	-	(29,814)	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(29,814)	-	2,455	606
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(30,643)	16,291	547	(375)
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(3,718)	(682)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR		70,724	55,115	35	410
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD/YEAR	27	36,363	70,724	582	35

The annexed notes form an integral part of these financial statements.

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	Fenhu Economic Development Zone, Wujiang City, Jiangsu Province, The People's Republic of China ("PRC") 215212.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 October 2018.

2. HOLDING COMPANY

The holding company is Gifted Investments Limited, a company incorporated in The British Virgin Islands.

3. CHANGE OF FINANCIAL YEAR END

During the current financial period, the Company has changed its financial year end from 31 December to 30 June.

4. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

5. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

5. BASIS OF PREPARATION (CONT'D)

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 - 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

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

5.2 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 period:-

MFRSs and/or 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
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 9: Prepayment Features with Negative Compensation	1 January 2019

BASIS OF PREPARATION (CONT'D)

5.2 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 MASB but are not yet effective for the current financial period (Cont'd):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
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 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
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
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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:-

(i) MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. The new standard contains 3 principal classification categories for financial assets (measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income) and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale financial assets.

5. BASIS OF PREPARATION (CONT'D)

5.2 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 (Cont'd):-

(i) MFRS 9 Financial Instruments (Cont'd)

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes. This new impairment model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

The Group is currently assessing the impact of implementing MFRS 9. As a result, the potential impact on the adoption of this standard would only be observable when the assessment is completed later.

(ii) MFRS 15 Revenue from Contracts with Customers

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 also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

As at the date of authorisation of issue of the financial statements, the assessment of implementing MFRS 15 has not been finalised. Thus, the potential impact of the adoption of this standard cannot be determined and estimated reliably until the assessment is completed later.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 9 to the financial statements.

(b) Impairment of Non-financial Assets

The Group determines whether their non-financial asset is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of non-financial assets as at the reporting date are disclosed in the respective notes to the financial statements.

(c) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 13 to the financial statements.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Impairment of Trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its trade receivables and analyses their ageing profiles, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 14 to the financial statements.

(e) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment properties.

6.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

When the reverse acquisition accounting is used, the difference between the nominal value of accounting acquiree and the Company and the par value of the enlarged issued and paid-up share capital of the Company after the acquisition of the business is treated as a reverse acquisition reserve. The reverse acquisition reserve is adjusted against suitable reserves of the accounting acquiree to the extent that laws or statues do not prohibit the use of such reserves.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

6.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.3 FUNCTIONAL AND FOREIGN CURRENCIES

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in joint ventures that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in joint ventures that includes a foreign operation while retaining joint control, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets and financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definition in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(i) Financial Assets at Fair Value Through Profit or Loss (Cont'd)

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investment are classified as non-current assets, except for those having maturity within 12 months after reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iii) Loans and Receivables Financial Assets (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

As at the end of the reporting period, there were no financial assets classified under this category.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value Through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS (CONT'D)

(d) Statutory Reserve

The Company's subsidiary in the PRC is required to maintain certain statutory reserves by appropriating from profit after taxation in accordance with the relevant laws and regulations in the PRC and articles of association of the subsidiary before declaration or payment of dividends. The reserves form part of the equity of the Company. The statutory reserve fund can be used to increase the registered capital and eliminate future losses of the subsidiary, but it cannot be distributed to shareholders except in the event of a solvent liquidation of the subsidiary.

The appropriation to the statutory surplus reserve represents 10 percent of the profit after taxation of each individual PRC subsidiary. In accordance with the laws and regulations in the PRC, the appropriations to statutory reserve cease when the balances of the reserve reach 50 percent of the registered capital of the subsidiary. The statutory reserve is not distributable by way of dividends.

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

6.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.6 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets net of the estimated residual values over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

	Estimated Useful Lives
Factory buildings	50 years
Plant and machinery	12 years
Office equipment	5 years
Motor vehicles	5 years
Renovation	5 years

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.7 CAPITAL WORK-IN-PROGRESS

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken (if any) to finance the acquisition of the assets to the date that the assets are complete and put into use.

6.8 LAND USE RIGHTS

All land in China is owned by the State or collectives. Individuals and companies are permitted to acquire land use rights for general or specific purposes. In the case when land is used for industrial purposes, the land use rights are granted for a period of 50 years. The rights may be renewed at the expiration of the initial and any subsequent terms according to the relevant Chinese laws. Granted land use rights are transferable and may be used as security for borrowings and other obligations.

The cost of acquisition of land use rights is capitalised and amortised on a straight-line basis over the lease term of the land of 50 years. The portion of the land use rights to be amortised over the next 12 months is reflected as current assets. The amortisation expense is recognised in the profit or loss.

6.9 INVESTMENT PROPERTIES

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.9 INVESTMENT PROPERTIES (CONT'D)

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

6.10 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.10 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

6.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

6.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.13 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

6.14 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.14 INCOME TAXES (CONT'D)

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Value Added Tax ("VAT")

The Group's sales of goods in the PRC are subject to VAT at the applicable tax rate for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the consolidated statements of financial position.

Revenue, expenses and assets are recognised net of the amount of VAT except:-

(i) where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of VAT included.

6.15 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.16 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

6.17 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

6.18 JOINT ARRANGEMENTS

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.18 JOINT ARRANGEMENTS (CONT'D)

(a) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement. The Group accounts for each of its interest in the joint operations the assets, liabilities, revenue and expenses (including its share of those held or incurred jointly with the other investors) in accordance with the applicable accounting standards.

(b) Joint Ventures

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to the end of reporting period. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.18 JOINT ARRANGEMENTS (CONT'D)

(b) Joint Ventures

associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

6.19 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, cash and trade discounts.

(a) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(b) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Construction Contracts

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case the revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

(d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

7. INVESTMENTS IN SUBSIDIARIES

	The Company	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
Unquoted shares in Malaysia, at cost		
At 1 January	10	-
Addition during the financial period/year	740	10
At 30 June/31 December	750	10
Unquoted shares outside Malaysia, at cost	328,125	328,125
Quasi loan	57,000	57,000
	385,875	385,135
Accumulated impairment losses	(229,648)	(229,648)
	156,227	155,487

Quasi loan represents advances of which the settlement is neither planned nor likely to occur in the foreseeable future. This amount was, in substance, a part of the Company's net investment in the subsidiaries. The quasi loan was stated at cost less accumulated impairment losses, if any.

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		30.6.2018 %	**31.12.2016** %	
Subsidiaries of the Company				
Gorgeous Goldhill Sdn. Bhd.^	Malaysia	100	100	Project management services and infrastructure construction.
Be Top Group Limited*	Hong Kong	100	100	Investment holding.
Subsidiary of Be Top Group Limited				
Top Textile (Suzhou) Co., Ltd. ("Top Textile")	PRC	100	100	Investment holding, production of customised woven loom-state fabrics made from cotton, synthetic and mixed yarn.

** This subsidiary is incorporated in The British Virgin Islands.*
^ This subsidiary was audited by other firm of chartered accountants.

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) On 3 March 2017, Gorgeous Goldhill Sdn. Bhd. increased its issued and paid-up share capital from RM10,000 to RM750,000 by way of an issuance of 740,000 new ordinary shares for a total cash consideration of RM740,000. The Company subscribed for the increase in share capital to retain the equity interest of 100%.

(b) The Company has assessed the recoverable amount of investments in subsidiaries and the recoverable amount of the cash-generating unit is determined using the value-in-use approach, and this derived from the present value of the future cash flows from operating segments computed based on the projections of the financial budgets approved by the management covering a period of 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-

(i) The subsidiaries will continue their operations over the next 5 years;

(ii) The average growth rate for the business segments of manufacturing and sale of fabric products is 0.33% per annum;

(iii) Gross profit margin is forecasted in the range of 6% to 6.5%;

(iv) Discount rate is based on the weighted average cost of capital at 9.60% per annum; and

(v) Terminal value is computed based on negligible growth rate from year 5 onwards.

The values assigned to the key assumptions represent management's assessment of future trends in the industry in which the subsidiaries' operate and are based on both external sources and internal sources (historical data).

8. INVESTMENT IN A JOINT VENTURE

	The Group	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
Unquoted investment in a joint venture outside Malaysia, at cost		
At 1 January	4,655	4,297
Addition during the financial period/year	2,264	1,555
Share of post acquisition results	(593)	(1,113)
Foreign currency translation differences	(306)	(84)
	6,020	4,655

8. INVESTMENT IN A JOINT VENTURE (CONT'D)

The details of the joint venture are as follows:-

Name of Joint Venture	Principal Place of Business	Effective Equity Interest **30.6.2018** %	**31.12.2016** %	Principal Activities
HL Painting Co. ("Han Ling")*	PRC	50	50	Packaging of plastic and glass made products

** Held through Top Textile (Suzhou) Co., Ltd.*

The Group recognised its share of results in Han Ling based on the audited financial statements drawn up for the financial period from 1 January 2017 to 30 June 2018 (2016 - from 8 October 2015 to 31 December 2016).

The summarised financial information for the joint venture is presented as follows:-

	The Group **30.6.2018** RM'000	**31.12.2016** RM'000
<u>At 30 June/31 December</u>		
Non-current assets	6,667	4,690
Current assets	9,705	6,735
Current liabilities	(5,552)	(3,406)
Net assets	10,820	8,019
	1.1.2017 to 30.6.2018 RM'000	**8.10.2015 to 31.12.2016** RM'000
Revenue	7,415	548
Loss for the financial period/Total comprehensive expenses	(1,186)	(1,798)

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9. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2017 RM'000	Additions RM'000	Disposals RM'000	Depreciation Charge RM'000	Foreign Currency Translation Differences RM'000	At 30.6.2018 RM'000
30.6.2018						
Carrying Amount						
Factory buildings	22,506	-	-	(795)	(1,213)	20,498
Plant and machinery	18,155	44	(3,091)	(5,646)	(735)	8,727
Office equipment	631	-	-	(5)	(34)	592
Motor vehicles	1,546	-	(100)	(507)	(67)	872
Renovation	334	-	-	(148)	(15)	171
Capital work-in-progress	-	11,829	-	-	(357)	11,472
	43,172	11,873	(3,191)	(7,101)	(2,421)	42,332

	At 1.1.2016 RM'000	Additions RM'000	Depreciation Charge RM'000	Foreign Currency Translation Differences RM'000	At 31.12.2016 RM'000
31.12.2016					
Carrying Amount					
Factory buildings	23,604	-	(525)	(573)	22,506
Plant and machinery	23,957	81	(5,132)	(751)	18,155
Office equipment	651	-	(4)	(16)	631
Motor vehicles	1,785	176	(367)	(48)	1,546
Renovation	218	243	(126)	(1)	334
	50,215	500	(6,154)	(1,389)	43,172

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
30.6.2018			
Factory buildings	25,711	(5,213)	20,498
Plant and machinery	54,396	(45,669)	8,727
Office equipment	5,913	(5,321)	592
Motor vehicles	2,513	(1,641)	872
Renovation	2,137	(1,966)	171
Capital work-in-progress	11,472	-	11,472
	102,142	(59,810)	42,332
31.12.2016			
Factory buildings	27,207	(4,701)	22,506
Plant and machinery	68,202	(50,047)	18,155
Office equipment	6,257	(5,626)	631
Motor vehicles	3,685	(2,139)	1,546
Renovation	2,262	(1,928)	334
	107,613	(64,441)	43,172

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10. LAND USE RIGHTS

	The Group	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
At cost:-		
At 1 January	8,972	9,187
Foreign currency translation differences	(493)	(215)
At 30 June/31 December	8,479	8,972
Accumulated amortisation:-		
At 1 January	(1,775)	(1,633)
Amortisation charge	(262)	(173)
Foreign currency translation differences	106	31
At 30 June/31 December	(1,931)	(1,775)
	6,548	7,197
Carrying amounts:-		
Amortisation due:		
- not later than one year	170	179
- later than one year	6,378	7,018
	6,548	7,197

Amortisation is provided to write off the cost of the land use rights over the leasehold period of 50 years.

11. INVESTMENT PROPERTY

	The Group	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
At cost:-		
At 1 January	5,810	4,462
(Refund)/Addition	(1,466)	1,400
Foreign currency translation differences	(276)	(52)
At 30 June/31 December	4,068	5,810

The investment property represents a commercial office building which was completed during the financial period. The carrying amount of the investment property approximated its fair value at the end of the reporting period.

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12. OTHER INVESTMENT

	The Group	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
Unquoted investment		
At 1 January	14,884	15,241
Disposal	(14,503)	-
Foreign currency translation differences	(381)	(357)
At 30 June/31 December	-	14,884
Represented by:-		
At cost	-	14,884

In the previous financial year, unquoted investment of the Group was designated as available-for-sale financial asset but was stated at cost as its fair value could not be reliably measured using valuation techniques due to the lack of marketability of the shares. The unquoted investment was disposed of during the financial period as disclosed in Note 34(c) to the financial statements.

13. INVENTORIES

	The Group	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
Raw materials	5,579	5,179
Finished goods	7,730	11,638
	13,309	16,817
Recognised in profit or loss:-		
Inventories recognised as cost of sales	194,035	159,599
Inventories written off	43	-

14. TRADE RECEIVABLES

	The Group	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
Trade receivables	55,187	73,795
Allowance for impairment losses	(2,599)	(4,953)
At 30 June/31 December	52,588	68,842
Allowance for impairment losses:-		
At 1 January	(4,953)	(6,121)
Addition during the financial period/year	(2,330)	(909)
Writeback during the financial period/year	1,493	1,897
Written off during the financial period/year	2,985	-
Foreign currency translation differences	206	180
At 30 June/31 December	(2,599)	(4,953)

(a) The Group's normal trade credit terms ranged from 30 to 270 (2016 - 30 to 270) days. The analysis is as follows:-

	The Group	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
Trade receivables:		
- credit term of 30 days	3,839	85
- credit term of 90 days	33,302	31,471
- credit term of 120 days	41	87
- credit term of 180 days*	8,248	14,201
- credit term of 270 days^	7,158	22,998
	52,588	68,842

* - Comprises four customers of which RM2.791 million was subsequently received up to 28 September 2018.
^ - Comprises one major customer of which RM5.219 million was subsequently received up to 28 September 2018.

(b) Trade receivables, net of allowance for impairment losses, which are past due amounted to approximately RM20.301 million. Subsequent to the year end and up to 28 September 2018, an amount of approximately RM9.273 million had been received from those debts past due. The Directors are of the opinion that the net remaining debts that were past due of approximately RM11.028 million are recoverable.

(c) In the previous financial year, included in the trade receivables was an amount of RM255,000 owed by a related party. The amount was settled during the financial period.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

		The Group		The Company	
		30.6.2018 RM'000	**31.12.2016** RM'000	**30.6.2018** RM'000	**31.12.2016** RM'000
Notes receivables from customers	(a)	4,947	52	-	-
Other receivables		882	17	49	7
Deposits	(b)	1,282	2,288	2	2
Prepayment		13	2	13	2
		7,124	2,359	64	11

(a) The notes receivable represent bank acceptance bills issued by banks on behalf of third parties, which are redeemable at their face value upon maturity. The notes receivable are transferable prior to maturity and do not bear any interest.

Top Textile (Suzhou) Co., Ltd., an indirect subsidiary of the Company had made advances to certain trade association members during the financial period ended 30 June 2018, in exchange for equivalent collateral notes receivable issued by financial institutions. These notes receivable received were fully used as payment to suppliers within a month. There was no outstanding balance for notes receivable of this nature at the end of the reporting period.

(b) Included in deposits of the Group was an amount of approximately RM1,279,000 (2016 - RM2,278,000) being advances made to suppliers in respect of the Group's purchases of raw materials. The advances to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers

16. AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing represent non-trade balances and are unsecured. The amounts owing are receivable/(repayable) on demand and to be settled in cash.

17. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 1.21% to 5.65% (2016 – from 1.21% to 3.90%) per annum. The fixed deposits have maturity periods ranging from less than 3 months to 12 months (2016 – 3 to 12 months).

18. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:

	The Group/The Company			
	30.6.2018	**31.12.2016**	**30.6.2018**	**31.12.2016**
	Number Of Shares ('000)		RM'000	RM'000
Authorised				
Ordinary shares of RM0.20 each	N/A	5,000,000	N/A	1,000,000

N/A Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (ii) below.

	The Group/The Company			
	30.6.2018	**31.12.2016**	**30.6.2018**	**31.12.2016**
	Number Of Shares ('000)		RM'000	RM'000
Issued and Fully Paid-Up				
Ordinary Shares with no Par Value (2016 – Par Value of RM0.20 Each)				
At 1 January	1,974,496	1,974,496	394,899	394,899
Capital reduction	-	-	(246,615)	-
Capital repayment	-	-	(29,814)	-
Share consolidation	(1,579,597)	-	-	-
	394,899	1,974,496	118,470	394,899

(a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share meetings of the Company.

(b) On 16 December 2016, the Company filed a petition to the High Court of Malaya to obtain a grant of an order of the High Court of Malaya confirming the Proposed Capital Reduction and Repayment pursuant to Section 64 of the Companies Act, 1965.

(c) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Subsequently, on 14 February 2017, the Company was granted an order from The High Court of Malaya at Kuala Lumpur for the Proposed Capital Reduction and Repayment ("Order").

18. SHARE CAPITAL (CONT'D)

(d) On 30 March 2017, the sealed copies of the Orders have been lodged with the Registrar of Companies and accordingly, the Proposed Capital Reduction and Repayment takes effect on the same day. In addition, the 394,899,274 consolidated shares as a result of the Proposed Share Consolidation was listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on 31 March 2017.

(e) On 13 April 2017, the capital repayment was made to the entitled shareholders, hence the capital repayment was completed.

19. RESERVES

		The Group		The Company	
		30.6.2018	**31.12.2016**	**30.6.2018**	**31.12.2016**
		RM'000	RM'000	RM'000	RM'000
Statutory reserve	(a)	15,697	15,644	-	-
Foreign exchange translation reserve	(b)	42,588	54,119	-	-
Retained profit/ (Accumulated losses)		5,496	(241,188)	(1,471)	(248,301)
		63,781	(171,425)	(1,471)	(248,301)

(a) Statutory Reserve

The statutory reserve represents amounts transferred from profit after taxation of the subsidiary established in the PRC in accordance with the PRC laws and regulations as explained in Note 6.4(d) to the financial statements.

(b) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

20. TRADE PAYABLES

	The Group	
	30.6.2018 RM'000	**31.12.2016** RM'000
Trade payables	6,337	3,603
Retention monies	469	-
	6,806	3,603

The normal trade credit terms granted to the Group range from 60 to 90 (2016 - 60 to 90) days.

21. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	30.6.2018 RM'000	**31.12.2016** RM'000	**30.6.2018** RM'000	**31.12.2016** RM'000
Other payables	520	666	247	321
Accruals	3,590	5,157	2,403	2,405
Advances from customers	248	214	-	-
VAT payables	145	513	-	-
	4,503	6,550	2,650	2,726

Included in the other payables of the Group is an amount owing to a related party of RM134,841. The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

22. AMOUNT OWING TO A CONTRACT CUSTOMER

	The Group	
	30.6.2018 RM'000	**31.12.2016** RM'000
Aggregate costs incurred to date	9,118	-
Attributable profits	818	-
	9,936	-
Less: Progress billings	(9,936)	-
	(^)	-

^ - *less than RM1,000*

23. REVENUE

	The Group		The Company	
	1.1.2017 to 30.6.2018	**1.1.2016 to 31.12.2016**	**1.1.2017 to 30.6.2018**	**1.1.2016 to 31.12.2016**
	RM'000	RM'000	RM'000	RM'000
Sale of goods	206,611	171,889	-	-
Contract revenue	9,935	-	-	-
Rendering of services	948	255	-	-
Interest income	12	9	12	9
	217,506	172,153	12	9

24. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	1.1.2017 to 30.6.2018 RM'000	**1.1.2016 to 31.12.2016** RM'000	**1.1.2017 to 30.6.2018** RM'000	**1.1.2016 to 31.12.2016** RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Allowance for impairment losses on trade receivables	2,330	909	-	-
Amortisation of land use rights	262	173	-	-
Auditors' remuneration:				
- audit fees				
- current financial period/year	270	173	40	35
- underprovision in the previous financial year	38	18	-	-
- non-audit fee	73	56	73	56
Depreciation of property, plant and equipment	7,101	6,154	-	-
Directors' remuneration	1,233	1,115	221	955
Inventories written off	43	-	-	-
Loss on disposal of property, plant and equipment	2,676	-	-	-
Loss/(Gain) on foreign exchange:				
- realised	11	(5)	-	-
- unrealised	4	(105)	(1,254)	(115)
Staff costs (including other key management personnel as disclosed in Note 28)				
- short-term employee benefits	16,523	13,473	148	80
- defined contribution benefits	1,103	956	19	10
Total interest income on financial assets that are not at fair value through profit or loss and not impaired	(2,642)	(1,745)	(12)	(9)
Writeback of allowance for impairment losses on trade receivables	(1,493)	(1,897)	-	-

25. INCOME TAX EXPENSE

	The Group		The Company	
	1.1.2017 to 30.6.2018 RM'000	**1.1.2016 to 31.12.2016** RM'000	**1.1.2017 to 30.6.2018** RM'000	**1.1.2016 to 31.12.2016** RM'000
Current tax				
-for the financial period/year	2,466	2,209	-	-
-underprovision in the previous financial year	2	22	-	-
	2,468	2,231	-	-

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	1.1.2017 to 30.6.2018 RM'000	**1.1.2016 to 31.12.2016** RM'000	**1.1.2017 to 30.6.2018** RM'000	**1.1.2016 to 31.12.2016** RM'000
Profit/(Loss) before taxation	2,590	4,264	215	(1,652)
Tax at the statutory tax rate of 24%	622	1,023	52	(396)
Tax effects of:-				
Non-deductible expenses	1,840	1,129	249	424
Non-taxable income	-	-	(301)	(28)
Effects of differential in tax rates of subsidiaries	4	57	-	-
Underprovision in the previous financial year	2	22	-	-
Income tax expense for the financial period/year	2,468	2,231	-	-

25. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016 - 24%) of the estimated assessable profit for the financial period. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group has accounted for the reduction in the tax rate in the current financial period, based on the percentage of increase in chargeable income of the Company and its subsidiaries.

26. EARNINGS PER SHARE

	The Group	
	30.6.2018 RM'000	**31.12.2016** RM'000
Profit attributable to owners of the Company (RM'000)	122	2,033
Weighted average number of ordinary shares in issue ('000)	652,379	1,974,496
Basic earnings per share (Sen)	0.02	0.10

The diluted earnings per share is equal to the basic earnings per share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

27. CASH FLOW INFORMATION

The cash and cash equivalents comprise the following:-

	The Group		The Company	
	30.6.2018 RM'000	**31.12.2016** RM'000	**30.6.2018** RM'000	**31.12.2016** RM'000
Fixed deposits with licensed banks	37,863	445	-	-
Cash and bank balances	24,163	70,279	582	35
	62,026	70,724	582	35
Less: Fixed deposit with tenure of more than 3 months	(25,663)	-	-	-
	36,363	70,724	582	35

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28. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group.

The key management personnel compensation during the financial period/year are as follows:-

	The Group		The Company	
	1.1.2017 to 30.6.2018 RM'000	**1.1.2016 to 31.12.2016** RM'000	**1.1.2017 to 30.6.2018** RM'000	**1.1.2016 to 31.12.2016** RM'000
Directors of the Company				
Short-term employee benefits:				
- fees	198	132	198	132
- salaries, bonuses and other benefits	954	973	23	823
	1,152	1,105	221	955
Defined contribution benefits	81	10	-	-
Total directors' remuneration	1,233	1,115	221	955
Other Key Management Personnel				
Short-term employee benefits:	368	178	-	-
Defined contribution benefits	8	5	-	-
Total compensation for other key management personnel	376	183	-	-

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29. RELATED PARTY DISCLOSURES

(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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, holding company, joint venture, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions, bank balances and fixed deposits with the related parties during the financial period/year:-

(i) The significant transactions of the Group with its related parties are as follows:-

	1.1.2017 to 30.6.2018 RM'000	**1.1.2016 to 31.12.2016** RM'000	**1.1.2015 to 31.12.2015** RM'000
Wujiang Rural Commercial Bank ("WRC")^			
- Interest income	2,331	2,271	566
Asianmax Corporation Sdn. Bhd.*			
- Services rendered	248	255	-

29. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances (Cont'd)

(ii) The significant outstanding balances of the Group with its related parties are as follows:-

	30.6.2018 RM'000	**31.12.2016** RM'000	**31.12.2015** RM'000
WRC^			
- Bank balance	10,341	34,307	42,831
- Fixed deposits (Note 17)	37,863	445	397
Asianmax Corporation Sdn. Bhd.* (Note 21)	135	255	-

^ *Mr. Pan Ding is the executive director and a major shareholder of the Group. He was appointed as a member to the Board of Directors of WRC since 9 March 2015. In accordance with MFRS 124 Related Party Disclosures, by virtue of his appointment to the Board of Directors of WRC, WRC is a related party of the Group. The related party disclosures in respect of WRC were inadvertently omitted in the Financial Statements in prior years. However, the disclosures which were inadvertently omitted did not give rise to any significant financial effects on the Statements of Financial Position, Statements of Profit or Loss and Other Comprehensive Income and Statements of Cash Flows of the Group and the Company for the relevant financial years. The said related party disclosures in respect of WRC were rectified in the current financial period.*

* *Dato' Soo Sze Ching is a substantial shareholder.*

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

30. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main reportable segments as follows:-

Reportable segments	**Description**
Manufacturing and sale of fabric products	Involved in the production of customised woven loom-state fabrics made from cotton, synthetic and mixed yarn.
Project management services and infrastructure construction	Provision of project management services and construction of infrastructure
Investment holding	Involved in investment holding and management services.

(a) The Group assesses the performance of the reportable segments based on their profit before interest expenses and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Investment-related activities are managed on a group basis by the central treasury function and are not allocated to reportable segments

(b) Each reportable segment assets is measured based on all assets of the segment other than tax-related assets (if any).

(c) Each reportable segment liabilities is measured based on all liabilities of the segment other than tax-related liabilities.

(d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items.

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30. OPERATING SEGMENTS (CONT'D)

30.1 BUSINESS SEGMENTS

30.6.2018	Manufacturing and Sale of Fabric Products RM'000	Project Management Service and Infrastructure Construction RM'000	Investment Holding RM'000	Group RM'000
Revenue				
External revenue	206,611	10,883	12	217,506
Consolidated revenue				217,506
Results				
Segment profit	2,984	645	215	3,844
Consolidated adjustment				(1,254)
Consolidated profit before taxation				2,590
Segment profit includes the following:-				
Interest income	(2,630)	-	(12)	(2,642)
Allowance for impairment losses on trade receivables	2,330	-	-	2,330
Amortisation of land use rights	262	-	-	262
Depreciation of property, plant and equipment	7,101	-	-	7,101
Inventories written off	43	-	-	43
Loss on disposal of property, plant and equipment	2,676	-	-	2,676
Writeback of allowance for impairment loss on trade receivables	(1,493)	-	-	(1,493)
Assets				
Segment assets	188,712	4,657	646	194,015
Consolidated total assets				194,015
Liabilities				
Segment liabilities	4,759	3,900	2,650	11,309
Current tax liabilities				455
Consolidated total liabilities				11,764

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30. OPERATING SEGMENTS (CONT'D)

30.1 BUSINESS SEGMENTS (CONT'D)

31.12.2016	**Manufacturing and Sale of Fabric Products** RM'000	**Project Management Service and Infrastructure Construction** RM'000	**Investment Holding** RM'000	**Group** RM'000
Revenue				
External revenue	171,889	255	9	172,153
Consolidated revenue				172,153
Results				
Segment profit/(loss)	5,674	242	(1,652)	4,264
Consolidated profit before taxation				4,264
Segment profit/(loss) includes the following:-				
Interest income	(1,736)	-	(9)	(1,745)
Allowance for impairment losses on trade receivables	909	-	-	909
Amortisation of land use rights	173	-	-	173
Depreciation of property, plant and equipment	6,154	-	-	6,154
Writeback of allowance for impairment loss on trade receivables	(1,897)	-	-	(1,897)
Assets				
Segment assets	208,848	263	25,349	234,460
Consolidated total assets				234,460
Liabilities				
Segment liabilities	10,142	11	-	10,153
Current tax liabilities				833
Consolidated total liabilities				10,986

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30. OPERATING SEGMENTS (CONT'D)

30.2 GEOGRAPHICAL INFORMATION

The following table provides an analysis of the Group's revenue by geographical segments:-

Revenue	1.1.2017 to 30.6.2018 RM'000	1.1.2016 to 31.12.2016 RM'000
PRC	196,249	154,848
Outside PRC	21,257	17,305
	217,506	172,153

30.3 MAJOR CUSTOMER

Revenue from one (2016 - one) major customer in the manufacturing and sale of fabric products segment, with revenue equal to or more than 10% of Group revenue, amounted to approximately RM29,837,000 (2016 - RM22,171,000).

31. CAPITAL COMMITMENTS

	The Group	
	30.6.2018 RM'000	31.12.2016 RM'000
Construction of property, plant and equipment	17,394	-
Purchase of investment in a joint venture	244	323
	17,638	323

32. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	30.6.2018	**31.12.2016**
	RM	RM
Chinese Renminbi	0.6100	0.6455
Hong Kong Dollar	0.5145	0.5780
United States Dollar	4.0375	4.4824

33. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

33.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Chinese Renminbi ("RMB") and Hong Kong Dollar ("HKD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) that based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	United States Dollar RM'000	Chinese Renminbi RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	**Total** RM'000
30.6.2018					
Financial assets					
Trade receivables	1,712	47,037	-	3,839	52,588
Other receivables and deposits	-	6,307	-	804	7,111
Fixed deposits with licensed banks	-	37,863	-	-	37,863
Cash and bank balances	1	23,473	43	646	24,163
	1,713	114,680	43	5,289	121,725
Financial liabilities					
Trade payables	-	3,113	-	3,693	6,806
Other payables and accruals	-	1,515	-	2,843	4,358
	-	4,628	-	6,536	11,164
Net financial assets/ (liabilities)	1,713	110,052	43	(1,247)	110,561
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	(110,052)	-	1,247	(108,805)
Currency exposure	1,713	-	43	-	1,756

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RM'000	Chinese Renminbi RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	**Total** RM'000
31.12.2016					
Financial assets					
Other investment	-	14,884	-	-	14,884
Trade receivables	5,373	63,214	-	255	68,842
Other receivables and deposits	-	2,347	-	10	2,357
Fixed deposits with licensed banks	-	445	-	-	445
Cash and bank balances	972	69,195	70	42	70,279
	6,345	150,085	70	307	156,807
Financial liabilities					
Trade payables	-	3,603	-	-	3,603
Other payables and accruals	-	3,303	-	2,734	6,037
	-	6,906	-	2,734	9,640
Net financial assets/(liabilities)	6,345	143,179	70	(2,427)	146,141
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	(143,179)	-	2,427	(139,726)
Currency exposure	6,345	-	70	-	6,415

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
Effects on Profit After Taxation		
USD/RM - strengthened by 20%	+ 260	+964
- weakened by 20%	- 260	- 964
HKD/RM - strengthened by 20%	+ 7	+11
- weakened by 20%	- 7	- 11

(ii) Interest Rate Risk

The Group does not have any interest-bearing borrowings and hence, is not exposed to interest rate risk.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposure, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by three (2016 - two) customers which constituted approximately 39% (2016 - 46%) of its trade receivables at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

The exposure of credit risk for trade receivables by geographical region is as follows:-

	The Group	
	30.6.2018	**31.12.2016**
	RM'000	RM'000
PRC	47,037	63,213
United Arab Emirates	504	3,198
Others	5,047	2,431
	52,588	68,842

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing Analysis

The ageing analysis of the Group's trade receivables is as follows:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
30.6.2018				
Not past due				
- credit term of 90 days	26,636	-	-	26,636
- credit term of 120 days	3	-	-	3
- credit term of 180 days	5,648	-	-	5,648
	32,287	-	-	32,287
Past due:				
- less than 3 months	3,354	-	-	3,354
- 3 to 6 months	2,357	-	-	2,357
- over 6 months	17,189	-	(2,599)	14,590
	22,900	-	(2,599)	20,301
	55,187	-	(2,599)	52,588

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing Analysis (Cont'd)

The ageing analysis of the Group's trade receivables is as follows (Cont'd):-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
31.12.2016				
Not past due				
- credit term of 30 days	85	-	-	85
- credit term of 90 days	25,728	-	-	25,728
- credit term of 120 days	87	-	-	87
- credit term of 180 days	12,869	-	-	12,869
- credit term of 270 days	18,473	-	-	18,473
	57,242	-	-	57,242
Past due:				
- less than 3 months	9,042	-	-	9,042
- 3 to 6 months	1,045	-	-	1,045
- over 6 months	6,466	-	(4,953)	1,513
	16,553	-	(4,953)	11,600
	73,795	-	(4,953)	68,842

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and adequate working capital to meet its obligations as and when they fall due.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
30.6.2018			
Non-derivative Financial Liabilities			
Trade payables	6,806	6,806	6,806
Other payables and accruals	4,358	4,358	4,358
	11,164	11,164	11,164
31.12.2016			
Non-derivative Financial Liabilities			
Trade payables	3,603	3,603	3,603
Other payables and accruals	6,037	6,037	6,037
	9,640	9,640	9,640

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (cont'd)

The Company

30.6.2018			
Non-derivative Financial Liabilities			
Other payables and accruals	2,650	2,650	2,650
Amount owing to subsidiaries	37,224	37,224	37,224
	39,874	39,874	39,874
31.12.2016			
Non-derivative Financial Liabilities			
Other payables and accruals	2,726	2,726	2,726
Amount owing to a subsidiary	6,993	6,993	6,993
	9,719	9,719	9,719

33.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

As the Group does not have any borrowings from financial institutions, the debt-to-equity ratio is not presented as it does not provide a meaningful indicator of risk of borrowings.

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	30.6.2018 RM'000	**31.12.2016** RM'000	**30.6.2018** RM'000	**31.12.2016** RM'000
Financial Assets				
Available-for-sale Financial Asset				
Other investment	-	14,884	-	-
Loans and Receivables Financial Assets				
Trade receivables	52,588	68,842	-	-
Other receivables and deposits	7,111	2,357	51	9
Amount owing by subsidiaries	-	-	-	784
Fixed deposits with licensed banks	37,863	445	-	-
Cash and bank balances	24,163	70,279	582	35
	121,725	141,923	633	828

33. FINANCIAL INSTRUMENTS (CONT'D)

33.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	30.6.2018 RM'000	**31.12.2016** RM'000	**30.6.2018** RM'000	**31.12.2016** RM'000
Financial Liability				
<u>Other Financial Liabilities</u>				
Trade payables	6,806	3,603	-	-
Other payables and accruals	4,358	6,037	2,650	2,726
Amount owing to subsidiaries	-	-	37,224	6,993
	11,164	9,640	39,874	9,719

33.4 GAINS ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	1.1.2017 to 30.6.2018 RM'000	**1.1.2016 to 31.12.2016** RM'000	**1.1.2017 to 30.6.2018** RM'000	**1.1.2016 to 31.12.2016** RM'000
Financial Asset				
<u>Loans and Receivables Financial Assets</u>				
Net gains recognised in profit or loss	1,790	2,738	12	9
Financial Liability				
<u>Other Financial Liabilities</u>				
Net gains recognised in profit or loss	-	-	1,254	115

33.5 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statements of financial position.

The fair values of the financial assets and financial liabilities of the Group and the Company maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

(a) The Companies Act 2016 came into operation on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon its initial implementation are:-

(i) Removal of the authorised share capital; and
(ii) Ordinary shares ceased to have par value.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective notes to financial statements.

(b) On 21 October 2016, the Company proposed to undertake the following proposals:-

(i) proposed capital reduction of the existing ordinary shares of the Company via cancellation of RM0.14 of the par value of each existing ordinary share of RM0.20 each in the Company, of which RM0.1249 per share would be set-off against the accumulated losses of the Company and RM0.0151 per share would be repaid to the entitled shareholders of the Company ("Proposed Capital Reduction and Repayment");

(ii) proposed share consolidation of every 5 ordinary shares of RM0.06 each in the Company (after the completion of the Proposed Capital Reduction and Repayment) into one new ordinary share of RM0.30 each in the Company; and

(iii) proposed diversification of the existing core business of the Company and its subsidiaries to include project management and infrastructure construction related businesses.

On 15 December 2016, the Company obtained approval from its shareholders via an Extraordinary General Meeting held in relation to the proposals.

On 14 February 2017, the Company was granted an order from The High Court of Malaya at Kuala Lumpur for the Proposed Capital Reduction and Repayment ("Order"). The effective date of the Proposed Capital Reduction and Repayment will be the date of the sealed copy of the Order lodged with the Companies Commission of Malaysia.

On 30 March 2017, the sealed copies of the Orders have been lodged with the Registrar of Companies and accordingly, the Proposed Capital Reduction and Repayment takes effect on the same day. In addition, the 394,899,274 consolidated shares as a result of the Proposed Share Consolidation was listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on 31 March 2017.

On 13 April 2017, the Company announced that the capital repayment was made to the entitled shareholders, hence the capital repayment was completed.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (CONT'D)

(c) On 18 April 2017, a subsidiary, i.e. Top Textile (Suzhou) Co., Ltd. has disposed of its unquoted investment for a total cash consideration of RMB23.1 million (equivalent to RM14.77 million).

(d) On 20 April 2018, the Company has announced that it has entered into a binding term sheet with one of the directors Dato' Soo Sze Ching ("Dato' Soo") to explore and negotiate further with Dato' Soo on a proposed acquisition by the Company of at least 60% equity interest and/or up to the entire equity interest in Asianmax Corporation Sdn. Bhd. ("ACSB") from Dato' Soo and/or such other shareholder(s) of ACSB to be procured by Dato' Soo for an indicative total purchase consideration of up to RM165 million for the entire stake.

35. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The Company is not in compliance with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Marketing Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") ("Public Spread Requirement").

On 14 August 2018, the Company has announced that Bursa Securities has granted the Company a further extension of time of six (6) months until 31 December 2018 to comply with the Public Spread Requirement.

Based on the Records of Depositors as at 29 August 2018, the Company's public shareholding spread is 20.79%, which is below the Public Spread Requirement.

LIST OF PROPERTIES HELD BY THE GROUP
AS AT 30 JUNE 2018

Location	Description	Area	Use of the land / building	Tenure	Net Book Value	
					RMB '000	RM'000
Huaying Village, Lili Town, Wujiang City, Jiangsu Province, PRC (Now known as Fenhu Economic Development Zone, Wujiang City, Jiangsu Province, PRC)	Land	81,790 square meters	Industrial	50 years expiring on 20/4/2056	10,733	6,547
	Factory Building and employees' dormitory	30,195 square meters	Industrial	50 years expiring on 20/4/2057	33,603	20,498
	A warehouse building	Work in progress	Industrial	Work in progress	18,806	11,472
Wujiang City Chamber of Commerce Center Ren Min Lu Nan Chang An Lu Xi	One floor of Wujiang City Chamber of Commerce Center	1,500 square meters	Office	expiring on 23/11/2052	6,669	4,068

Notes:-

The exchange rate used in the translation of the above financial information is summarised as below:-

RMB 1: RM0.6100 at 30 June 2018

SINOTOP HOLDINGS BERHAD (Incorporated in Malaysia)
Company No: 114842 - H

ANALYSIS OF SHAREHOLDINGS AT 8 OCTOBER 2018

Total number of issued shares	:	394,899,274 Ordinary Shares
Class of Shares	:	Ordinary shares
Voting Right	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Holders		Number of Shares		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	595	2	30,214	150	0.01	0.00
100 – 1000	576	5	249,938	2,875	0.06	0.00
1,001 – 10,000	999	9	5,073,542	43,153	1.28	0.01
10,001 – 100,000	624	5	19,716,507	181,010	4.99	0.05
100,001 to less than 5%	112	8	55,359,085	29,117,800	14.02	7.37
5% and above	1	1	60,000,000	225,125,000	15.19	57.01
Total	**2,907**	**30**	**140,429,286**	**254,469,988**	**35.56**	**64.44**

SUBSTANTIAL SHAREHOLDERS (Based on the Register of Substantial Shareholders)

Name	Direct Number of Shares	Direct % of Issued Share Capital	Indirect Number of Shares	Indirect % of Issued Share Capital
Gifted Investments Limited	225,125,000	57.01	-	-
Pan Ding	-	-	225,125,000*	57.01
Pan Dong	-	-	225,125,000*	57.01
Noble Pinnacle Sdn Bhd	60,000,000	15.19	-	-
Dato' Soo Sze Ching	-	-	60,000,000#	15.19
Lim Yoke Eng	-	-	60,000,000#	15.19
Hsu, Ching-Fu	3,243,700	0.82	-	-

DIRECTORS' SHAREHOLDINGS (Based on the Register of Directors' Shareholdings)

Name	Direct Number of Shares	Direct % of Issued Share Capital	Indirect Number of Shares	Indirect % of Issued Share Capital
Pan Ding	-	-	225,125,000*	57.01
Pan Dong	-	-	225,125,000*	57.01
Dato' Soo Sze Ching	-	-	60,000,000#	15.19

Note:

** Deemed interested through Gifted Investments Limited by virtue of Section 8 of the Companies Act 2016*

 # Deemed interested through Noble Pinnacle Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016

ANALYSIS OF SHAREHOLDINGS
THIRTY (30) LARGEST SHAREHOLDERS AS AT 8 OCTOBER 2018

	Name of Shareholders	Number of Shares	%
1	Gifted Investments Limited	225,125,000	57.01
2	RHB Nominees (Tempatan) Sdn Bhd For Noble Pinnacle Sdn Bhd	60,000,000	15.19
3	Ng Chun Kooi	17,683,997	4.48
4	HSBC Nominees (Asing) Sdn Bhd Exempt AN For BNP Paribas Singapore Branch (A/C Clients-FGN)	12,087,140	3.06
5	Malacca Equity Nominees (Asing) Sdn. Bhd. Exempt AN For Philip Capital Management Sdn Bhd (Foreign)	10,000,000	2.53
6	Hsu, Ching-Fu	3,243,700	0.82
7	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN For CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	2,360,000	0.60
8	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Cher Keam (E-SRB/KKG)	2,017,000	0.51
9	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Saw Soon Yee (Penang-CL)	1,650,000	0.42
10	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Chuen Ket	1,544,200	0.39
11	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Poh Tat	1,500,000	0.38
12	Wong Foong Yoke	1,448,160	0.37
13	Gan Bee Sin	1,300,000	0.33
14	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ng Kong Chee (M02)	1,148,700	0.29
15	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Neo Eng Hui (7001308)	1,121,320	0.28
16	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chong Yu Lien	1,103,320	0.28
17	Chong Kooi Lan	821,100	0.21
18	Lee Ah Chee	700,000	0.18
19	Chee Wei Heng	650,000	0.16
20	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Kong Chee	600,000	0.15
21	Lim Chun Seen	572,600	0.15
22	Wong Foong Mooi	529,800	0.13
23	Lee Tiong Heng	500,000	0.13
24	Ng Kong Chee	500,000	0.13
25	Ng Sai Pui	500,000	0.13
26	Lim Kian Huat	461,360	0.12
27	Go Suu Ken	420,005	0.11
28	Citigroup Nominees (Asing) Sdn Bhd Exempt AN For UBS AG Singapore (Foreign)	415,500	0.11
29	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Poh Tat (8062495)	400,000	0.10
30	Lekok Plantation Sdn. Bhd.	400,000	0.10

SINOTOP HOLDINGS BERHAD (Incorporated in Malaysia)
Company No: 114842 - H

NOTICE OF THE THIRTY-FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fourth Annual General Meeting of the Company will be held at Tawau Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on 28 November 2018 at 2.30 p.m. to transact for the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial period ended 30 June 2018 together with the Reports of Directors and Auditors thereon. *(Please refer to Note 1)*
2. To approve the payment of Directors' fees for the financial period ended 30 June 2018. *Ordinary Resolution 1*
3. To re-elect the following Directors who retire in accordance with the Company's Constitution:

   (a) Mr. Pan Dong *Ordinary Resolution 2*

   (b) Mr. Low Yan Seong *Ordinary Resolution 3*
4. To appoint Crowe Horwath as Auditors of the Company under the new practice name of Crowe Malaysia for the ensuing year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 4*
5. As Special Business to consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

   PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE CHAIRMAN *Ordinary Resolution 5*

   "THAT Datuk Dr. Ng Bee Ken who has served the Board as Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years be and is hereby retained as Independent Non-Executive Chairman of the Company".

   AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016

   "THAT subject always to the Companies Act 2016 ("Act") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 75 of the Act, to allot shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being." *Ordinary Resolution 6*
6. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

KANG SHEW MENG
SEOW FEI SAN
Secretaries

Petaling Jaya

31 October 2018

NOTES TO THE NOTICE OF THE THIRTY-FOURTH ANNUAL GENERAL MEETING:

1. *The shareholders' approval on the Audited Financial Statements is not required pursuant to the provision of Section 340(1) of the Companies Act 2016 and hence, the matter will not be put for voting.*

2. *Only depositors whose names appear in the Record of Depositors as at 19 November 2018 shall be regarded as members and entitled to attend, speak and vote at the Meeting.*

3. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his / her behalf. A proxy may but need not be a member of the Company.*

4. *A member may appoint up to two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he / she shall specifies the proportions of his / her holdings to be represented by each proxy.*

5. *Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

6. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

7. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.*

8. *The instrument appointing a proxy must be deposited at the Company's registered office at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

9. *Explanatory Notes:*

   Ordinary Resolutions 1
   Payment of Directors' Fees

   Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board of Directors ("Board") agreed that notwithstanding a mandated amount of RM200,000 per annum had been granted at the Twenty-Seventh Annual General Meeting ("AGM") and there was no adjustment in the Directors' fees, the Board would seek members' approval on fees and benefits payable to Directors on annual basis.

   Details of the Directors' fees and benefits payable to the Non-Executive Directors for the financial period ended 30 June 2018 (18 months) are disclosed in the Corporate Governance Overview Statement as contained in Annual Report 2018.

   For Directors' benefits for the financial period ended 30 June 2018, as approval had been granted by the members at the Thirty-Third AGM held on 8 June 2017, thus no approval is to be sought for payment of Directors' benefits at the Thirty- Fourth AGM.

   For both Directors' fees and benefits for the financial year ending 30 June 2019, approval from members will only be sought at the AGM to be held in 2019.

Ordinary Resolution 5
Proposed Retention of Independent Non-Executive Chairman

The proposed Ordinary Resolution 5 is proposed pursuant to recommendation of the Malaysian Code of Corporate Governance and if passed, will allow Datuk Dr. Ng Bee Ken to be retained and continue to act as Independent Non-Executive Chairman of the Company.

The full details of the Board's justifications for the retention of Datuk Dr. Ng Bee Ken as Independent Non-Executive Chairman is set out in the Corporate Governance Overview Statement as contained in Annual Report 2018.

Datuk Dr. Ng Bee Ken was appointed on Board of the Company on 27 January 2006. As at the date of printing of this Annual Report, he had served on the Board for a period of 12 years.

Ordinary Resolution 6
Authority to Allot Shares Pursuant to Section 75 of the Companies Act 2016

The Proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company to allot not more than 10% of the total number of issued shares of the Company subject to approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.

As at the date of printing of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Thirty-Third AGM held on 8 June 2017 and which will lapse at the conclusion of the Thirty-Fourth AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisitions, repayment of bank borrowings, etc.

SINOTOP HOLDINGS BERHAD (Incorporated in Malaysia)
Company No: 114842 - H

FORM OF PROXY

CDS Account No.	No. of Shares Held

I/We ....(BLOCK LETTERS)
NRIC No. /Company No. ....of

....

being (a) Member(s) of **SINOTOP HOLDINGS BERHAD (114842-H)** hereby appoint the following person(s):

Name & NRIC No. of proxy	No. of shares to be represented by proxy
1. ______________________	______________________
2. ______________________	______________________

or failing him/her,

1. ______________________	______________________
2. ______________________	______________________

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held at Tawau Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on 28 November 2018 at 2.30 p.m. and at any adjournment thereof and to vote as indicated below:-

RESOLUTIONS	**FOR**	**AGAINST**
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		

Please indicate with an “X” in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this .... day of ...., 2018

____
Signature / Seal of Member

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STAMP

The Company Secretary

SINOTOP HOLDINGS BERHAD (114842-H)

802, 8th Floor, Block C
Kelana Square, 17 Jalan SS 7/26
47301 Petaling Jaya
Selangor Darul Ehsan

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***Notes**:*

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6. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
7. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.*
8. *The instrument appointing a proxy must be deposited at the Company's registered office at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

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SINOTOP
顶峰控股

SINOTOP HOLDINGS BERHAD (114842-H)
802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.