SINOTOP
顶峰控股

ANNUAL REPORT 2016

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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

DATUK NG BEE KEN
Independent Non-Executive Chairman

PAN DONG
Executive Director

LOW YAN SEONG
Independent Non-Executive Director

DATO' SOO SZE CHING
Executive Director

WAN KAMARUL ZAMAN BIN WAN YAACOB
Independent Non-Executive Director

AUDIT COMMITTEE

CHAIRMAN
Datuk Ng Bee Ken

MEMBERS
Low Yan Seong
Wan Kamarul Zaman Bin Wan Yaacob

REMUNERATION COMMITTEE

CHAIRMAN
Wan Kamarul Zaman Bin Wan Yaacob

MEMBERS
Datuk Ng Bee Ken
Pan Dong

NOMINATING COMMITTEE

CHAIRMAN
Low Yan Seong

MEMBER
Datuk Ng Bee Ken

COMPANY SECRETARIES

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

AUDITORS

Messrs Crowe Horwath
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

SINOTOP HOLDINGS BERHAD
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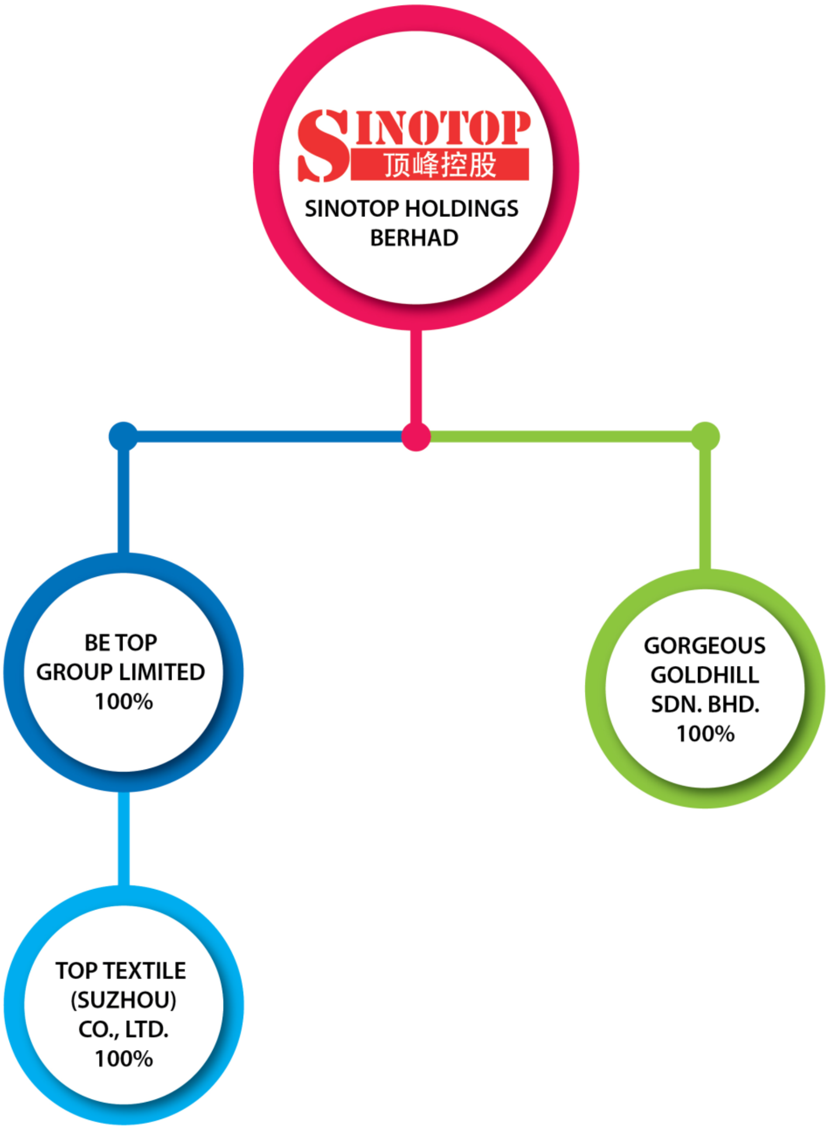
CORPORATE STRUCTURE



SINOTOP HOLDINGS BERHAD
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PROFILE OF THE BOARD OF DIRECTORS

DATUK NG BEE KEN 拿督黄美錦 Independent Non-Executive Chairman

Datuk Ng Bee Ken ("**Datuk Ng**"), male, a Malaysian, aged 62, was appointed to the Board on 27 January 2006. Datuk Ng is the Chairman of the Board and the Audit Committee. He is also a member of both the Nominating Committee and the Remuneration Committee.

Datuk 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. Datuk Ng 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 practising as a lawyer since 1987 and is presently the Managing Partner of a law firm.

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

Datuk 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 Glencor 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 Ng attended all six (6) Board Meetings which were held in the financial year ended 31 December 2016.

PAN DING 潘鼎 Group Managing Director / Executive Director

Mr. Pan Ding, male, a citizen of The People's Republic of China ("PRC"), aged 52, was appointed to the Board on 3 June 2010.

Mr. Pan Ding 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 PRC. 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 six (6) Board meetings which were held in the financial year ended 31 December 2016.

PAN DONG 潘東 Executive Director

Mr. Pan Dong, male, a citizen of The People's Republic of China ("PRC"), aged 46, was appointed to the Board on 3 June 2010. He is a member of the Remuneration Committee.

Mr. Pan Dong graduated with a Diploma in Economics Management from the Continuing Education Institute of Suzhou University. He is also 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 PRC. Due to the vast experience he has in the industry, he is currently responsible for 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 five (5) Board meetings which were held in the financial year ended 31 December 2016.

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PROFILE OF THE BOARD OF DIRECTORS

DATO' SOO SZE CHING 拿督苏仕振 Executive Director

Dato' Soo Sze Ching ("**Dato' Soo**"), male, a Malaysian, aged 41, was appointed to the Board on 28 October 2016.

Dato' Soo 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 (I.E.M.).

Dato' Soo began his construction career as a civil engineer with various construction companies with over 15 years of varied corporate and management experience. Dato' Soo has wide in-depth exposure in the construction industry. Currently, Dato' Soo 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 currently a director of Dexview Sdn. Bhd., subsidiary of Symphony Life Bhd., a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Dato' Soo attended one (1) Board meeting held in the financial year ended 31 December 2016 since his appointment on 28 October 2016.

LOW YAN SEONG 刘延祥 Independent Non-Executive Director

Mr. Low Yan Seong ("**Mr. Low**"), male, a Malaysian, aged 45, was appointed to the Board on 11 June 2010. Mr. Low is the Chairman of the Nominating Committee and a member of the Audit Committee.

Mr. Low holds a fellowship of the Association of Chartered Certified Accountant (FCCA). Mr. Low began his professional career with an international accounting firm in Malaysia, and held a position with Deloitte & Touche Singapore office since 1998 and later joined Beijing office in 2004. He subsequently joined a public listed company in Singapore as Chief Financial Officer before taking various overseas appointments in The People's Republic of China. He was the Chief Financial Officer of China Green Material Technologies, Inc. until October 2012. In October 2012, he joined a corporate advisory firm, Capital360 Investment Management Center as Partner till to date.

Mr. Low attended all six (6) Board meetings which were held in the financial year ended 31 December 2016.

WAN KAMARUL ZAMAN BIN WAN YAACOB Independent Non-Executive Director

Encik Wan Kamarul Zaman Bin Wan Yaacob ("**Encik Wan**"), male, a Malaysian aged 62, was appointed to the Board on 11 June 2010. Encik Wan 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.

En. Wan 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 all six (6) Board meetings which were held in the financial year ended 31 December 2016.

Notes:

- None of the Directors have been convicted for any offences other than traffic offences within the past 5 years.
- 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 listed companies.

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PROFILE OF KEY SENIOR MANAGEMENT

PAN DING 潘鼎 Group Managing Director / Executive Director

Mr. Pan Ding, male, a citizen of The People's Republic of China ("**PRC**"), aged 52, was appointed to the Board of Top Textile (Suzhou) Co., Ltd. ("**Top Textile**") on 13 March 2006.

Mr. Pan Ding 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 PRC. Mr Pan Ding 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

Mr. Pan Dong, male, a citizen of The People's Republic of China ("**PRC**"), aged 46, was appointed to the Board of Top Textile (Suzhou) Co., Ltd. ("**Top Textile**") on 13 March 2006.

Mr. Pan Dong graduated with a Diploma in Economics Management from the Continuing Education Institute of Suzhou University. He is also 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 PRC. He is currently responsible for 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

Dato' Soo Sze Ching ("**Dato' Soo**"), male, a Malaysian, aged 41, was appointed to the Board 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. Dato' Soo is a Civil Engineer by profession and a member of Institute of Engineers Malaysia (I.E.M.).

Dato' Soo began his construction career as a civil engineer with various construction companies with over 15 years of varied corporate and management experience. Dato' Soo has wide in-depth exposure in the construction industry. Currently, Dato' Soo 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 currently a director of Dexview Sdn. Bhd., subsidiary of Symphony Life Bhd., a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Notes:

- None of the key senior management has been convicted for any offences other than traffic offences within the past 5 years.
- 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 listed companies.

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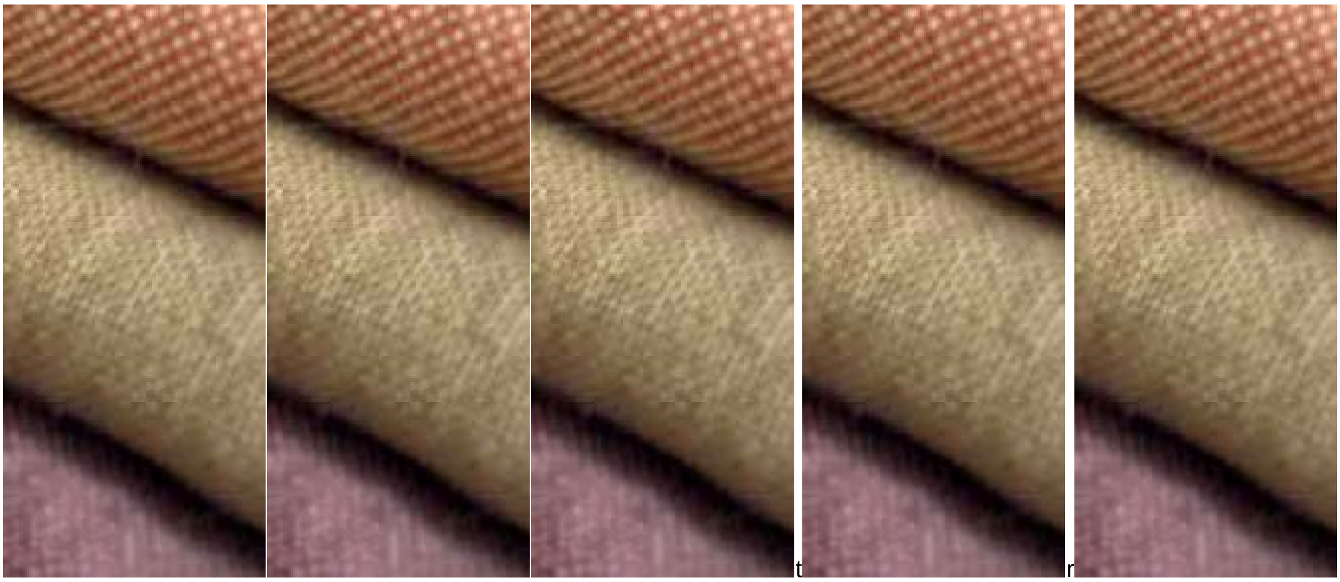
CHAIRMAN'S STATEMENT



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 year ended 31 December 2016 .

BUSINESS ENVIRONMENT REVIEW

It was proven that 2016 was a year full of challenges in the global economic scene. By virtue of the Group having a subsidiary which operates in China, we are concerned about economic development both in China and globally. China achieved a gross domestic product ("**GDP**") growth of 6.7% in 2016, 20 basis points lower than the growth of 6.9% registered in 2015 which continually to stay below the important psychological mark of 7%. Nonetheless, the China economic growth ended the first quarter of 2017 in a positive note by achieving a growth rate of 6.9% which beats market expectations. Generally, information gathered indicates the economy is heading towards a trend of normalization from the stellar double-digit growth that China achieved in the past.

China expects to see its economy heading towards a more sustainable growth path at moderate rates, an era that President Xi Jinping describes as the "New Normal". Efforts will be directed to shift growth drivers from the conventional export-oriented industries and investment in infrastructure spending to services sector and domestic consumption.

CONSUMER MARKET TREND ANALYSIS

We gathered views from the Executive Directors on the outlook of the fabric production sector and the Group's business. They concur that jittery consumer market resulted from slow down observed in the economic growth remain the major challenge that cast shadow over the Group's financial performance.

However, not all news are bad; among the aforementioned factors there are some hidden opportunities in the consumer market. Transformation undergoing in the China consumer market, i.e. the continual rise of upper-middle class, young affluent spenders and households are indeed offering opportunities of market share reshuffling to manufacturers who are able to seize opportunities through product innovation/differentiation and quality improvement.

Although the general consumers are expected to remain prudent in their spending behavior, nonetheless, the fabric manufacturing industry will still be able to sustain as it supports the clothing and fabric household products industry which can be considered as consumer staples (basic necessities that requires replenishment), in the huge domestic and global markets.

Nevertheless, the Group's subsidiary, Top Textile (Suzhou) Co., Ltd ("**Top Textile**") has established its ground in the loom-state fabric production industry, we believe that it will evolve stronger after going through the testing time.

CHAIRMAN'S STATEMENT

REVIEW OF OPERATING ENVIRONMENT

In recent years, the China government introduced various reform measures in its employment policies, such as labour welfare enhancement and rural areas development. These have resulted in continual hikes in labour costs and reduction in labour force supply.

Rural area folks have alternatives to remain in their hometowns and seek employment opportunities at surrounding areas, instead of going to bigger cities. Exodus of workers from bigger cities (where they previously worked in) back to their hometowns (mostly at faraway places) happens across the nation. Consequently, the Group, like other manufacturers, is unable to evade from labour costs hikes (due to lower labour supply and new minimum wage rulings). Nevertheless, being a responsible employer has, to a considerable extent, helped the Group to attract and retain workers.

Apart from labour-related issues, the China government also carries out stringent enforcement of environmental regulations. Compulsory shift from the use of coal to liquefied petroleum gas (LPG) has already sparked chain effects on general electricity costs, and hence the total production overheads.

Nevertheless, we trust that the Group's Executive Directors will handle these issues and ensure smooth production and maintain profitability, done at the best interests of our stakeholders.

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

On 28 October 2016, a new Executive Director, Dato' Soo Sze Ching ("**Dato' Soo**") was appointed to the Board. Dato' Soo is responsible for the management of the Group's new business, namely provision of project management services, carried out through its newly-acquired wholly-owned subsidiary, Gorgeous Goldhill Sdn. Bhd. ("**GGSB**"). The Group acquired GGSB on 19 August 2016 and it is currently helmed by Dato' Soo.

Dato' Soo is a Civil Engineer by profession with in depth experience in the construction industry. Besides construction industry, Dato' Soo is also involved in joint ventures of property investments and development. The Board believes with the valuable experience and exposure of Dato' Soo in in the construction industry, property investments and development activities, the Group's provision of project management services business is in good hands.

Following the appointment of Dato' Soo, the number of executive directors and independent non-executive directors is in a good balance. 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.

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CHAIRMAN'S STATEMENT

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.

In view of the challenges ahead, the Board concurs that it is advisable for the Company to remain prudent and conserve cash. Therefore, the Board has decided not to declare dividend for the financial year ended 31 December 2016.

On behalf of the Board, I wish to extend a very warm welcome to Dato' Soo and congratulate Dato' Soo on his appointment to the Board of Sinotop. I trust that Dato' Soo will lead the new business of the Group to a bright future. To 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 Ng Bee Ken
Independent Non-Executive Chairman

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MANAGING DIRECTOR'S STATEMENT

Dear esteemed shareholders

For the financial year ended 31 December 2016, the subsidiary of Sinotop Holdings Berhad ("**Sinotop**"), Top Textile (Suzhou) Co., Ltd., ("**Top Textile**" or "**Company**") recorded sales revenue of RMB276 million (2015 : RMB297 million) and profit after tax of RMB4.14 million (2015 : RMB5.19 million).

I shall move on to brief about the Company's overall operational matters and vision.

1. COST MANAGEMENT AND SALES STRATEGIES

(i) RAW MATERIALS

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.

(ii) ENERGY

The government in China imposes a mandatory requirement for 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. As a result, the energy cost element in the total production overhead has increased tremendously. In addition, 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.

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. In addition, we reduce our reliance on third party suppliers for compressed steam by ensuring self-sufficient supplies of compressed steam (used in the jet loom machines) so that there will not be interruption in the production schedule planning, and ensure that costs are in the Company's control.

(iii) LABOUR COSTS

China government is 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.

1. COST MANAGEMENT AND SALES STRATEGIES (CONT'D)

(iii) LABOUR COSTS (CONT'D)

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.

In view of this, Top Textile has to resort to productivity improvement. The Company hired human resource consultants to build and introduce comprehensive team culture to all workers and perform review of operations in the production lines, with the intention to identify avenues for improvement. This has increased productivity of workers and staff, with less wastage observed and more efficient human resource management.

(iv) PRODUCT VALUE CHAIN

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.

2. UPADATES ON TOP TEXTILE'S MANAGEMENT INFORMATION SYSTEM ("MIS")

The Executive Directors reckon that Top Textile's MIS is an integral part of the Sinotop Group's information 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, an independent review on the MIS of the Company is essential in providing an understanding over the system's effectiveness, adequacy, and integrity.

During the current reporting financial year, the Group engaged a Certified Public Accountants ("**CPA**") firm called Suzhou Hao Sheng CPA ("**Suzhou Hao Sheng**") and outsourced its internal audit function to the firm. The engagement of Suzhou Hao Sheng includes an independent review on Top Textile's MIS from the perspectives of the accounting system and the Enterprise Resource Planning ("**ERP**") system.

Top Textile commenced the planning and other related infrastructure configuration work of its ERP System in 2012. The establishment of ERP is an upgrading initiative on the MIS, it was established as a mainstream fabric production process oriented system. Since the deployment into full application of ERP in 2014, the system have been in use for two years, it is desirable that a review of and assessment on the overall ERP be carried out to have an understanding over its effectiveness and identify areas of improvement.

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.

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.

3. CORPORATE GOVERNANCE

TRADE RECEIVABLES

On ground of protecting shareholders' interest, the Board oversees and urges the Management to manage the trade receivables in more stringent, effective and efficient manners to ensure healthy cash flow positions at all times. Besides, our external auditors ("**EA**"), Messrs Crowe Horwath, has been monitoring closely on the Group's portfolio of trade receivables while performing audit procedures to obtain sufficient audit evidences in the course of auditing the Group's accounts. The Management heeds to highlights made by the EA and have stepped up efforts in collecting outstanding trade debts, so as to preserve the Group's assets.

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3. CORPORATE GOVERNANCE (CONT'D)

TRADE RECEIVABLES (CONT'D)

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.

4. OTHER INVESTMENTS

a) DISPOSAL OF INVESTMENT IN A PRIVATE EQUITY FUND

The Sinotop Group invested in 35.625% equity interest ("**Investment**") of private equity fund, namely Suzhou Xuande Equity Investment Centre (Limited Partnership) ("**Xuande**") since 2011. The Investment was made through Top Textile. However, due to the longer than expected payback period from the Investment and the underlying uncertainties, and on account of good corporate governance practice, acting in the best interest of the Group and its shareholders, after much efforts being put in, the Group Managing Director together with an Executive Director who base in China, responsible principally the management of Top Textile, managed to identify an interested party ("**Purchaser**") to acquire the entire equity interest of the Investment ("**Disposal**"), at the original costs of investment.

The rationale for the Disposal premised primarily on the ground that the Disposal enables Top Textile to recover its original cost of investment which the cash proceeds from the Disposal will be utilized as working capital for the existing business operations of the Group. The Disposal was duly completed on 18 April 2017, in accordance with the terms and conditions stipulated in the share sale and purchase agreement. All cash proceeds received have been duly transferred to Top Textile's bank account.

b) JOINT VENTURE INVESTMENT IN SUZHOU HAN LING PACKAGING CO., LTD. ("HAN LING")

In 2015, Top Textile sealed a joint-venture investment in Han Ling. To date, the total cost of investment amounts to RMB9 million (approximately RM4.3 million) for a 50% equity interest in Han Ling.

The principal business operations of Han Ling engages in the 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. It commenced trial production run at end of 2015. After a full year of operations in 2016, Han Ling's production activities are expected to reach above RMB5 million in 2017.

5. ACQUISITION OF A NEW WHOLLY-OWNED SUBSIDIARY AND COMMENCEMENT OF A NEW BUSINESS OPERATION

On 19 August 2016, the Group acquired a new wholly-owned subsidiary, Gorgeous Goldhill Sdn. Bhd. ("**GGSB**"). GGSB is helmed by one of the Group's Executive Directors, Dato' Soo Sze Ching ("**Dato' Soo**"), who was appointed to the Board of GGSB on 26 November 2016, following his appointment to the Board of Sinotop on 28 October 2016. The principal business activity of GGSB is provision of project management services.

Dato' Soo has vast experiences in the construction, property investment and development fields that complement the project management services business placed under his leadership. With the acquisition of GGSB and commencement of the project management services business, the Group is heading towards the next milestone of achieving diversified sources of revenue.

6. UPDATES ON THE ECONOMIC AND INDUSTRIAL ENVIRONMENT

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).

As world major manufacturer, the China manufacturing sector is currently facing the following headwinds :

(i) Shrinkage in the global demand ;
(ii) Significant spike in the labour costs resulting in erosion of competitiveness ; and
(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).

6. UPDATES ON THE ECONOMIC AND INDUSTRIAL ENVIRONMENT (CONT'D)

I understand that our shareholders have set expectations over the Group's financial performance and delivery of results; rest assured that the Management has indeed devoted more than ever greater efforts in managing business affairs of the Group. However, the current macro-economic environment is in an adverse trend against manufacturers, especially garments and fabric household products, which are consumer goods with relatively higher elasticity of demand.

7. OUTLOOK

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.

The fabric manufacturing industry, although labour intensive in nature, is not going to be phased out in times to come. Indeed, even during economic downturn, it remains as the backbone of the four major basic necessities for human beings.

Although we are facing strong headwinds, the Management believes that based on our experience in the fabric production industry (more than twenty years), we are able to sail through the challenges. We remain determined in developing new products and expansion of market breadth.

We see great opportunities within these challenges ahead that are hidden in the consumer market transformation, i.e. the rise of upper-middle class, young affluent spenders and households. Furthermore, the fundamentals supporting the overall manufacturing sector remain relevant:

(i) Stable political climate in China ;
(ii) Much efforts are devoted towards the structural reforms of the China economy to stimulate the growth of service sector and domestic demand ;
(iii) The government's urbanization programme continues to improve well-being of the people, and hence the demand for goods ;
(iv) Government's supportive stance towards manufacturing sector ; and
(v) Huge domestic consumption market from China's 1.4 billion populations.

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.

The Managenent of Top Textile sets annual sales revenue target of approximately RMB300 million per annum for the next few years. The Management together their team will put forward their best foot to achieve these sales targets. In addition, Sinotop had also obtained its shareholders' approval to diversify the existing core business of Sinotop Group to include project management (of which operations commenced) and infrastructure construction related businesses which will be beneficial to the Group's prospect.

Lastly, I would like to express my sincere gratitude to our shareholders for their patience and support. The outlook of the textile industry remains bright. Together with my Management Team, we will place our shareholders' interest on the top agenda, seize golden opportunity to grow and make Sinotop to be a superior listed company.

Pan Ding
Group Managing Director

董事經理献词

尊敬的股东大家好，

我很荣幸为顶峰控股集团有限公司(“**顶峰**”)的股东们再次发表董事经理献词，在此我向各位股东汇报公司过去一年的概况。

业务汇报

截至 2016 年 12 月 31 日的财政年，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 2 亿 7621 万元人民币 （2015: 2 亿 9700 万元人民币），税后盈利则为 414 万元人民币 （ 2015: 519 万元人民币）。

以下我将托普的运营概况和理念向各位做一个简报：

1. **成本管理与销售策略**

   a) **原材料**

   向信誉良好的供应商取货，确保原材料质量受保证供应稳定并且锁定最佳价格。

   b) **能源**

   政府规定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使到能源成本急速上涨; 而且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上升也影响公司成本。

   托普所采取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。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，让生产线规划不受供气短缺所影响，同时也能控制成本。

   c) **劳动力**

   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。

   由于人力资源成本急速上升，托普转向劳动力团队生产效率方面下手，特此雇用了人力资源咨询顾问，提供培训建立全面团队文化，审核生产部运作，从各角度作出合适调整。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。

   d) **产品价值链**

   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. 托普的信息系统

执行董事们认同托普的信息系统是顶峰集团的一个关键环节，因信息系统所存放的生产及其他方面数据最终会被运用在各种数据分析当中。托普于 2014 年着手规划设立的企业资源规划系统（ERP），是属于企业资讯系统管理升级。ERP 是以托普纺织业务主体流程为导向的企业资源规划系统，自 2014 年全面投入应用以来已运用了 2 年多，因此，对资讯系统进行一项独立回顾评估，检测其效率，充足性，诚信度以及可靠程度并作出了解是必要的。

本财政年度，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。内部审计师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. **企业监管**

应收账款

董事会在保障股东权益的大前提之下，继续监管督促管理层严格执行及优化收账过程，令公司的流动资金状况保持良好。国富浩华在审计集团的账目时，对集团的应收账款这一项进行了严格审查，迫切要求管理层持续在应收账款管理方面努力，对账款加紧跟进，以保障公司资产。

公司的管理层一方面绞尽脑汁开拓提高销售业绩和市场份额，但同时也抱着审慎的态度选择高素质信用佳的客户，绝对不会为单纯为了提高业绩而让公司承担坏账风险，请各位股东放心。

4. **其他投资**

a) 玄德私募基金

顶峰集团自2011年起，通过托普投入资金到苏州玄德股权投资中心 （有限合伙）（**“玄德”**），持有玄德35.625%的股权（**“投资”**）； 然而，有鉴于这项投资的回报期超过了预期中所需的时间并存在不确定性， 因此，在良好企业监管和集团及股东利益的大前提下，在中国负责托普运营管理的集团董事经理和执行董事经过努力成功物色了一位合适的收购者，以托普投资在玄德的成本价购买托普所持有的35.625%玄德股权以充足公司的流动资金。 此项转让已于2017年4月18日按照股权转让协议里的条款完成，资金全部转入托普公司账户。

b) 联营投资 -苏州韩羚包装有限公司（“韩羚”）

托普自 2015 年起总共投入 900 万元人民币持有韩羚 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。韩羚已于 2015 年底开始小批量试生产。在经过了 1 年的试生产运营，有望于 2017 年取得超过 500 万元人民币的业务收入， 为集团整体收益打下良好的基础。

5. **收购独资子公司和拓展集团新业务**

在 2016 年 8 月 19 日，顶峰集团收购了一家独资子公司 Gorgeous Goldhill 有限公司（**“GGSB”**）， 其旨在于拓展集团旗下的新业务。GGSB 是由顶峰控股于同年 10 月 28 日所委任的执行董事拿督苏仕振（**“拿督”**） 所掌舵，目前的主营业务是提供工程管理服务；拿督是于 2016 年 11 月 26 号正式被委任为 GGSB 的董事。拿督在建筑、产业投资和发展领域拥有丰富经验，定能引领 GGSB 业务蓬勃发展。随着 GGSB 业务的展开象征着集团将会迈向一个多元化收益的里程碑。

6. **经济大环境简报**

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。

作为世界主要制成品出口国，现今中国制造业的整体概况如下：

(i) 国际市场需求的减缓；
(ii) 劳动力成本剧增而造成竞争力减低； 及
(iii) 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。

我理解各位股东对公司业绩表现所抱的期望，公司高层在管理主营业务方面所投入的精力也确实比以前更多；但现有的大环境在全球经济滑坡的影响下确实是不利于制造商，尤其是纺织服装产品一类的弹性消费商品。

7. **前景与展望**

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。

尽管当前面临严峻考验，管理层及团队开发新产品和开拓新市场的决心和信念从未动摇过。凭着管理层在纺织业超过二十年的经验，必定能带领公司度过低谷考验期。

大环境的困境对我们来说即是挑战也是一次机遇，我们深信通过一段时间优胜劣汰的调整，纺织业会突破现有的瓶颈，公司会脱颖而出；更何况支撑我们业务成长的基本面没有发生大的改变，这些因素包括：

(i) 中国政局稳定；
(ii) 政府致力于推动经济改革转型升级，推动内需及服务领域成为经济成长关键领域；
(iii) 政府继续大力推动发展城镇化建设，把内需市场定位转化为往后 GDP 增长率的主要推手。在这令人鼓舞背景的带动下，中国消费的群体及消费力预料将持续增长；
(iv) 中国政府对制造业的大力支持；及
(v) 中国接近 14 亿人口的市场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。

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，市场会逐渐复苏。

管理层会努力保障公司的生产正常持续, 我们预测接下来几年的销售额会在将人民币 3 亿左右。我们承诺将倾尽全力，加强企业管理及产品开发，争取更多的市场份额。集团也已获得股东们批准把顶峰集团主营业务拓展到工程管理和基础建设相关业务，此举有利于集团前景。

最后，我依然要对股东的支持表示衷心的感谢！我和我的团队一定竭尽所能，时刻把股东的利益放在最重要的位置，把握公司成长的机会，把顶峰打造成拥有多元化收益的优质上市公司。谢谢大家！

潘鼎

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.

UPDATES ON RECENT CORPORATE EXERCISE

During the period after the current reporting financial year end up to the date of this annual report, the Company has completed the following corporate exercises (as first announced by the Company on 23 November 2016):

i) Capital reduction on ordinary shares of the Company pursuant to Section 64 of the Companies Act, 1965 involving the cancellation of RM0.14 of the par value of share of RM0.20 each in Sinotop, of which RM0.1249 of each of the Sinotop share (at the time announcement was made) was set off against the accumulated losses of the Company and RM0.151 from each Sinotop share was duly distributed to entitled shareholders, via eCash payment and cheque as capital repayment; and

ii) The consolidation of every five (5) ordinary shares of RM0.06 each in Sinotop into one (1) new ordinary share of RM0.30 per share was completed at 5pm on 30 March 2017. The consolidated shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 31 March 2017, being the next market day immediately after the entitlement date.

ACQUISITION OF A WHOLLY-OWNED SUBSIDIARY

During the financial year, the Company acquired the entire equity interest in Gorgeous Goldhill Sdn. Bhd. ("**GGSB**") for a total cash consideration of RM2.00. Subsequent to the acquisition, the Company increased the paid-up share capital of GGSB to RM10,000 by subscribing for an additional 9,998 ordinary shares of RM1.00 each issued by GGSB, mainly for start-up working capital purposes.

GGSB commenced its business operation on 1 September 2016, the date it received a Letter of Award ("LOA") from Asianmax Corporation Sdn Bhd ("**ACSB**"), in which the Company's newly-appointed Executive Director, Dato' Soo Sze Ching ('**Dato Soo**"), is a substantial shareholder. The LOA entails the appointment of GGSB as Project Manager in connection to several multi-level carpark construction projects undertaken by ACSB.

PRINCIPAL BUSINESS OPERATIONS OF THE GROUP

The principal business operations of the Group are as follows:

NAME OF SUBSIDIARIES	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**")	Provision of project management services

Sinotop is aspired to be a quality listed company that delivers satisfactory financial performance and good returns to its shareholders. The Group's principal business operation of production of customized woven loom-state fabrics made from yarns of different materials, is carried out through its wholly-owned sub-subsidiary, Top Textile, that operates at Lili Town, Wujiang City of Jiangsu Province, the People's Republic of China.

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PRINCIPAL BUSINESS OPERATIONS OF THE GROUP (CONT'D)

Top Textile has a corporate culture of achieving excellence, as demonstrated by the motto it has chosen "An Excellent Enterprise Establish An 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 the company 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 years ended 31 December 2016 and 2015, respectively, is tabulated below:

EXHIBIT 1	**REVENUE FINANCIAL YEAR ENDED 31 DECEMBER**		**VARIANCE**	
GEOGRAPHICAL CLASSIFICATION	**2016 RM'000**	**2015 RM'000**	**RM'000**	**%**
PRC	154,848	170,012	(15,164)	(8.92)
Outside PRC	17,305	15,617	1,688	0.11
	172,153	185,629	(13,476)	
BUSINESS SEGMENT				
Fabric production	171,898	185,629	(13,731)	(7.40)
Project management services *	255	-	255	n.a.
	172,153	185,629	(13,476)	

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

The Group registered revenue of RM172.153 million compared to RM185.629 million. The main reason for the decrease in revenue is attributable to drop in sales volume and average order price generated from the domestic market. The main reason for the decrease in domestic sales revenue is due to the weak market demand arising from the overall weaker economy.

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 The People's Republic of 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 the PRC (please refer to Exhibit 1 above).

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SHARE OF RESULTS OF A JOINT VENTURE

The Group has a 50% equity interest in a joint venture, namely Suzhou Han Ling Packaging Co., Ltd. ("**Han Ling**"). The principal business activities 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 production in 2016.

For the financial year ended 31 December 2016, the Group's share of Han Ling's results is a net loss of RMB1,788,000 (RM1,113,000). The reason for a net loss reported by Han Ling is the relatively smaller order book which is a normal observation for a company at its initial start-up stage.

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FINANCIAL PERFORMANCE REVIEW (CONT'D)

SHARE OF RESULTS OF A JOINT VENTURE (CONT'D)

In 2017, the Management of Han Ling projected the sales revenue of Han Ling will very likely to surpass RMB5 million, on the back of sales order that it has secured, or, either in the progress of negotiating /finalizing on the terms of contracts.

Average rate of RMB1 : RM 1 0.6223

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 year 2016 and 2015 are RM70.7 million and RM55.1 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 year 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.

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

1. 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.

2. 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 ("**US**") 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.

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SIGNIFICANT FACTORS THAT AFFECT THE GROUP'S PRINCIPAL BUSINESS SEGMENTS AND MITIGATION MEASURES (CONT'D)

FABRIC PRODUCTION ("FP") BUSINESS (CONT'D)

3. **Credit risk**

   The Group's business operations are exposed to credit risk, ie 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.

4. **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.

5. **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 BUSINESS ("PMS")

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

1. **Business risks**

   The PMS 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 (and hence the duration of management services for the particular project).

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

2. **Operational risks**

   Prior to embarking on the PMS business, the Group was primarily operating its fabric production business in China, and the PMS 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 PMS 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 PMS business segment.

3. **Dependency on key personnel**

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

4. **Competition risks**

   PMS 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.

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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 ("PMS") segment**

The PMS segment was established with the view to enlarge 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 11th 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.

On the back of these positive factors, the PMS segment has the potential of reasonably healthy growth.

CONCLUSION

2017 is going to be an exciting year to anticipate for Sinotop Group following the recently completed corporate exercise and the project management services segment that is expected to gain momentum. We shall look forward to a brighter prospect for the Group.

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GROUP FINANCIAL HIGHLIGHTS

		Dec 2016	Dec 2015	Dec 2014	Dec 2013	Dec 2012
FINANCIAL						
Revenue	(RM'000)	172,153	185,629	159,841	172,358	163,620
Profit Before Taxation	(RM'000)	4,264	4,010	4,087	3,574	5,894
After Taxation - Attributable to equity holders of the Company	(RM'000)	2,033	2,083	2,749	2,068	4,833
Earnings per share	(sen)	0.10	0.11	0.14	0.10	0.24
Net asset	(RM'000)	223,474	226,801	190,682	180,377	161,069
Net asset per share	(sen)	11.32	11.49	9.66	9.14	8.16
KEY RATIOS						
Return on equity #		0.91%	0.92%	1.44%	1.15%	3.00%
Return on assets @		0.87%	0.87%	1.35%	1.08%	2.56%
Debt to equity ^		n.a.	n.a.	n.a.	n.a.	9.14%

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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CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("**Board**") of Sinotop Holdings Berhad ("**Group**") reckons the importance of good corporate governance practices that is instrumental in enhancing shareholders' value and preserving stakeholders' interest. The Board is committed to uphold the integrity of corporate governance practices in the Group.

The Group endeavors to comply, observe and apply the principles of corporate governance and best practices for the relevant principles as stipulated in the Malaysian Code on Corporate Governance 2012 ("**MCCG 2012**"). Accordingly, the Board is pleased to report on the application of best practices recommended under the MCCG 2012 by the Group during the financial year ended 31 December 2016.

1. BOARD OF DIRECTORS

The Board operates under the guidelines of Board Charter drawn up as a general framework which defines the roles, responsibilities, authorities and power of the Board (individually and collectively). The Board Charter spells out the following

1.1 BOARD COMPOSITION

The Company is helmed by a Board comprising members of different background, including seasoned entrepreneurship, corporate law, accounting, auditing and corporate finance. The Board presently comprises three (3) Executive Directors and three (3) Independent Non-Executive Directors, following the appointment of a new Executive Director, Dato' Soo Sze Ching ("**Dato' Soo**") to the Board on 28 October 2016.

MEMBERS OF THE BOARD
The Board currently consists of six (6) Directors, namely:

INDEPENDENT NON-EXECUTIVE CHAIRMAN
Datuk Ng Bee Ken

GROUP MANAGING DIRECTOR / EXECUTIVE DIRECTOR
Pan Ding

EXECUTIVE DIRECTORS
Pan Dong
Dato' Soo Sze Ching

INDEPENDENT NON-EXECUTIVE DIRECTORS
Low Yan Seong
Wan Kamarul Zaman Bin Wan Yaacob

The Board is of the opinion that following the appointment of Dato' Soo to the Board, size and composition of the Board is even more advantageous for the well-being of the Company. Profile of the Board members is as set out on pages 4 and 5 of this Annual Report.

1.2 DIRECTORS' APPOINTMENT AND RE-ELECTION

In accordance with the provisions of the Constitution of the Company, Directors who are appointed during the year 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.

1.3 BOARD INDEPENDENCE

The roles of Independent Non-Executive Chairman and Group Managing Director ("**Group MD**") are held by separate individuals, with clear division of responsibilities and authorities. The segregation of the roles of Chairman and Managing Director 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.

1. BOARD OF DIRECTORS (CONT'D)

1.4 ESTABLISHMENT OF BOARD COMMITTEES

The Board has set up three Board Committees ("**Committees**"), namely Audit Committee, Nominating Committee and Remuneration Committee, to delegate specific duties to these Committees.

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 office and recommend to the Board for approval. The functions, roles and responsibilities of the Audit Committee is presented in the Audit Committee Report while other Committees' roles, and responsibilities are detailed in section 1.16.

1.5 ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is entrusted with and assumes the stewardship role for the Group. It is responsible for providing oversight on the Group's strategic direction, overseeing the Group's business operations, as well as identifying key risk factors that have significant impact on the Group's operations and performance.

The Board is committed in the scrutiny of control issues of the Group. It performs regular reviews over the risk management and internal control system to ensure its integrity and adequacy in providing reasonable assurance of risk mitigation.

Executive Directors are responsible for the day-to-day business operations of the Group while the Independent Non-Executive Directors scrutinise decisions made by the Executive Directors. The Board collectively is responsible for the effective implementation and monitoring of the Group's strategic plans.

1.5.1 PRINCIPAL ROLES AND RESPONSIBILITIES OF THE BOARD

- Formulation of the Group's strategic plans, review and approve strategic direction, implementation and monitoring of the strategic business plans for the Group;
- Oversee the conduct and performance of the Group's business and revision of business strategies in line with current macro environment;
- Identify key risks factors that have significant impact on the Group's operations and performance and formulate appropriate risk management and internal control system to mitigate negative impact of the risks so identified;
- Assessment of business and/or investment opportunities;
- Review of succession planning, including appointment of senior management;
- Develop and implement investor relations programme or shareholder communications policy; and
- Review of adequacy and the integrity of the Group's internal control and management information systems.

1.5.2 MATTERS RESERVED FOR BOARD DECISION

The Group's Board Charter spells out clearly a list of matters reserved for decision by the Board as detailed below:

- Review and oversee the formulation of strategic business plans;
- Acquisition and/or disposal of investments in subsidiary, associate or other investment
- Acquisition of assets; and
- Establishment of and delegation of duties to Board committees.

1. BOARD OF DIRECTORS (CONT'D)

1.6 MANAGING DIRECTOR ("MD")

1.6.1 ROLES AND FUNCTIONS OF THE MD

- Define the Group's visions and steer the Group to achieve its visions;
- Communicate the Group's visionary goals and strategies to the Board, shareholders and other stakeholders (where applicable);
- Setting of strategic plans to achieve the Group's visionary goals;
- Communicate the strategic plans and goals to the Board and Management;
- Oversees changes in risks and operating environment that affects achievement of the Group's visionary goals;
- Explore commercially-viable business and/or investment opportunities that continues to drive growth of the Group; and
- Acts as interface between the Board, Management and various stakeholders.

1.6.2 CORPORATE OBJECTIVES TO BE MET BY THE MD

1.6.2.1 Corporate Governance and Board Effectiveness

- Ensures all statutory, regulatory, legal and obligations of Sinotop as a listed company are met;
- Ensures timely communication of the updates on execution of strategic plans and results achieved; and
- Ensures the Board are adequately filled to carry out its functions and responsibilities.

1.6.2.2 Financial Performance of the Group

- Steer the Group to meet its financial objectives, ie profitability, return on investment, growth rate; and
- Ensures the sustainability of the Group's profitability and competitiveness.

1.6.2.3 Communication with Shareholders / Other Stakeholders

- Serves as the bridge of communication between the Company and shareholders/other stakeholders pertaining to the overall vision and strategic plan of the Group.

1.7 ROLES AND RESPONSIBILITIES OF EXECUTIVE DIRECTORS

The Group MD, together with the Executive Director (collectively known as "**Executive Directors**"), orchestrates the overall strategic direction of the Group. They convey and communicate key strategic plans and proposals to the Board, and implement decisions made by the Board.

The Executive Directors who based in China are responsible for the formulation and execution of strategies of the Group's fabric production business in China, whereas the Executive Director who base in Malaysia is responsible to manage and formulate strategies of the provision of project management services business.

1.8 ROLES AND RESPONSIBILITIES INDEPENDENT NON-EXECUTIVE DIRECTORS

The presence of Independent Directors complements the Board by ensuring that check and balance is in place for effective functioning of the Board. The Independent Directors play the following roles in fulfilling their responsibilities:

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

Our Independent Directors are professionals in their own right with respectable business exposures, which the Board values and acknowledges that it has benefited greatly from the advices and feedback it receives.

The Independent Non-Executive Chairman and Directors are responsive to the Company's affairs and are committed in ensuring that high corporate governance standards are adhered to. In the course of discharging their responsibilities with regard to corporate governance, the Independent Directors engage with the Management, internal auditors as well as external auditors.

1. BOARD OF DIRECTORS (CONT'D)

1.8 ROLES AND RESPONSIBILITIES INDEPENDENT NON-EXECUTIVE DIRECTORS (CONT'D)

1.8.1 INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Independent Directors fulfil the criteria of independence as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**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 year ended 31 December 2016. The Board has received confirmation of independence from the respective Independent Directors.

The Independent Non-Executive Directors do not involve in the day-to-day management of the Group's business operations and do not have any business relationship with the Group or the Executive Directors. As the Independent Non-Executive Directors are free from conflict of interest, hence, it is concluded that their independence are not impaired in whatsoever circumstance.

The independent directors provide impartial views and insight to the Executive Directors in matters relating to financial management, corporate governance, risk management and internal control. Strategies proposed by the Executive Directors are deliberated from both quantitative and qualitative aspects, taking into account of the interest of various stakeholders as well as the impact of risk factors that exist in the operating environment.

1.8.2 ANNUAL ASSESSMENT OF DIRECTORS' INDEPENDENCE

MCCG 2012 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 year has been duly completed.

1.8.3 NON-EXECUTIVE DIRECTORS' TENURE OF SERVICE

Under the MCCG 2012, the service tenure of an independent director should not exceed a cumulative term of nine (9) years ("**term**") and upon completion of term, an independent director may continue to serve on the Board subject to:

i) the director's re-designation as a non-independent director; or
ii) 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.

The Board does not set a term limit for its Independent Directors and is of the view that the independence of the Independent Directors should not be determined solely or arbitrary by their tenure of service. The Board reckons that there are significant advantages to be gained from a long serving director who possessed valuable insight and in depth knowledge of the Company's history and operating environment.

The Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmations on their independence, will be able to determine if they can continue to bring independent and objective judgment on Board deliberations and decision making.

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1.8.4 RE- APPOINTMENT OF A LONG SERVICE INDEPENDENT DIRECTOR

Datuk Ng Bee Ken ("**Datuk 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 eleven (11) years.

1. BOARD OF DIRECTORS (CONT'D)

1.8 ROLES AND RESPONSIBILITIES INDEPENDENT NON-EXECUTIVE DIRECTORS (CONT'D)

1.8.4 RE- APPOINTMENT OF A LONG SERVICE INDEPENDENT DIRECTOR (CONT'D)

The Board, together with the Nominating Committee has reviewed and opined that Datuk Ng shall continue to serve the Board of the Company, in the capacity of an Independent Non-Executive Chairman (Board and the Audit Committee) of the Company through assessment of independence and regular interaction with Datuk Ng, the Board is of the view that the length of Datuk 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 Ng to be retained as an independent director of the Company and as recommended under Recommendation 3.3 of the MCCG 2012, the Company will proceed to seek shareholders' approval to support the Board's decision to retain Datuk Ng as the Independent Non-Executive Chairman of the Company based on the following justifications:

(i) Datuk Ng fulfills the criteria under the definition of Independent Director as stated in the MMLR;

(ii) Datuk Ng's stewardship of the Board has brought an element of objectivity to the Board;

(iii) Datuk 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;

(iv) Datuk Ng's independence has not in any circumstance been jeopardized; due care was exercised during his tenure of service; and

(v) Datuk Ng had not entered into any related party transactions with the Group and has no conflict of interest with the Group.

1.9 ANNUAL SELF EVALUATION BY DIRECTORS & ASSESSMENT ON PERFORMANCE OF BOARD COMMITTEES

During the current reporting financial year, directors of the Company performed self-evaluation and assessment on the performance of Board Committees.

The objectives of the self-evaluation of directors are

i) assessment on the overall understanding as a Director of a listed company;

ii) 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

iii) 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.

1.10 DIRECTORS' TRAINING

1.10.1 PREREQUISITE REQUIREMENTS PRIOR TO APPOINTMENT

All directors have undergone the Mandatory Accreditation Programme (MAP) pursuant to the requirement of Bursa Securities.

1.10.2 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.

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1. BOARD OF DIRECTORS (CONT'D)

1.10 DIRECTORS' TRAINING (CONT'D)

1.10.2 ANNUAL TRAINING REQUIREMENTS (CONT'D)

During the financial year ended 31 December 2016, the Directors have attended the following training programmes and seminars:

DIRECTOR	NAME OF SEMINARS / TRAINING PROGRAMME/(S)
Datuk Ng Bee Ken	1) Internal training session for Directors
Pan Ding	1) Special Report Seminar on Macro-Economic Circumstances and Enterprise Development Positioning During Times of the Thirteenth Five-Year Plan 2) Deepening of the Wujiang City Revolutionized Driving Force Strategy Propels Development of the Intelligent Industry Vigorously 3) Special Seminar on Internet Finance organized by the Rural Commercial Bank, China
Pan Dong	1) Special Report Seminar on Macro-Economic Circumstances and Enterprise Development Positioning During Times of the Thirteenth Five-Year Plan 2) Deepening of the Wujiang City Revolutionized Driving Force Strategy Propels Development of the Intelligent Industry Vigorously 3) Special Seminar on Internet Finance organized by the Rural Commercial Bank, China
Dato' Soo Sze Ching	1) Director's Mandatory Accreditation Programme
Low Yan Seong	1) Corporate Governance Seminar Series : Thought Leadership Session For Directors – Improving Board Risk Oversight Effectiveness (Organized by Bursa Malaysia) 2) Options Trading Knowledge (using Bursa Malaysia's OKLI Contracts) (Organised by Bursa Malaysia)
Wan Kamarul Zaman Bin Wan Yaacob	1) Trans-Pacific Partnership Agreement (TPPA) and its Impact on Financial Services and Banking Industry (Organized by CHK Consultancy Sdn Bhd and an SIDC CPE Accredited Course) 2) I am Ready to Manage Risk – Risk management Training For Directors (Organized by Bursa Malaysia)

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1. BOARD OF DIRECTORS (CONT'D)

1.11 CODE OF BUSINESS CONDUCT

1.11.1 OVERVIEW

A formal Code of Business Conduct ("**CBC**") has been adopted by the Group to guide employees at all levels, including Executive and Independent Non-Executive Directors, the standard of ethics and conduct that they are expected to adhere and uphold to when carrying out their duties.

The objective of the CBC is to have documented guidelines pertaining to practices that lead to shareholders' value enhancement, preservation of other stakeholders' interests. The Group places great emphasis on gaining public confidence towards its commitment of maintaining integrity, objectivity and fairness in conducting business and other corporate social responsibilities.

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

1.11.2 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

1.11.3 REVIEW AND UPDATE

The CBC is subject to review and update to incorporate relevant current development in the corporate governance scene.

1.11.4 EFFORTS OF THE BOARD TO INSTIL CULTURE OF PRACTICING GOOD CORPORATE GOVERNANCE

The Independent Non-executive Chairman ("**Chairman**") is mindful over the practice and instillation of a culture of observing and practicing corporate governance best practices. The Chairman emphasizes in every meeting of the Board and Board Committees, that all levels of the Group, from directors to the base level staff shall always be committed to practice the Group's corporate culture as stipulated in the CBC.

1.12 GROUP SUSTAINABILITY POLICY

1.12.1 ENVIRONMENTAL

The subsidiary of Sinotop, Top Textile Co., Ltd ("**Top Textile** or "**Company**") is a manufacturing company that is governed strictly by the China Government in terms of compliance and adherence to stringent environmental preservation guidelines.

Top Textile invested in waste water treatment and disposal system. Its waste management system is endorsed by the local authority as compliant to the required standard.

1.12.2 SOCIAL

Top Textile provides continuous training to all production line workers and administrative staff. The training programmes will definitely be beneficial to all staff concerned from the perspective of skills enhancement, which also makes them more employable in future.

The Company adopts a policy of providing suitable human resource development training programmes, such as motivational talk, management skills, computer skills, to qualified staff.

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1. BOARD OF DIRECTORS (CONT'D)

1.13 BOARD MEETING

Board Meetings are scheduled to be held regularly with sufficient notice being issued for meetings conducted in accordance with a structured agenda. There were six (6) Board Meetings held during the financial year ended 31 December 2016. The summary of attendance of each Director is as follows:

Directors	Number of Meetings Attended
1. Datuk Ng Bee Ken	6/6
2. Pan Ding	6/6
3. Pan Dong	5/6
4. Dato' Soo Sze Ching (appointed on 28 October 2016)	1/6
5. Low Yan Seong	6/6
6. Wan Kamarul Zaman Bin Wan Yaacob	6/6

The two Executive Directors who are based in China to manage business operations of the Group's subsidiary, Top Textile (Suzhou) Co., Ltd, came to Malaysia to attend Board meetings, as well as Audit Committee ("AC") meetings by invitation.

The Executive Directors are invited to update the AC, and by extension, the Board, on important issues such as business performance of the subsidiary, risk management and internal control subjects and other topics that the AC and Board are entitled to be keep updated.

1.13.1 ACCESS TO AND SUPPLY OF INFORMATION BY BOARD MEMBERS

The Board meets at least four (4) times a year to discuss the key issues arising out of the operations of the Group. However, the Board meets at other times as and 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.

1.13.2 MEETING THE EXTERNAL PROFESSIONALS / MANAGEMENT

a) Communication and Advices

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 and unimpeded information to assist them in discharging their duties. The proceedings of all Board meetings are recorded by the Company Secretary and filed properly in the minute's book of the Company upon confirmation by the Board.

b) Procurement of Independent Professionals / Advisor(s)

Each director has access to all information within the Group in furtherance of their duties. Procedures are in place for Directors to seek both independent professional advice at the Company's expense and the advice and services of the Company Secretary in order to fulfill their duties and responsibilities.

1.14 BOARD CHARTER

The Board has formally adopted a Board Charter which spells out clearly the following subject matters:

a) EXTRACT OF CONTENTS OF THE BOARD CHARTER

The Group's Board Charter set out the following principles:

(i) Composition of the board
(ii) Roles of the Chairman and Group Managing Director
(iii) Principal responsibilities of the Board
(iv) Power and authority of the Board
(v) Tenure of Independent Directors
(vi) Meetings and Company Secretaries
(vii) Process and procedures of convening Board meetings

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1. BOARD OF DIRECTORS (CONT'D)

1.14 BOARD CHARTER (CONT'D)

b) REVIEW OF BOARD CHARTER

The Board reviews the Board Charter from time to time to ensure it remains relevant.

c) TRANSPARENCY

The Board Charter is available for access by public on the Group's website www.sinotop.com.my

1.15 COMPANY SECRETARIES

a) QUALIFIED JOINT-COMPANY SECRETARIES

The Board is well supported by qualified and competent Company Secretaries on matters relating to the Company's policies and procedures that require compliance to applicable rules, regulations and corporate governance codes.

b) PROVISION OF ADVICES TO DIRECTORS

The Directors have ready and unrestricted access to the advice and services of the Company Secretaries and is regularly kept up to date on and apprised of any regulations and guidelines.

The Company Secretaries are responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Group, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

c) SAFEGUARDING OF STATUTORY BOOKS AND RECORDS

The Company Secretaries also safeguard all statutory books and records of the Company and maintain the statutory registers of the Company. Company Secretaries also ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded. In addition, the Company Secretaries also 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.

1.16 BOARD COMMITTEES

The Board has established the following committees and delegated certain responsibilities to the Board Committees which shall deal with matters within the respective board committees' term of office.

1.16.1 AUDIT COMMITTEE

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

1.16.2 NOMINATING COMMITTEE

The Nominating Committee ("**NC**") comprises the following members:

CHAIRMAN

Low Yan Seong	Independent Non-Executive Director

MEMBER

Datuk Ng Bee Ken	Independent Non-Executive Director

Members of the NC are independent non-executive directors. The Chairman of NC is an experienced corporate finance professional and an accountant by profession. He is currently the partner of an investment management center in Beijing.

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1. BOARD OF DIRECTORS (CONT'D)

1.16 BOARD COMMITTEES (CONT'D)

(i) FUNCTIONS OF THE NC

- 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;
- identify, evaluate and recommend candidates for appointment as Company Secretary
- review annually the required mix of skills and experience and other qualities, including core competencies of non-executive directors;
- 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.

(ii) 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.

(iii) PROCESS AND PROCEDURE OF DIRECTOR/(S) NOMINATION

a) 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.

b) 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.

c) 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.

1. BOARD OF DIRECTORS (CONT'D)

1.16 BOARD COMMITTEES (CONT'D)

1.16.2 NOMINATING COMMITTEE (CONT'D)

(iii) PROCESS AND PROCEDURE OF DIRECTOR/(S) NOMINATION (CONT'D)

d) 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.

e) Interview

Interview will be arranged for the shortlisted candidates.

f) Verification of Background

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

g) 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.

h) Formal Appointment and Mandatory Accreditation Programme ("MAP")

Formal appointment letter, registration with the Companies Commission of Malaysia as well as announcement to Bursa Malaysia will be made and notification to the Securities Commission. 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 Listing Requirements and Practice Note 5 issued by Bursa Malaysia.

(iv) GENDER DIVERSITY ON BOARD

The NC supports recommendation in MCCG 2012 on gender diversity in Board composition and adopted a gender diversity policy. The Group will consider the appointment of lady director(s) to the Board 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.

(v) SUMMARY OF ACTIVITIES OF NC DURING FINANCIAL YEAR 2016

The summary of activities of the NC during the financial year is as follows:

- 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;
- Discussion of the Company's Directors' retirement by rotation; and
- Review of the appointment of new Executive Director to the Board.

PROCEDURES UNDERTAKEN BY THE NC IN RELATION TO THE APPOINTMENT OF A NEW EXECTIVE DIRECTOR

During the current reporting financial year, Dato' Soo Sze Ching ("**Dato' Soo**") was appointed to the Board as Executive Director to oversee the business operations of a newly-acquired subsidiary of the Group, namely Gorgeous Goldhill Sdn. Bhd. ("**GGSB**"). The principal business activity of GGSB is provision of project management services.

Prior to making recommendation to the Board for Dato' Soo's appointment as Executive Director, the NC had performed the above, amongst all, review and appraisal of Dato' Soo's profile, professional background and experience to gauge the compatibility of the proposed appointment.

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1. BOARD OF DIRECTORS (CONT'D)

1.16 BOARD COMMITTEES (CONT'D)

1.16.2 NOMINATING COMMITTEE (CONT'D)

PROCEDURES UNDERTAKEN BY THE NC FOR THE APPOINTMENT OF A NEW EXECUTIVE DIRECTOR (CONT'D)

In carrying out the appraisal process, the NC made reference to the following factors:

a) Suitability of Dato' Soo's academic and professional background in the field of civil engineering;
b) Dato' Soo's valuable experience and exposure in the construction industry for over 15 years; and
c) Dato' Soo's current position as director in a subsidiary of Symphony Life Berhad, a company listed on the Main Market of Bursa Malaysia.

After due deliberation and consideration, the NC opined that Dato' Soo has the relevant experience and exposure in the project management services field, gain through the course of his career life in the past 15 years, complemented by Dato' Soo's professional background in civil engineering. Accordingly, after a formal interview with Dato' Soo, the NC recommended to the Board, in favour of the proposed appointment of Dato' Soo to the Board, on grounds of the positive appraisal results of factors mentioned above.

CONCLUSION BY NC ON THE NEW BOARD STRUCTURE

Following from the appointment of Dato' Soo to the Board, notwithstanding the Group's lean Board structure, the NC is satisfied with the current Board composition and size. The NC is of the view that the Board is able to carry out its duties and responsibilities effectively.

1.16.3 REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises the following members:

CHAIRMAN

Wan Kamarul Zaman Bin Wan Yaacob	Independent Non-Executive Director

MEMBERS

Datuk Ng Bee Ken	Independednt Non-Executive Chairman
Pan Dong	Executive Director

(i) FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE RC

- Review and recommend to the Board, the remuneration packages of the Group Managing Director and executive directors;
- Execute powers and authority established under the Group's remuneration policy; and
- May seek external advice, when necessary.

The Board has established a remuneration policy to facilitate the RC to review, consider and recommend to the Board for decision on the remuneration packages of Executive Directors. The remuneration policy can be found at the Company's website at www.sinotop.com.my.

(ii) DIRECTORS' REMUNERATION

The aggregate remuneration of the Directors for the financial year ended 31 December 2016 is as follows:

Received from the Company:

	Fees RM	**Salaries & Emoluments** RM	**Other Emoluments *** RM	**Total** RM
Executive Directors	-	780,000	17,000	797,000
Non-Executive Directors	132,000	-	26,000	158,000
Total	132,000	780,000	43,000	955,000

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1. BOARD OF DIRECTORS (CONT'D)

1.16 BOARD COMMITTEES (CONT'D)

1.16.3 REMUNERATION COMMITTEE (CONT'D)

(ii) DIRECTORS' REMUNERATION (CONT'D)

Received from the Group:

	Fees RM	Salaries & Emoluments RM	Other Emoluments * RM	Total RM
Executive Directors	-	940,000	17,000	957,000
Non-Executive Directors	132,000	-	26,000	158,000
Total	132,000	940,000	43,000	1,115,000

∗ ***Other emoluments are meeting allowances for the Directors' attendance at Board and other meetings***

Received from the Company:

Remuneration (RM)	No. of Executive Director	No. of Non-Executive Director
Less than 50,000	-	2
50,001 to 100,000	1	1
350,001 to 450,000	2	-

Received from the Group:

Remuneration (RM)	No. of Executive Director	No. of Non-Executive Director
Less than 50,000	-	2
50,001 to 100,000	1	1
350,001 to 450,000	2	-

- The Company has a formal procedure to determine the remuneration of each Board member, which is reviewed, from time to time, benchmarked against market practices.
- The quantum of remuneration of the Executive Directors are structured to attract and retain their services taking into consideration the prevailing market pay and employment conditions within the industry.
- The Board reviews the remuneration of the Executive Directors, in abstention of them
- Non-Executive Directors are paid reasonable allowances and fees to commensurate with their experience and skills.

The Remuneration Committee is responsible in recommending the remuneration packages of the Directors to the Board. The Board reviews the remuneration of the Executive Directors whereby the respective Executive Directors abstain from discussions and decisions on their remuneration. The remuneration of Non-Executive Directors is decided by the Board as a whole.

During the current reporting financial year, the RC made recommendation to the Board on the remuneration package of Dato' Soo, the Executive Director appointed to the Board on 28 October 2016. After due consideration and deliberation, the RC opined that Dato' Soo's role is to spearhead the Group's new business conducted through its wholly-owned subsidiary. The business of provision of project management services, requires solid management experience and in depth industry-specific knowledge. Therefore, the RC has resolved that the salary that Dato' Soo will be entitled to is at the same quantum as the executive directors who base in China.

2. COMMUNICATION AND INTERACTION WITH SHAREHOLDERS

2.1 SHAREHOLDERS' COMMUNICATION POLICY

The Company has outlined a policy on shareholders communication pertaining to matters relating to the communication between the Company and its shareholders. In addition, the policy details the following points:

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.

2.1.1 COMMUNICATION CHANNELS

(i) ANNOUNCEMENTS MADE ON BURSA MALAYSIA SECURITIES BERHAD ("BURSA") WEBSITE

The Group releases periodical announcements on Bursa 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) DISSSEMINIATION OF INFORMATION ON CORPORATE WEBSITE

Other than periodical and ad-hoc announcements, the Group also discloses essential information on its website www.sinotop.com.my. Some important corporate policies that promote best practices of good corporate governance are uploaded on the corporate website too. 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

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.

(iv) ANNUAL GENERAL MEETING

The Annual General Meeting ("**AGM**") is the principal forum for dialogue and interaction with the shareholders of the Company. The Group encourages shareholders to attend the AGM, which is a good avenue for them to meet the Board and the Management. Annual general meetings serve as excellent communication platform whereby shareholders meet the Board face-to-face, hence, shall be able to post questions to the Board to have better understanding of strategic plans of the Group.

The Group values feedback from its shareholders and encourages shareholders to actively participate in question and answer session open to all shareholders present at the AGM. The Board will ensure that each item of special business included in the notice of the general meetings is accompanied by a full explanation of the effects of any proposed resolution.

The Board shall present at the AGM and are prepared to respond to questions of concern from our valued shareholders who seek to understand development within the group. The Board will provide clarification on issues and concerns raised by the shareholders. The External Auditors are also present to provide clarification particularly relating to the financial statements.

(v) STATEMENT ON SHAREHOLDERS' RIGHTS

The Group has drawn up a Statement on Shareholders' Rights ("**Statement**"). The Statement can be accessible on the Group's website at www.sinotop.com.my. Periodical review of the Statement will be performed and the updated version will be reloaded on the corporate website of Sinotop.

3 CORPORATE DISCLOSURE POLICY ("CD")

The Group recognizes the value of transparent, timely and coherent disclosures of the information. Communication with the investing public and various stakeholders are always on the agenda of the Board for enhancement. The Group adheres to and has formulated a corporate disclosure policy based on disclosure requirements imposed by relevant regulatory bodies.

The disclosures made by the Group to the general public through Bursa and the Company's website are with due consultation with our appointed Company Secretaries and/or other external professionals.

3.1 REGULATORY REQUIREMENTS ON DISCLOSURE

3.1.1 MAIN MARKET LISTING REQUIREMENTS

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

(i) Immediate disclosure of material information
(ii) Clarification, confirmation or denial of rumours
(iii) Unusual market activities
(iv) Quarterly disclosures of financial results and annual audited financial reports

3.1.2 MCCG 2012

Under the guidelines of MCCG 2012, there are various recommendation of corporate governance best practices that the Group has duly adopted.

3.2 EXTRACT OF CORPORATE DISCLOSURE POLICY

3.2.1 GUIDELINES IN THE 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.

(i) 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 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.

(ii) 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.

(iii) 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.

(iv) DISCLOSURE MECHANISMS AND BASIS OF DETERMINATION FOR DISCLOSURE MATERIALITY

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

3 CORPORATE DISCLOSURE POLICY ("CD") (CONT'D)

3.2 EXTRACT OF CORPORATE DISCLOSURE POLICY(CONT'D)

3.2.1 GUIDELINES IN THE CD POLICY(CONT'D)

(iv) DISCLOSURE MECHANISMS AND BASIS OF DETERMINATION FOR DISCLOSURE MATERIALITY (CONT'D)

Materiality is a very 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.

(v) METHODS OF DISCLOSURE

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

(vi) CONSISTENCY

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

(vii) 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.

(viii) FACTUAL DISCLOSURE

The Company shall only make factual disclosure.

(ix) PROMPT DISCLOSURE

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

(x) 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.

(xi) 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.

4. ACCOUNTABILITY AND AUDIT

4.1 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. As part of the efforts to uphold the integrity of the financial reporting, 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.

4. ACCOUNTABILITY AND AUDIT (CONT'D)

4.1 FINANCIAL REPORTING (CONT'D)

The Audit Committee shall go 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.

4.2 RISK MANAGEMENT AND INTERNAL CONTROL

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.

4.3 RELATIONSHIP WITH THE EXTERNAL AUDITORS

(i) 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.

(ii) 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 17 April 2017 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 Messrs Crowe Horwath ("CH") and the level of non-audit services to be rendered by CH to the Company for the financial year ended 31 December 2016.

Being satisfied with CH's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Company's Policy and Procedure, the AC recommended the re-appointment of CH as external auditors of the Company. The Board had approved the AC's recommendation for the shareholders' approval to be sought at the AGM on the appointment of CH as external auditors of the Company for the ensuing financial year.

5. 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 of the Companies Act, 1965 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 and the results and cash flows for the year 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.

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5. RESPONSIBILITY STATEMENT BY THE BOARD (CONT'D)

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group and the Company to be properly safeguarded for the prevention and detection of fraud and other irregularity. The systems, by their nature, can only provide reasonable but not absolute assurance against material misstatements, loss and fraud.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 53 of this Annual Report.

6. ADDITIONAL COMPLIANCE INFORMATION

In compliance with the MMLR, the following additional information is provided:

6.1 SUSTAINABILITY POLICY AND CORPORATE SOCIAL RESPONSIBILITIES STATEMENT

Sinotop prides itself as a responsible corporate citizen. We place utmost importance on corporate social responsibility ("**CSR**"), which is embedded as an integral part of our business operations and corporate culture.

As a socially responsible corporation, Sinotop Group takes a serious stance on environmental issues. We are pleased to inform that the Group's operations in the PRC are in strict compliance with all the applicable environmental protection laws and regulations. As an environmentally conscious Group, we have changed the traditional convention of sizing yarn using Polyvinyl Alcohol (PVA), and have banned the usage of PVA in our production process, thus making a meaningful contribution to the protection of our environment. PVA is commonly used in textile industry as a sizing agent on warp sizing and is a cause of water pollution.

The Group's most important asset is its people, and we place great emphasis on looking after the benefits of our employees. We comply with the laws, regulations and industry rules, including entering into employment contracts with our staff and the provision of insurance protection. To ensure the safety and health of our staff, the Group has set out safety guidelines and provides training on occupational safety. As part of staff welfare benefits, the Group also provides staff with hostel accommodation adjacent to the production facilities at subsidized rates to reduce their burden. The Group provides catering service to staff at a nominal rate at the adjacent canteen for the convenience of our factory workers.

The Group's administration staff and factory workers are being provided with continual training conducted by human resource consultants engaged for this purpose. The Group emphasizes in knowledge enhancement and talent management which we believe will be beneficial to the Group and to our employees

The Corporate Social Responsibility Policy adopted by the Board can be found at the Company's website at www.sinotop.com.my.

6.2 AUDIT FEE

The amount of audit fee incurred by the Company and on group basis during the financial year ended 31 December 2016 are RM35,000 and RM173,000.

6.3 NON-AUDIT FEE

There amount of non-audit fee incurred by the Company and on group basis during the financial year ended 31 December 2016 is RM56,000.

6.4 VARIATION OF RESULTS

Not applicable.

6.5 MATERIAL CONTRACTS

There was no material contracts entered into by the Group which involves Directors and substantial shareholders during the financial year.

6.6 RECURRENT RELATED PARTY TRANSACTIONS

During the financial year, the Group rendered project management services amounted to RM255,000 to Asianmax Corporation Sdn. Bhd., which one of the Executive Directors of the Company, Dato Soo Sze Ching is a substantial shareholder.

7. COMPLIANCE WITH THE MCCG 2012

The Board strives to ensure that the Company complies with the Principles and Best Practices of the MCCG 2012. The Board will endeavour to improve and enhance the procedures from time to time.

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AUDIT COMMITTEE REPORT

1) COMPOSITION

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

CHAIRMAN

Datuk 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

Six (6) meetings were held during the financial year ended 31 December 2016. The summary of attendance of each member is as follows:

	Members	Number of Meetings Attended
1.	Datuk Ng Bee Ken	6/6
2.	Low Yan Seong	6/6
3.	Wan Kamarul Zaman Bin Wan Yaacob	6/6

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 year ended 31 December 2016.

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 year, the Terms of Reference of the Committee was enhanced to be in line with the changes to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 year ended 31 December 2016 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 audit plan and scope of work presented by the external auditors for the statutory audit of the Group's financial statements for the financial year ended 31 December 2015;
iii) Conducted two (2) private discussion sessions with the external auditors, without the presence of Executive Directors and management, on 23 February 2016 and 26 November 2016;
iv) Reviewed the Internal Audit Report prepared by the internal auditors;
v) Reviewed the Statement on Risk Management and Internal Control before recommending to the Board for approval for insertion into the Company's Annual Report;
vi) Reviewed the Risk Management and Internal Control Framework of the Group;
vii) Reviewed on the appropriateness of a change in accounting policy relating to the Group's Reverse Acquisition Reserve;
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 year ended 31 December 2016;
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 and internal auditors on significant issues and findings 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 support rendered 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 year, 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, in place of the former internal auditors, Infinity Business Solutions which has been engaged by the Company for three (3) years. The main reason for the change is that the Committee was in the opinion that it would be good to have a fresh team of professionals to conduct independent audit review procedures to assess the effectiveness, adequacy and integrity of Management Information System ("**MIS**") of the Group's subsidiary, Top Textile (Suzhou) Co., Ltd. ("**Top Textile**"). The MIS of Top Textile is an integral part of the Group's overall RMIC system where data are captured and fed into the accounting / book-keeping system of the Group and for production analyses purposes, amongst others.

Apart from review of the MIS, the IA also performed an independent review and performance assessment of the Enterprise Resource Planning ("**ERP**") system implemented at Top Textile as the IA opined that the establishment of the ERP is an important milestone in the MIS development and evolution of Top Textile and hence an independent review is desirable.

Results of the internal audit review showed that the standard of MIS implemented at Top Textile is rated at the mid-high ranking in the manufacturing industry. Nevertheless, there is still ample room for improvement, which according to the Management, requires in depth and thorough cost-benefit analysis and feasibility studies. The Management will not rush hastily into technological enhancement without first ascertaining the future benefits accrued to the Group. This is a clear indication of a responsible management style practiced by the executive directors who are responsible for the daily operations management at Top Textile.

5) SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION (CONT'D)

A report incorporating 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 assurance that the MIS at Top Textile is functioning effectively. The Committee acknowledged the Management's response that any enhancement of a higher technological nature shall only be carried out after responsible thorough studies.

The cost incurred in outsourcing the internal audit function for the financial year ended 31 December 2016 is RM20,536.

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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 and was prepared in accordance with "Statement On Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

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.

Accordingly, the Board is pleased to provide the following statement, which outlines the nature and scope of Group internal controls during the financial year ended 31 December 2016.

THE GOVERNING LAWS AND REGULATIONS

MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("MCCG 2012") & CORPORATE GOVERNANCE GUIDE – SECOND EDITION 2014 ("CG GUIDE 2014")

The MCCG 2012 and CG Guide 2014 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 MATTERS

The Board holds an oversight role in the Group RMIC matters, relating 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 PERIODICAL UPDATES

The Management is accountable to the Board for the implementation of risk management and internal control system, the efficient execution of appropriate, effective procedures and the preservation of the integrity of the RMIC system. In contrast, the Board plays the role of ensuring the Management responds to situation promptly and provides timely periodical updates (in Board meetings) on preventive and remedial action plans as well as results of 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 collectively is the key person who identifies, evaluates and assesses the specific risk factors that exist in the overall operating environment. Subsequent to performing evaluation and assessment of risk factors so identified, the Management team, after due discussion with the Executive Directors, will device and implement appropriate measures to resolve/mitigate risk issues the Group faces.

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.

ROLES OF MANAGEMENT TEAM (CONT'D)

(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 effectiveness and specific issues that Management is obliged to notify and/or update Board members on the respective progress status.

During the current reporting financial year, 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 development of the key risk areas management and be 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 ("**PRC**").

In the internal audit review cycle for financial year 2016, Suzhou Hao Sheng performed a review on the Management Information System ("**MIS**") of Top Textile (Suzhou) Co., Limited ("**Top Textile**"), the Group's major operating subsidiary located in the PRC. In the course of planning and executing independent review on the internal control system of Top Textile, Suzhou Hao Sheng made reference to the guidelines provided in the International Standards for the Professional Practice of Internal Auditing.

The IA reviewed Top Textile's MIS from three aspects, namely its accounting system, Enterprise Resource Planning ("**ERP**") System and the Management Execution System (premised on the ERP system that Top Textile is using). Besides, it has also recommended three enhancement suggestions that it believes would complement the existing MIS of Top Textile. In overall, the IA concluded that standard of MIS implemented at Top Textile is at the mid to high ranking in the fabric production industry.

STRATEGIES TO IDENTIFY AND ADDRESS RISKS

(i) 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 structured documentation relating to the risk management direction and internal control system of the Group. The framework is subject to review, as and when new issues are brought to the attention of the Management, by the internal and/or external auditors.

(ii) 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.

STRATEGIES TO IDENTIFY AND ADDRESS RISKS (CONT'D)

(ii) PERIODICAL PROGRESS STATUS UPDATES (CONT'D)

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.

(iii) 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. Where applicable and when situation warrants, the Management will update the policies accordingly to adapt to changes observed in the Group's operating environment.

(iv) 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 8 April 2017 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 year 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Recommended Practice Guide ("**RPG**") 5 issued by the Malaysian Institute of Accountants. RPG 5 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 17 April 2017.

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

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit/(Loss) after taxation for the financial year	2,033	(1,652)
Attributable to:-		
Owners of the Company	2,033	(1,652)

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those items disclosed in the statements of changes in equity and Note 18 to the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

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

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, 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 there are no known bad debts 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 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.

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

DIRECTORS' REPORT

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 year 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 year.

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 year 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 year 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 year 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 year in which this report is made.

DIRECTORS

The directors who served since the date of the last 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 (Appointed on 28.10.2016)

DIRECTORS' INTERESTS

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

	< --------- Number of Ordinary Shares of RM0.20 Each ------- >			
The Company	At 1.1.2016	Bought	Sold	At 31.12.2016
Indirect Interests in the Company				
Pan Ding*	1,425,625,000	-	(300,000,000)	1,125,625,000
Pan Dong*	1,425,625,000	-	(300,000,000)	1,125,625,000
Dato' Soo Sze Ching#	-	300,000,000	-	300,000,000

* - *Deemed interest by virtue of Section 6A of the Companies Act 1965 via their shareholdings in Gifted Investments Limited.*

- *Deemed interest by virtue of Section 6A of the Companies Act 1965 via his shareholdings in Noble Pinnacle Sdn. Bhd.*

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

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 emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company or a related corporation) 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 year 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.

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

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are 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, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 21 April 2017

Pan Ding

Datuk Ng Bee Ken

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

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 60 to 124 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 36, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 21 April 2017

Pan Ding **Datuk Ng Bee Ken**

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

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 60 to 124 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Pan Ding, at The People's Republic of China
on this 21 April 2017

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 31 December 2016 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 124.

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 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 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 13 to the financial statements. The Group has extended 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 year. 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 matters described below to be the key audit matters 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 13 to the financial statements, long credit terms are extended to certain customers and Note 32.1(b)(iii) states that the net amount past due amounted to RM11.6 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 post year end cash 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, debts past due taking into account our own knowledge of recent collection experience; and (c) We also considered sale trends during the financial year for trade receivables, on a test basis.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment on Other Investment As disclosed in Note 11 to the financial statements, the carrying value of other investment, designated as available-for-sale financial asset, was RM14.9 million. We focused on this area as the investee entity has sustained losses over the years and there was no returns received by the Group since its inception in 2011. This investment was disposed of subsequent to the end of the reporting period, as disclosed in Note 35 (e) to the financial statements.	We performed the following audit procedures:- (a) We evaluated Directors' assessment on the impairment of this investment. This included the review of the audited financial statements of the investee entity; (b) We reviewed the sale and purchase agreement for the disposal of this investment subsequent to the end of the financial period, as approved by the Directors; and (c) We checked the remittance of sale consideration received by the Group.

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

(Incorporated in Malaysia)
Company No: 114842 - H

Information Other than the Financial Statements and Auditors' Report Thereon

The directors are responsible for the other information. The other information comprises the Directors' Report and the completed 2016 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.

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 1965 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.

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

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 scepticism throughout the audit. We also:

(a) 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.

(b) 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.

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

(d) 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.

(e) 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.

(f) 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.

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)

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 year 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 6 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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

(Incorporated in Malaysia)
Company No: 114842 - H

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 36 on page 125 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ooi Song Wan
Approval No: 02901/10/2018 J
Chartered Accountant

26 April 2017

Kuala Lumpur

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

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016

		The Group			The Company	
	Note	31.12.2016 RM'000	31.12.2015 RM'000 (Restated)	1.1.2015 RM'000 (Restated)	31.12.2016 RM'000	31.12.2015 RM'000
ASSETS						
NON-CURRENT ASSETS						
Investments in subsidiaries	6	-	-	-	155,487	155,477
Investment in a joint venture	7	4,655	4,297	-	-	-
Property, plant and equipment	8	43,172	50,215	48,792	-	-
Land use rights	9	7,018	7,370	6,442	-	-
Investment property	10	5,810	4,462	3,805	-	-
Other investment	11	14,884	15,241	12,998	-	-
		75,539	81,585	72,037	155,487	155,477
CURRENT ASSETS						
Land use rights	9	179	184	157	-	-
Inventories	12	16,817	19,143	17,976	-	-
Trade receivables	13	68,842	76,944	72,269	-	-
Other receivables, deposits and prepayment	14	2,359	5,294	20,005	11	10
Amount owing by subsidiaries	15	-	-	-	784	630
Current tax assets		-	30	30	-	30
Fixed deposits with licensed banks	16	445	397	338	-	-
Cash and bank balances		70,279	54,718	20,528	35	410
		158,921	156,710	131,303	830	1,080
TOTAL ASSETS		234,460	238,295	203,340	156,317	156,557

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

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016 (CONT'D)

		The Group			The Company	
	Note	**31.12.2016** RM'000	**31.12.2015** RM'000 (Restated)	**1.1.2015** RM'000 (Restated)	**31.12.2016** RM'000	**31.12.2015** RM'000
EQUITY AND LIABILITY						
EQUITY						
Share capital	17	394,899	394,899	394,899	394,899	394,899
Reserves	18	(171,425)	(168,098)	(204,217)	(248,301)	(246,649)
TOTAL EQUITY		223,474	226,801	190,682	146,598	148,250
CURRENT LIABILITIES						
Trade payables	19	3,603	5,697	7,167	-	-
Other payables and accruals	20	6,550	4,987	5,280	2,726	1,795
Amount owing to a subsidiary	15	-	-	-	6,993	6,512
Current tax liabilities		833	810	211	-	-
		10,986	11,494	12,658	9,719	8,307
TOTAL LIABILITY		10,986	11,494	12,658	9,719	8,307
TOTAL EQUITY AND LIABILITY		234,460	238,295	203,340	156,317	156,557

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	21	172,153	185,629	9	9
COST OF SALES		(159,599)	(170,804)	-	-
GROSS PROFIT		12,554	14,825	9	9
OTHER INCOME		4,505	3,053	115	-
DISTRIBUTION AND MARKETING EXPENSES		(3,915)	(3,863)	-	-
ADMINISTRATIVE EXPENSES		(7,752)	(8,794)	(1,771)	(1,155)
OTHER OPERATING EXPENSES		(15)	(1,211)	(5)	(944)
SHARE OF RESULTS IN A JOINT VENTURE, NET OF TAX		(1,113)	-	-	-
PROFIT/(LOSS) BEFORE TAXATION	22	4,264	4,010	(1,652)	(2,090)
INCOME TAX EXPENSE	23	(2,231)	(1,927)	-	-
PROFIT/(LOSS) AFTER TAXATION		2,033	2,083	(1,652)	(2,090)
OTHER COMPREHENSIVE INCOME					
Items that May be Reclassified Subsequently to Profit or Loss					
Foreign currency translation differences		(5,360)	34,036	-	-
TOTAL COMPREHENSIVE (EXPENSES)/ INCOME FOR THE FINANCIAL YEAR		(3,327)	36,119	(1,652)	(2,090)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		2,033	2,083	(1,652)	(2,090)
TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:-					
Owners of the Company		(3,327)	36,119	(1,652)	(2,090)
EARNINGS PER SHARE (SEN)					
- Basic	24	0.10	0.11		
- Diluted	24	0.10	0.11		

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 YEAR ENDED 31 DECEMBER 2016

	←	Non-Distributable		→	Distributable	
The Group	Share Capital RM'000	Reverse Acquisition Reserve 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 1.1.2015						
- As previously reported	394,899	(328,124)	15,061	25,443	83,403	190,682
- Effect of change in an accounting policy (Note 33)	-	328,124	-	-	(328,124)	-
As restated	394,899	-	15,061	25,443	(244,721)	190,682
Profit after taxation for the financial year	-	-	-	-	2,083	2,083
Other comprehensive income for the financial year:						
- Foreign currency translation differences	-	-	-	34,036	-	34,036
Total comprehensive income for the financial year	-	-	-	34,036	2,083	36,119
Transfer to statutory reserve	-	-	325	-	(325)	-
Balance at 31.12.2015	394,899	-	15,386	59,479	(242,963)	226,801

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 YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	←	Non-Distributable		→	Distributable	
The Group	Share Capital RM'000	Reverse Acquisition Reserve 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 31.12.2015/1.1.2016:						
- As previously reported	394,899	(328,124)	15,386	59,479	85,161	226,801
- Effect of change in an accounting policy (Note 33)	-	328,124	-	-	(328,124)	-
- As restated	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

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

The Company	Share Capital RM'000	Accumulated Losses RM'000	Equity Attributable to Owners of the Company RM'000
Balance at 1.1.2015	394,899	(244,559)	150,340
Loss after taxation/Total comprehensive expenses for the financial year	-	(2,090)	(2,090)
Balance at 31.12.2015/1.1.2016	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	394,899	(248,301)	146,598

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before taxation	4,264	4,010	(1,652)	(2,090)
Adjustments for:-				
Allowance for impairment losses on trade receivables	909	2,401	-	-
Amortisation of land use rights	173	174	-	-
Bad debts written off	-	16	-	-
Depreciation of property, plant and equipment	6,154	6,965	-	-
Loss on disposal of property, plant and equipment	-	267	-	-
Property, plant and equipment written off	-	48	-	-
Share of results of a joint venture	1,113	-	-	-
Unrealised (gain)/loss on foreign exchange	(105)	809	(115)	939
Interest income	(1,745)	(846)	(9)	(9)
Writeback of allowance for impairment losses on trade receivables	(1,897)	(1,017)	-	-
Operating profit/(loss) before working capital changes	8,866	12,827	(1,776)	(1,160)
Decrease in inventories	1,810	1,832	-	-
Decrease/(Increase) in trade and other receivables	9,760	23,176	(1)	(3)
(Decrease)/Increase in trade and other payables	(277)	(3,491)	931	742
CASH FROM/(FOR) OPERATIONS	20,159	34,344	(846)	(421)
Income tax paid	(2,188)	(1,394)	-	-
Income tax refund	30	-	30	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES	18,001	32,950	(816)	(421)

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
Company N : 114842 - H

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

		The Group		The Company	
		2016	**2015**	**2016**	**2015**
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FOR INVESTING ACTIVITIES					
Additional investment in an existing subsidiary		-	-	(10)	-
Purchase of property, plant and equipment		(500)	(937)	-	-
Purchase of an investment property		(1,400)	-	-	-
Investment in a joint venture		(1,555)	(4,067)	-	-
Proceeds from disposal of property, plant and equipment		-	281	-	-
Advances to subsidiaries		-	-	(164)	(125)
Interest received		1,745	846	9	9
NET CASH FOR INVESTING ACTIVITIES		(1,710)	(3,877)	(165)	(116)
NET CASH FROM FINANCING ACTIVITY					
Advances from a subsidiary		-	-	606	572
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		16,291	29,073	(375)	35
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(682)	5,176	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		55,115	20,866	410	375
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26	70,724	55,115	35	410

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is 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 21 April 2017.

2. HOLDING COMPANY

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

3. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

4. 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 1965 in Malaysia.

4. BASIS OF PREPARATION (CONT'D)

4.1 During the current financial year, 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)

MFRS 14 Regulatory Deferral Accounts

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

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

Amendments to MFRS 101: Disclosure Initiative

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

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

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 - 2014 Cycle

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

4.2 The Group had changed its accounting policy on reverse acquisition during the current financial year. In previous financial years, the reverse acquisition reserve represented the difference between the nominal value of Be Top Group Limited and the Company and the par value of the enlarged issued and paid-up share capital of the Company after the completion of the acquisition of a business based in PRC through an asset injection exercise. In accordance with MFRS 3 Business Combinations, the substance of such business combination between the Company and Be Top Group constituted a reverse acquisition whereby the acquirer and acquiree of the transaction for accounting purposes should be Be Top Group (the legal subsidiary) and the Company (the legal holding company).

The accounting treatment on the reverse acquisition reserve has now been changed by adjusting against suitable reserves of the accounting acquiree acquired to the extent that laws or statutes do not prohibit the use of such reserves. Accordingly, the accounting policy in Note 5.2(a) was amended. The Board of Directors is of the opinion that this voluntary change in accounting policy provides a more relevant and fairer presentation of the financial position of the Group. The change in the accounting policy had been applied retrospectively and its financial effects to the financial statements of the Group are disclosed in Note 18(a) and Note 33 to the financial statements.

4. BASIS OF PREPARATION (CONT'D)

4.3 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycles: • Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 - 2016 Cycles: • Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

* *Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

4. BASIS OF PREPARATION (CONT'D)

4.3 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year (Cont'd):-

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

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

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

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

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed 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 and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

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.

(b) 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 year in which such determination is made.

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

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

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

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 property.

(f) Impairment of Trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses 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.

(g) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 BASIS OF CONSOLIDATION (CONT'D)

(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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations (Cont'd)

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.

5.4 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iv) Available-for-sale Financial Assets (Cont'd)

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.

(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. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 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.

5.5 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6 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

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 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.

5.8 INVESTMENT PROPERTIES

Investment properties are properties which are owned or held under a leasehold interest 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.

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

Investment property under construction is not depreciated.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.9 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

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.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, 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. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.9 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.

5.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 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.

5.12 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

5.13 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.

5.14 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).

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 INCOME TAXES (CONT'D)

(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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.15 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.16 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.

5.17 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.

5.18 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.19 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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.19 JOINT ARRANGEMENTS (CONT'D)

(b) Joint Ventures (Cont'd)

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 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.

5.20 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, value added tax, 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) Interest Income

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

6. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016	**2015**
	RM'000	RM'000
Unquoted shares in Malaysia, at cost		
At 1 January	-	-
Addition during the year	10	-
At 31 December	10	-
Unquoted shares outside Malaysia, at cost	328,125	328,125
Quasi loan	57,000	57,000
	385,135	385,125
Less: Accumulated impairment losses	(229,648)	(229,648)
	155,487	155,477

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 Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2016 %	2015 %	
Subsidiaries of the Company				
Gorgeous Goldhill Sdn. Bhd.^	Malaysia	100	-	Project management services.
Be Top Group Limited	Hong Kong (The subsidiary is incorporated in The British Virgin Island)	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 was audited by other firm of chartered accountants.*

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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 in operations over the next 5 years;

(ii) The average growth rate for the business segment of manufacturing and sale of fabrics products is 1.60% per annum;

(iii) Gross profit margin is forecast in the range of 7.15% to 7.70%;

(iv) Discount rate is based on the weighted average cost of capital at 9.30% 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).

7. INVESTMENT IN A JOINT VENTURE

	The Group	
	2016	**2015**
	RM'000	RM'000
Unquoted investment in a joint venture outside Malaysia, at cost		
At 1 January	4,297	-
Addition during the year	1,555	4,067
Share of post acquisition results	(1,113)	-
Foreign currency translation differences	(84)	230
	4,655	4,297

The details of the joint venture are as follows:-

Name of Joint Venture	Principal Place of Business	Effective Equity Interest 2016 %	Effective Equity Interest 2015 %	Principal Activities
Suzhou Han Ling Packaging Co. Ltd. ("Han Ling")*	PRC	50	50	Packaging of plastic and glass made products

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

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

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

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

	The Group	
	2016	**2015**
	RM'000	RM'000
At 31 December		
Non-current assets	4,690	2,988
Current assets	6,735	3,510
Current liabilities	(3,406)	(319)
Net assets	8,019	6,179
Financial Year ended 31 December 2016/ Financial Period from 8 October 2015 to 31 December 2015		
Revenue	548	-
Loss for the financial period/Total comprehensive expenses	(1,798)	(430)

8. PROPERTY, PLANT AND EQUIPMENT

The Group	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
2016					
Net Book Value					
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

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

The Group	At 1.1.2015 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Depreciation Charge RM'000	Foreign Currency Translation Differences RM'000	At 31.12.2015 RM'000
2015							
Net Book Value							
Factory buildings	20,605	-	-	-	(527)	3,526	23,604
Plant and machinery	25,760	14	(494)	-	(5,435)	4,112	23,957
Office equipment	969	-	-	(35)	(424)	141	651
Motor vehicles	921	923	(54)	(13)	(189)	197	1,785
Renovation	537	-	-	-	(390)	71	218
	48,792	937	(548)	(48)	(6,965)	8,047	50,215

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

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
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
2015			
Factory buildings	27,860	(4,256)	23,604
Plant and machinery	69,754	(45,797)	23,957
Office equipment	6,407	(5,756)	651
Motor vehicles	3,586	(1,801)	1,785
Renovation	2,058	(1,840)	218
	109,665	(59,450)	50,215

9. LAND USE RIGHTS

	The Group	
	2016	**2015**
	RM'000	RM'000
At cost:-		
At 1 January	9,187	7,835
Foreign currency translation differences	(215)	1,352
At 31 December	8,972	9,187
Accumulated amortisation:-		
At 1 January	(1,633)	(1,236)
Amortisation charge (Note 22)	(173)	(174)
Foreign currency translation differences	31	(223)
At 31 December	(1,775)	(1,633)
	7,197	7,554
Carrying amounts:-		
Amortisation due:		
- not later than one year	179	184
- later than one year	7,018	7,370
	7,197	7,554

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

10. INVESTMENT PROPERTY

	The Group	
	2016	**2015**
	RM'000	RM'000
At cost:-		
At 1 January	4,462	3,805
Addition	1,400	-
Foreign currency translation differences	(52)	657
At 31 December	5,810	4,462

The investment property represents a commercial office building which is currently under construction. The fair value of the property is unable to be determined as there are uncertainties in estimating its fair value.

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NOTES TO THE FINANCIAL STATEMENTS
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11. OTHER INVESTMENT

	The Group	
	2016	**2015**
	RM'000	RM'000
Unquoted investment outside Malaysia		
At 1 January	15,241	12,998
Foreign currency translation differences	(357)	2,243
At 31 December	14,884	15,241
Represented by:-		
At cost	14,884	15,241

Unquoted investment of the Group is designated as available-for-sale financial asset but is stated at cost as its fair value cannot be reliably measured using valuation techniques due to the lack of marketability of the shares. The unquoted investment was subsequently disposed of as disclosed in Note 35 to the financial statements.

12. INVENTORIES

	The Group	
	2016	**2015**
	RM'000	RM'000
Raw materials	5,179	6,276
Finished goods	11,638	12,867
	16,817	19,143
Recognised in profit or loss:-		
Inventories recognised as cost of sales	159,599	170,804

13. TRADE RECEIVABLES

	The Group	
	2016	**2015**
	RM'000	RM'000
Trade receivables	73,795	83,065
Allowance for impairment losses	(4,953)	(6,121)
	68,842	76,944
Allowance for impairment losses:-		
At 1 January	(6,121)	(3,985)
Addition during the financial year (Note 22)	(909)	(2,401)
Writeback during the financial year (Note 22)	1,897	1,017
Written off during the financial year	-	13
Foreign currency translation differences	180	(765)
At 31 December	(4,953)	(6,121)

(a) The Group's normal trade credit terms ranged from 30 to 270 (2015 - 90 to 270) days. The analysis is as follows:-

	The Group	
	2016	**2015**
	RM'000	RM'000
Trade receivables:		
- credit term of 30 days	85	-
- credit term of 90 days	31,471	25,687
- credit term of 120 days	87	3,558
- credit term of 180 days*	14,201	18,821
- credit term of 270 days^	22,998	28,878
	68,842	76,944

* - Comprises seven customers of which RM5.968 million was subsequently received up to 31 March 2017.

^ - Comprises one major customer of which RM6.157 million was subsequently received up to 31 March 2017.

(b) Trade receivables, net of allowance for impairment losses, which are past due amounted to approximately RM11.600 million. Subsequent to the year end and up to 31 March 2017, an amount of approximately RM8.084 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 RM3.516 million are recoverable.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Notes receivables	52	4,477	-	-
Other receivables	17	9	7	8
Deposits	2,288	808	2	2
Prepayment	2	-	2	-
	2,359	5,294	11	10

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

(b) Included in deposits of the Group was an amount of approximately RM2,278,000 (2015 - RM759,000) being advances 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.

15. AMOUNTS OWING BY/(TO) SUBSIDIARIES

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

16. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group at the end of the reporting period bore an effective interest rate of 1.21% (2015 - 1.49%) per annum. The fixed deposits have a maturity period of 12 months (2015 - 12 months).

17. SHARE CAPITAL

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

	The Group/The Company					
	2016			**2015**		
	Par Value RM	Number of Shares '000	Share Capital RM'000	Par Value RM	Number of Shares '000	Share Capital RM'000
Authorised	0.20	5,000,000	1,000,000	0.20	5,000,000	1,000,000
Issued and Fully Paid-Up	0.20	1,974,496	394,899	0.20	1,974,496	394,899

18. RESERVES

	Note	The Group 2016 RM'000	The Group 2015 RM'000 (Restated)	The Company 2016 RM'000	The Company 2015 RM'000
Reverse acquisition reserve	(a)	-	-	-	-
Statutory reserve	(b)	15,644	15,386	-	-
Foreign exchange translation reserve	(c)	54,119	59,479	-	-
Accumulated losses		(241,188)	(242,963)	(248,301)	(246,649)
		(171,425)	(168,098)	(248,301)	(246,649)

(a) Reverse Acquisition Reserve

The reverse acquisition reserve represents the difference between the nominal value of Be Top Group and the Company and the par value of the enlarged issued and paid-up share capital of the Company after the asset injection.

	The Group 2016 RM'000	The Group 2015 RM'000 (Restated)
At 1 January		
- As previously reported	-	(328,124)
- Effect of change in an accounting policy (Note 33)	-	328,124
At 1 January, as restated/At 31 December	-	-

(b) 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 5.4(d) to the financial statements.

(c) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries.

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19. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 60 to 90 (2015 - 60 to 90) days.

20. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2016 RM'000	**2015** RM'000	**2016** RM'000	**2015** RM'000
Other payables	1,179	616	321	151
Accruals	5,157	4,024	2,405	1,644
Advances from customers	214	347	-	-
	6,550	4,987	2,726	1,795

21. REVENUE

	The Group		The Company	
	2016 RM'000	**2015** RM'000	**2016** RM'000	**2015** RM'000
Manufacturing and sale of fabric products	171,889	185,620	-	-
Project management service	255	-	-	-
Interest income	9	9	9	9
	172,153	185,629	9	9

22. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2016 RM'000	**2015** RM'000	**2016** RM'000	**2015** RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Allowance for impairment losses on trade receivables (Note 13)	909	2,401	-	-
Amortisation of land use rights (Note 9)	173	174	-	-
Auditors' remuneration:				
- Audit fees:				
- current financial year	173	135	35	25
- underprovision in the previous financial year	18	-	-	-
- Non-audit fee	56	-	56	-
Bad debts written off	-	16	-	-
Depreciation of property, plant and equipment (Note 8)	6,154	6,965	-	-
Directors' fee (Note 27)	132	132	132	132
Directors' non-fee emoluments	983	915	823	755
Loss on disposal of property, plant and equipment	-	267	-	-
Property, plant and equipment written off (Note 8)	-	48	-	-
Staff costs (including other key management personnel as disclosed in Note 27):				
- salaries and other benefits	13,473	14,333	80	76
- defined contribution plan	956	646	10	10
(Gain)/Loss on foreign exchange:				
- realised	(5)	(9)	-	-
- unrealised	(105)	809	(115)	939
Interest income	(1,745)	(846)	(9)	(9)
Writeback of allowance for impairment losses on trade receivables (Note 13)	(1,897)	(1,017)	-	-

23. INCOME TAX EXPENSE

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- for the financial year	2,209	1,904	-	-
- underprovision in the previous financial year	22	23	-	-
	2,231	1,927	-	-

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	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	4,264	4,010	(1,652)	(2,090)
Tax at the statutory tax rate of 24% (2015 - 25%)	1,023	1,002	(396)	(523)
Tax effects of:-				
Non-deductible expenses	1,129	902	396	523
Underprovision in the previous financial year	22	23	-	-
Effects of differential in tax rates of subsidiaries	57	-	-	-
Income tax expense for the financial year	2,231	1,927	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 - 25%) of the estimated assessable profit for the financial year.

24. EARNINGS PER SHARE

	The Group	
	2016	**2015**
Profit attributable to owners of the Company (RM'000)	2,033	2,083
Weighted average number of ordinary shares in issue ('000)	1,974,496	1,974,496
Basic earnings per share (sen)	0.10	0.11

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.

25. ACQUISITION OF A SUBSIDIARY

On 19 August 2016, the Company acquired the entire equity interest in Gorgeous Goldhill Sdn. Bhd. ("GGSB") for a total cash consideration of RM2.00.

The total fair values of the identifiable assets and liabilities of GGSB at the date of acquisition were:-

	At Date Of Acquisition	
	Carrying Amount RM'000	Fair Value Recognised RM'000
Cash on hand	*	*
Net identifiable assets and liabilities	*	*
Total purchase consideration		*
Less: Cash and cash equivalents of subsidiary acquired		*
Net cash outflow for acquisition of subsidiary		-

* - RM2

25. ACQUISITION OF A SUBSIDIARY (CONT'D)

The acquired subsidiary has contributed the following results to the Group:-

	The Group 2016 RM'000
Revenue	255
Profit after taxation	184

If the acquisition had taken place at the beginning of the current financial year, the Group's revenue and profit after taxation from continuing operations would have been RM225,000 and RM184,000 respectively.

26. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed deposits with licensed banks	445	397	-	-
Cash and bank balances	70,279	54,718	35	410
	70,724	55,115	35	410

27. 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.

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2016 RM'000	**2015** RM'000	**2016** RM'000	**2015** RM'000
Directors Of The Company				
Executive directors:				
- non-fee emoluments	957	894	797	734
Non-executive directors:				
- fee (Note 22)	132	132	132	132
- allowances	26	21	26	21
Total directors' remuneration	1,115	1,047	955	887
Other Key Management Personnel				
Short-term employee benefits	178	171	-	-
Defined contribution plans	5	5	-	-
Total compensation for other key management personnel	183	176	-	-

(b) The number of the Group's directors with total remuneration falling in bands of RM50,000 are as follows:-

	The Group	
	2016 Number of Directors	**2015**
Executive Directors		
RM400,000 - RM450,000	2	2
RM50,001 - RM100,000	1	-
Non-executive Directors		
RM50,000 - RM100,000	1	1
Below RM50,000	2	2
	6	5

28. 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.

(b) Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year:-

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Services rendered to a related party – Asianmax Corporation Sdn. Bhd.*	255	-	-	-

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

29. 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	Provision of project management services.
Investment holding	Involved in investment holding and management services.

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29. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION

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

	Revenue	
	2016 RM'000	**2015** RM'000
PRC	154,848	170,012
Outside PRC	17,305	15,617
	172,153	185,629

	Manufacturing and Sale of Fabric Products RM'000	**Project Management Service** RM'000	**Investment Holding** RM'000	**Group** RM'000
2016				
Asset				
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
2015				
Assets				
Segment assets	214,265	-	24,000	238,265
Current tax assets				30
Consolidated total assets				238,295
Liabilities				
Segment liabilities	10,684	-	-	10,684
Current tax liabilities				810
Consolidated total liabilities				11,494

29. OPERATING SEGMENTS (CONT'D)

MAJOR CUSTOMERS

Revenue from one (2015 - 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 RM22,171,000 (2015 - RM21,458,000).

30. CAPITAL COMMITMENTS

	The Group	
	2016	**2015**
	RM'000	RM'000
Contracted but not Provided for		
Purchase of an investment property	-	1,487
Purchase of investment in a joint venture	323	1,983
	323	3,470

31. 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:-

	2016	**2015**
	RM	RM
Chinese Renminbi	0.6455	0.6610
Hong Kong Dollar	0.5780	0.5537
United States Dollar	4.4824	4.2920

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32. 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.

32.1 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.

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
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

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32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 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
2016					
Financial liabilities					
Trade payables	-	3,603	-	-	3,603
Other payables and accruals	-	3,816	-	2,734	6,550
	-	7,419	-	2,734	10,153
Net financial assets/(liabilities)	6,345	142,666	70	(2,427)	146,654
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	(142,666)	-	2,427	(140,239)
Currency exposure	6,345	-	70	-	6,415

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32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 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
2015					
Financial assets					
Other investment	-	15,241	-	-	15,241
Trade receivables	8,284	68,660	-	-	76,944
Other receivables and deposits	-	5,284	-	10	5,294
Fixed deposits with licensed banks	-	397	-	-	397
Cash and bank balances	1	54,236	71	410	54,718
	8,285	143,818	71	420	152,594
Financial liabilities					
Trade payables	-	5,697	-	-	5,697
Other payables and accruals	-	3,192	-	1,795	4,987
	-	8,889	-	1,795	10,684
Net financial assets/(liabilities)	8,285	134,929	71	(1,375)	141,910
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	(134,929)	-	1,375	(133,554)
Currency exposure	8,285	-	71	-	8,356

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 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	
	2016 RM'000	**2015** RM'000
Effects on Profit After Taxation		
USD/RM - strengthened by 20%	+964	+1,243
- weakened by 20%	- 964	-1,243
HKD/RM - strengthened by 20%	+11	+11
- weakened by 20%	- 11	-11
Effects on Other Comprehensive Income		
USD/RM - strengthened by 20%	+964	+1,243
- weakened by 20%	- 964	-1,243
HKD/RM - strengthened by 20%	+11	+11
- weakened by 20%	- 11	-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.

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 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 two customers which constituted approximately 46% (2015 - 47%) 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).

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to Credit Risk (Cont'd)

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

	The Group	
	2016 RM'000	**2015** RM'000
PRC	63,213	68,660
United Arab Emirates	3,198	4,624
Others	2,431	3,660
	68,842	76,944

(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
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

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 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
2015				
Not past due				
- credit term of 90 days	18,673	-	-	18,673
- credit term of 120 days	3,558	-	-	3,558
- credit term of 180 days	16,647	-	-	16,647
- credit term of 270 days	13,756	-	-	13,756
	52,634	-	-	52,634
Past due:				
- less than 3 months	11,360	-	-	11,360
- 3 to 6 months	11,706	-	-	11,706
- over 6 months	7,365	-	(6,121)	1,244
	30,431	-	(6,121)	24,310
	83,065	-	(6,121)	76,944

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.

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 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
2016			
Non-derivative Financial Liabilities			
Trade payables	3,603	3,603	3,603
Other payables and accruals	6,550	6,550	6,550
	10,153	10,153	10,153
2015			
Non-derivative Financial Liabilities			
Trade payables	5,697	5,697	5,697
Other payables and accruals	4,987	4,987	4,987
	10,684	10,684	10,684
The Company			
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
2015			
Non-derivative Financial Liabilities			
Other payables and accruals	1,795	1,795	1,795
Amount owing to a subsidiary	6,512	6,512	6,512
	8,307	8,307	8,307

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32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 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.

32.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		**The Company**	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Available-for-sale Financial Asset				
Other investment (Note 11)	14,884	15,241	-	-
Loans and Receivables Financial Assets				
Trade receivables (Note 13)	68,842	76,944	-	-
Other receivables and deposits (Note 14)	2,357	5,294	9	10
Amount owing by subsidiaries (Note 15)	-	-	784	630
Fixed deposits with licensed banks (Note 16)	445	397	-	-
Cash and bank balances	70,279	54,718	35	410
	141,923	137,353	828	1,050

32. FINANCIAL INSTRUMENTS (CONT'D)

32.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		**The Company**	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Financial Liability				
Other Financial Liabilities				
Trade payables (Note 19)	3,603	5,697	-	-
Other payables and accruals (Note 20)	6,550	4,987	2,726	1,795
Amount owing to a subsidiary (Note 15)	-	-	6,993	6,512
	10,153	10,684	9,719	8,307

32.4 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.

33. EFFECTS OF CHANGE OF IN AN ACCOUNTING POLICY

The financial effects on the voluntary change in accounting policy as disclosed in Note 4.2 to the financial statements are summarised below:-

	As Previously Reported RM'000	As Restated RM'000
Consolidated Statement of Financial Position (Extract):-		
(a) At 1 January 2015		
- Retained profits/(Accumulated losses)	83,403	(244,721)
- Reverse acquisition reserve	(328,124)	-
(b) At 31 December 2015		
- Retained profits/(Accumulated losses)	85,161	(242,963)
- Reverse acquisition reserve	(328,124)	-

During the current financial year, the above prior year adjustment was made in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors. Accordingly, certain comparative have been restated as set out above.

The prior year adjustments relate to the change in accounting policy where 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.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 19 August 2016, the Company acquired the entire equity interest in Gorgeous Goldhill Sdn. Bhd. ("GGSB") for a total cash consideration of RM2.00.

Subsequent to the acquisition of the subsidiary, the Company increased the paid-up share capital of GGSB to RM10,000 by subscribing for the additional 9,998 ordinary shares of RM1.00 each issued by GGSB, mainly for start-up working capital purposes.

(b) On 23 November 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 ("Proposed Capital Reduction and Repayment");

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

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

(b) On 23 November 2016, the Company proposed to undertake the following proposals (Cont'd) :-

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

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

(d) 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 is lodged with the Companies Commission of Malaysia.

35. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:-

(i) Removal of the authorised share capital;
(ii) Ordinary shares will cease to have par value; and
(iii) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

(b) On 27 February 2017, the Company has announced that it has not complied with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Market Listing Requirement of Bursa Securities Malaysia Berhad for the shareholdings of the Company.

Based on the Record of Depositors as at 31 December 2016, the public shareholding spread of the Company was 20.61%, which represented a shortfall of 4.39% from the minimum required percentage of 25% of the total listed shares to be in the hands of public shareholders.

(c) On 2 March 2017, the Company has submitted an application to Bursa Securities Malaysia Berhad ("Bursa Securities") for an extension of time to comply with the public shareholding spread requirements.

35. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

(d) On 17 March 2017, the Company has received a letter dated 16 March 2017, from Bursa Securities for approval of an extension of time of six (6) months until 30 June 2017 to comply with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Market Listing Requirement of Bursa Securities Malaysia Berhad.

Based on the Record of Depositors as at 6 March 2017, the percentage of public shareholding spread is 20.83%.

(e) On 18 April 2017, a subsidiary, i.e Top Textile (Suzhou) Co., Ltd. has disposed of the unquoted investment for a total cash consideration of RMB23.1 million (equivalent to RM14.77 million).

36. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

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

	The Group		**The Company**	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Total (accumulated losses)/ retained profits of the Company and its subsidiaries:				
- realised	(142,817)	(143,678)	(248,416)	(245,710)
- unrealised	105	(809)	115	(939)
	(142,712)	(144,487)	(248,301)	(246,649)
Less: Consolidation adjustments	(98,476)	(98,476)	-	-
At 31 December	(241,188)	(242,963)	(248,301)	(246,649)

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
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LIST OF PROPERTIES HELD BY THE GROUP
AS AT 31 DECEMBER 2016

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	11,150	7,197
	Factory Building and employees' dormitory	30,195 square meters	Industrial	50 years expiring on 20/4/2057	34,867	22,506
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	Work-in-progress	9,000	5,810

Notes:-

The exchange rate used in the translation of the above financial information is summarised as below:-

RMB 1: RM0.6455 at 31 December 2016

SINOTOP HOLDINGS BERHAD
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ANALYSIS OF SHAREHOLDINGS AT 30 MARCH 2017

Issued and Paid-up Share Capital	:	RM118,469,782.20 represented by 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	569	3	29,480	225	0.01	0.00
100 – 1000	602	8	270,786	4,900	0.07	0.00
1,001 – 10,000	1,186	19	5,711,927	99,078	1.45	0.03
10,001 – 100,000	632	7	20,140,437	210,010	5.10	0.05
100,001 to less than 5%	107	6	54,471,111	28,836,320	13.79	7.30
5% and above	1	1	60,000,000	225,125,000	15.19	57.01
Total	**3,097**	**44**	**140,623,741**	**254,275,533**	**35.61**	**64.39**

SUBSTANTIAL SHAREHOLDERS (Based on the Register of Substantial Shareholders)

	Direct		Indirect	
Name	**Number of Shares**	**% of Issued Share Capital**	**Number of Shares**	**% 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	25,726,940	6.51	-	-

DIRECTORS' SHAREHOLDINGS (Based on the Register of Directors' Shareholdings)

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

SINOTOP HOLDINGS BERHAD
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ANALYSIS OF SHAREHOLDINGS
THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 MARCH 2017

	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	Hsu, Ching-Fu	13,639,800	3.45
4	HSBC Nominees (Asing) Sdn Bhd Exempt AN For BNP Paribas Wealth Management Singapore Branch (A/C Clients - FGN)	12,087,140	3.06
5	Ho Wei Choon	9,600,000	2.43
6	Ho Wei Choon	8,083,997	2.05
7	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Saw Soon Yee (Penang-CL)	2,100,000	0.53
8	Maybank Nominees (Tempatan) Sdn Bhd For Lim Yoke Cho	2,047,760	0.52
9	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,900,020	0.48
10	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN For Bank Of Singapore Limited	1,824,400	0.46
11	Wong Foong Yoke	1,508,160	0.38
12	Tan Yu Wei	1,500,000	0.38
13	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chong Yu Lien	1,109,520	0.28
14	Wong Foong Mooi	880,000	0.22
15	TASEC Nominees (Tempatan) Sdn Bhd Exempt AN For TA Investment Management Berhad (Clients)	818,076	0.21
16	Gan Bee Sin	800,000	0.20
17	Citigroup Nominees (Tempatan) Exempt AN For OCBC Securities Private Limited (Client A/C- RES)	690,000	0.17
18	Tan Yu Yeh	658,000	0.17
19	Lim Kian Huat	643,860	0.16
20	Kong Foi Ha @ Kong Poi Har	623,000	0.16
21	Lee Yoon Fook	600,000	0.15
22	Lim Quay Huan	600,000	0.15
23	RHB Nominees (Tempatan) Sdn Bhd Pledged Securites Account For Koon Poh Tat	600,000	0.15
24	On Fee Kien	597,340	0.15
25	Chong Kooi Lan	584,000	0.15
26	Global Asset Trustee (M) Berhad For Ronfield Limited	574,260	0.15
27	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Neo Eng Hui (7001308)	504,320	0.13
28	Lim Chun Seen	475,600	0.12
29	Kwok Chee Chin	451,840	0.11
30	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Eng Kin Hong (D18)	431,820	0.11

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

NOTICE OF THE THIRTY-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Third Annual General Meeting of the Company will be held at Tawau Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on 8 June 2017 at 2.30 p.m. for the following business:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. *(Please refer Note 1)*

2. To approve the payment of Directors' benefits. *Ordinary Resolution 1*

3. To re-elect the following Directors who retire in accordance with the Company's Constitution:

   (a) Datuk Ng Bee Ken, retiring in accordance with Article 77 *Ordinary Resolution 2*
   (b) Mr. Pan Ding, retiring in accordance with Article 77 *Ordinary Resolution 3*
   (c) Dato' Soo Sze Ching, retiring in accordance with Article 84 *Ordinary Resolution 4*

4. To appoint Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 5*

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 6*

   "THAT subject to the passing of Ordinary Resolution 2, Datuk Ng Bee Ken be and is hereby retained as the Independent Non-Executive Chairman of the Company and he shall continue to act as an Independent Non-Executive Director notwithstanding that he has been on the Board of the Company for a cumulative term of more than nine (9) years."

   AUTHORITY TO ALLOT SHARES *Ordinary Resolution 7*

   "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."

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

28 April 2017

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

Notes:

1. Pursuant to the provisions of Section 340(1) of the Companies Act 2016 ("Act"), the Company is to lay at Annual General Meeting the Audited Financial Statements and no shareholders' approval on the Audited Financial Statements is required.

2. Only depositors whose names appear in the Record of Depositors as at 31 May 2017 shall be regarded as members and entitled to attend, speak and vote at the Meeting.

3. A member entitled to attend, speak 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 registered office of the Company at 802, 8th Floor, Block C, Kelana Square, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the Meeting.

9. Explanatory Notes:

   Ordinary Resolution 1

   Pursuant to Section 230(1) of the Act, 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. The shareholders had at the Twenty-Seventh Annual General Meeting approved payment of fees to Non-Executive Directors of not more than RM200,000.00 per annum. The Directors' fees paid to Non-Executive Directors for the financial year ended 31 December 2016 is the same as financial year ended 31 December 2015 of RM132,000.00 and is within the mandated amount of RM200,000.00 per annum. Hence, no approval is to be sought unless there is any change to the fees.

   As for the Directors' benefits, shareholders' approval for the benefits payable for the period from 1 January 2017 until the conclusion of next Annual General Meeting of up to RM150,000 is being sought. The benefits payable to the Directors are made up of the following:

   - Meeting allowance for each Board / Board Committee / general meeting attended at RM1,000 per meeting (for both Executive and Non-Executive Directors); and
   - A sum of RM5,003 per annum per person for two (2) Directors of a sub-subsidiary of the Group, i.e. Top Textile (Suzhou) Co., Ltd. in relation to contribution for a defined contribution plan, medical, unemployment, workers compensation and maternity insurance schemes.

   The Board will seek shareholders' approval at the next Annual General Meeting in the event the amount of Directors' benefits is insufficient due to an increase in Board / Board Committee meetings and/or increase in the amount of premium payable for Directors' insurance.

Ordinary Resolution 6

The Ordinary Resolution 6 is proposed pursuant to Recommendation of the Malaysian Code of Corporate Governance 2012 and if passed, will allow Datuk 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 Ng Bee Ken are set out on page 26 of the Statement on Corporate Governance in the Annual Report 2016.

Ordinary Resolution 7

The Proposed Ordinary Resolution 7, 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 Annual General Meeting 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-Second Annual General Meeting held on 26 May 2016 and which will lapse at the conclusion of the Thirty-Third Annual General Meeting.

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 and/or acquisitions.

SINOTOP HOLDINGS BERHAD
(Incorporated in Malaysia)
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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 of proxy, NRIC No.	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-Third Annual General Meeting of the Company to be held at Tawau Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on 8 June 2017 at 2.30 p.m. and at any adjournment thereof and to vote as indicated below:-

RESOLUTION NO.	FOR	AGAINST
1		
2		
3		
4		
5		
6		
7		

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 ....……..., 2017

Signature / Seal of Member

***Notes**:*

1. *Pursuant to the provisions of Section 340(1) of the Companies Act 2016 ("Act"), the Company is to lay at Annual General Meeting the Audited Financial Statements and no shareholders' approval on the Audited Financial Statements is required.*
2. *Only depositors whose names appear in the Record of Depositors as at 31 May 2017 shall be regarded as members and entitled to attend, speak and vote at the Meeting.*
3. *A member entitled to attend, speak 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 registered office of the Company at 802, 8th Floor, Block C, Kelana Square, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for the Meeting.*

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

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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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SINOTOP HOLDINGS BERHAD (114842-H)
802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.