



# **SINOTOP HOLDINGS BERHAD**

**(114842-H)**

*(Incorporated In Malaysia)*

## **QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017**

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

	3 MONTHS		CUMULATIVE 6 MONTHS	
	CURRENT YEAR QUARTER ENDED 30/6/2017  RM'000 Unaudited	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30/6/2016  RM'000 Unaudited	CURRENT YEAR TO DATE ENDED 30/6/2017  RM'000 Unaudited	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30/6/2016  RM'000 Unaudited
Revenue	38,645	41,704	68,443	73,670
Cost of sales	(35,793)	(39,673)	(63,078)	(69,931)
<b>Gross profit</b>	<b>2,852</b>	<b>2,031</b>	<b>5,365</b>	<b>3,739</b>
Other operating income	1,725	167	2,415	1,317
Distribution and marketing expenses	(982)	(787)	(1,645)	(1,602)
Administrative expenses	(2,301)	(1,347)	(3,960)	(2,591)
Other operating expenses	(584)	(20)	(896)	(66)
<b>Profit from operations</b>	<b>710</b>	<b>44</b>	<b>1,279</b>	<b>797</b>
Share of loss in a joint venture	(371)	(316)	(517)	(455)
<b>Profit/(Loss) before taxation</b>	<b>339</b>	<b>(272)</b>	<b>762</b>	<b>342</b>
Taxation	(290)	-	(294)	-
<b>Profit/(Loss) after taxation for the financial period</b>	<b>49</b>	<b>(272)</b>	<b>468</b>	<b>342</b>
Other comprehensive income <i>Items that May be Reclassified Subsequently to Profit or Loss</i>				
Foreign currency translation differences	(2,618)	(362)	(3,960)	(19,698)
<b>Total comprehensive income for the period</b>	<b>(2,569)</b>	<b>(634)</b>	<b>(3,492)</b>	<b>(19,356)</b>
Profit attributable to:				
Equity holders of the parent	49	(272)	468	342
Minority interest	-	-	-	-
	<b>49</b>	<b>(272)</b>	<b>468</b>	<b>342</b>
Total comprehensive income/(expense) attributable to:				
Equity holders of the parent	(2,569)	(634)	(3,492)	(19,356)
Minority interest	-	-	-	-
	<b>(2,569)</b>	<b>(634)</b>	<b>(3,492)</b>	<b>(19,356)</b>
Earnings per share (sen) :				
- Basic	-	-	0.04	0.02
- Diluted	N/A	N/A	N/A	N/A

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

## INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/6/2017 RM'000 UNAUDITED	AS AT 31/12/2016 RM'000 AUDITED
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in a joint venture	4,125	4,655
Property, Plant and Equipment	39,585	43,172
Investment Property	6,342	5,810
Land use rights	6,898	7,018
Other Investments	-	14,884
	<b>56,950</b>	<b>75,539</b>
<b>Current Assets</b>		
Land use rights	88	179
Inventories	21,660	16,817
Trade and other receivables	63,539	71,201
Cash and cash equivalents	59,079	70,724
	<b>144,366</b>	<b>158,921</b>
<b>Total assets</b>	<b>201,316</b>	<b>234,460</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	118,470	394,899
Statutory reserve	15,761	15,644
Foreign currency translation reserve	50,159	54,119
Retained profits	5,778	(241,188)
<b>Total equity</b>	<b>190,168</b>	<b>223,474</b>
<b>Current Liabilities</b>		
Trade and other payables	11,008	10,153
Income tax payable	140	833
<b>Total current liabilities</b>	<b>11,148</b>	<b>10,986</b>
<b>Total liabilities</b>	<b>11,148</b>	<b>10,986</b>
<b>Total equity and liabilities</b>	<b>201,316</b>	<b>234,460</b>
<b>Net assets ("NA") per share (RM)</b>	<b>0.48</b>	<b>0.11</b>
Number of shares outstanding as at 30.6.2017 / 31.12.2016 ('000)	394,899 *	1,974,497 #
Weighted average number of shares as at 30.6.2017 / 31.12.2016 ('000)	1,171,607	1,974,497

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

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

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

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Non distributable					Distributable		Total Equity RM '000
	Share Capital RM '000	Reverse Acquisition Reserve RM '000	Statutory Reserve RM '000	Foreign Currency Translation Reserve RM '000	Unappropriated Profits RM '000	Total Equity RM '000		
Balance at 1 January 2017 (audited)	394,899	-	15,644	54,119	(241,188)	223,474		
Capital reduction	(276,429)	-	-	-	246,615	(29,814)		
Total comprehensive income for the financial year	-	-	-	(3,960)	468	(3,492)		
Transfer to statutory reserve	-	-	117	-	(117)	-		
Balance at 30 June 2017 (unaudited)	118,470	-	15,761	50,159	5,778	190,168		

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

## INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	AS AT CURRENT QUARTER ENDED 30/6/2017	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2016
	RM'000 UNAUDITED	RM'000 AUDITED
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	762	4,264
Adjustments for :-		
Depreciation	2,840	6,154
Amortisation of land use right	89	173
Allowance for impairment losses on trade receivables	1,453	909
Unrealised loss/(gain) on foreign exchange	323	(105)
Write-back of allowance for impairment losses on trade receivables	(1,178)	(1,897)
Share of results of a joint venture	517	1,113
Non-operating items		
- interest income	(921)	(1,745)
Changes in working capital		
- Inventories	(4,843)	1,810
- Trade receivables and other receivables	7,662	9,760
- Trade and other payables	855	(277)
Cash from operations	<u>7,559</u>	<u>20,159</u>
Income tax paid	(987)	(2,188)
Income tax refund	-	30
Net cash generated from operating activities	<u>6,572</u>	<u>18,001</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(500)
Purchase of investment in a joint venture	(63)	(1,555)
Proceeds from disposal of unquoted investment	14,771	-
Interest received	921	1,745
Purchase of an investment property	-	(1,400)
Net cash used in investing activities	<u>15,629</u>	<u>(1,710)</u>
<b>FINANCING ACTIVITY</b>		
Capital repayment to shareholders	(29,814)	-
Net cash for financing activity	<u>(29,814)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(7,613)	16,291
Foreign exchange translation differences	(4,032)	(682)
Cash and cash equivalents at beginning of the year	70,724	55,115
Cash and cash equivalents at end of the period	<u>59,079</u>	<u>70,724</u>

**Note :**

( ) Denotes cash outflow

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



SINOTOP HOLDINGS BERHAD (114842-H)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

**A1. BASIS OF PREPARATION**

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. These explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

MFRS 14 Regulatory Deferral Accounts

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

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

Amendments to MFRS 101: Disclosure Initiative

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

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

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

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

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

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

## QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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

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

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

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of the Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

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

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

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

## QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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

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

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

#### A3. AUDITORS' REPORT

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

#### A4. SEASONAL OR CYCLICAL FACTORS

##### i) FABRIC PRODUCTION SEGMENT

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

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

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

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

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



## QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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

#### A5. EXCEPTIONAL ITEMS

Not applicable.

#### A6. CHANGES IN ESTIMATES

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

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

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

#### A8. DIVIDEND

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

#### A9. SEGMENTAL INFORMATION

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

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

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

##### (i) BY BUSINESS SEGMENTS

	Individual Quarter		Cumulative Quarters	
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Fabric production	36,089	41,704	65,690	73,670
Project management services and infrastructure construction	2,556	-	2,753	-
<b>Total</b>	<b>38,645</b>	<b>41,704</b>	<b>68,443</b>	<b>73,670</b>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

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

**A9. SEGMENTAL INFORMATION (CONT'D)**

**(ii) BY GEOGRAPHICAL AREA**

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

	Individual Quarter		Cumulative Quarters	
	Current Quarter	Preceding Year	Current Year	Preceding Year
	Ended	Corresponding	To Date	Corresponding
	30/6/2017	Quarter Ended	Ended	Period Ended
	RM'000	30/6/2016	30/6/2017	30/6/2016
		RM'000	RM'000	RM'000
<b>Revenue</b>				
China	32,680	38,375	59,550	66,064
Malaysia	2,556	-	2,753	-
Other overseas countries	3,409	3,329	6,140	7,606
<b>Total</b>	<b>38,645</b>	<b>41,704</b>	<b>68,443</b>	<b>73,670</b>

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

**A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

Not applicable

**A11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

There was no post balance sheet event.

**A12. CHANGES IN THE COMPOSITION OF THE GROUP**

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

**A13. CHANGES IN CONTINGENT LIABILITIES / ASSETS**

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

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

**A14. CAPITAL COMMITMENTS**

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

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

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

**A15. FOREIGN CURRENCY TRANSLATION**

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

	<b>As at Quarter Ended 30/6/2017</b>	<b>As at Financial Year Ended 31/12/2016</b>
Condensed consolidated statement of comprehensive income		
Based on average rates for the financial period/year RMB1.00 to RM	0.6372	0.6223
Condensed consolidated statement of financial position		
Based on closing rates for the financial period/year RMB1.00 to RM	0.6345	0.6455

**A16. SIGNIFICANT RELATED PARTY TRANSACTION**

**(a) Identities of Related Parties**

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

**(b) Related Party Transactions**

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

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

**PART B :-**

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

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

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

	Individual Period (2 <sup>nd</sup> Quarter)		Changes	Cumulative Period		
	Current Year Quarter 30/6/2017	Preceding Year Corresponding Quarter 30/6/2016		Current Year To-date ("YTD") 30/6/2017	Preceding Year Corresponding Period 30/6/2016	Changes
	RM'000	RM'000		RM'000	RM'000	
Revenue	38,645	41,704	-3,059 -7.34%	68,443	73,760	-5,317 -7.21%
Operating profit	710	44	666 1,513.64%	1,279	797	482 60.48%
Profit/(Loss) Before Interest and Tax	339	(272)	611 224.63%	762	342	420 122.81%
Profit/(Loss) Before Tax	339	(272)	611 224.63%	762	342	420 122.81%
Profit/(Loss) After Tax	49	(272)	321 118.01%	468	342	126 36.84%
Profit/(Loss) Attributable to Equity Holders of the Parent	49	(272)	321 118.01%	468	342	126 36.84%

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

**PART B :-**

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

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

**(i) REVENUE**

**a) FABRIC PRODUCTION SEGMENT**

Decrease in revenue was observed in the fabric production segment, a consequence of weakened demand over the Group's fabric products, compared to the corresponding period in the preceding financial year. The effect of sluggish economic conditions has taken its toll on the Group's sales revenue in a greater impact, particularly in the domestic sales segment.

However, fluctuations observed in either of the market segments (domestic & export) do not indicate any significant change in the sales and marketing direction of the fabric production segment. Instead, analysis of the fabric production segment's sales revenue in totality would be more meaningful in assessing its financial performance.

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

The Group's project management services and infrastructure construction segment reported revenue of RM2.56 million in the current quarter as the Group's wholly-owned subsidiary, GGSB, had successfully secured a contract to carry out building construction and civil engineering work after the CIDB Registration on 31 May 2017.

GGSB commenced its infrastructure construction business operation in June 2017.

**(ii) OPERATING PROFIT**

Improvement in the operating efficiency has improved the operating profit of the Group, despite a drop in domestic sales revenue being observed in the fabric production segment in the current reporting quarter compared to the corresponding quarter in financial year 2016.

A write-back of RM 1.18 million in allowance for impairment losses on trade receivables had also contributed to higher operating profit, despite additional allowances for impairment losses on trade receivables had also been made in the current quarter.

**(iii) PROFIT BEFORE INTEREST AND TAX ("PBIT") AND PROFIT BEFORE TAX ("PBT")**

Contribution from the project management services and infrastructure construction segment, coupled with improvement in the operating efficiency and trade receivables recovery that led to the write-back of previously made allowances for impairment losses on trade receivables in the fabric production segment had increased the Group's operating profit, PBIT and PBT.

The Group did not have any interest-bearing liability owing to financial institutions hence its PBIT and PBT increased in tandem with the improved operating profit.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

**PART B :-**

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

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

**(iv) PROFIT AFTER TAXATION ("PAT")**

The improved results observed in the PAT of the current reporting quarter & financial period to-date as opposed to the corresponding comparative period was resulted from improvement in the operating efficiency and higher recovery of trade receivables of the fabric production segment (on which allowances for impairment losses had already been made previously), and recognition of contribution from the project management services and infrastructure construction segment.

**(v) PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**

The increase in profit attributable to equity holders of the parent is minimal due to higher tax expenses and share of loss in a joint venture, Suzhou Han Ling Packaging Co., Ltd. ("Han Ling") in the current year quarter, compared to the corresponding quarter in the preceding year.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

**PART B :-**

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

**B2. MATERIAL CHANGES IN THE CURRENT REPORTED QUARTER COMPARED TO THE IMMEDIATE PRECEDING QUARTER**

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

	<b>Current Quarter Ended</b>	<b>Immediate Preceding Quarter Ended</b>	<b>Changes</b>	
	<b>30/6/2017</b>	<b>31/3/2017</b>	<b>RM'000</b>	
	<b>RM '000</b>	<b>RM '000</b>		
Revenue	38,645	29,798	8,847	29.69 %
Operating Profit	710	569	141	24.78%
Profit Before Interest and Tax *	339	423	-84	-19.86%
Profit Before Tax	339	423	-84	-19.86%
Profit After Tax	49	419	-370	-88.31%
Profit or Loss Attributable to Ordinary Equity Holders of the Parent	49	419	-370	-88.31%

*\*The Group did not have borrowing from any financial institutions for the 6-month financial period ended 30 June 2017.*

**(i) REVENUE**

**a) FABRIC PRODUCTION SEGMENT**

Revenue in the fabric production segment registered an increase of RM6.49 million, boosted by higher demand over the Group's fabric products. Sale of fabric began to pick up in the second quarter in response to clothing manufacturers' increased orders to produce summer clothing.

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

Revenue from the Group's project management services and infrastructure construction segment contributed an increase in revenue amounting to RM2.56 million, due mainly to the revenue recognized from a new project secured by GGSB after the CIDB Registration in May.

**(ii) OPERATING PROFIT**

Operating profit of the Group for the current reporting quarter increased marginally by RM141,000 compared to the first quarter ended 31 March 2017, as a result of a combination of reasons as follows :-

- increased sales revenue and other operating income, comprised of mainly interest income;
- additional allowance for impairment losses on trade receivables provided in the current quarter;
- write-back of allowance for impairment losses on trade receivables from the fabric production segment; and
- revenue recognized from the project management services and infrastructure construction segment.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

**PART B :-**

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

**B2. MATERIAL CHANGE IN THE PROFIT BEFORE TAXATION FOR THE CURRENT REPORTED QUARTER AS COMPARED TO THE IMMEDIATE PRECEDING QUARTER (CONT'D)**

**(iii) PROFIT BEFORE INTEREST AND TAX ("PBIT") & PROFIT BEFORE ("PBT")**

PBIT and PBT of the Group decreased in the current quarter due mainly to the reasons that additional allowance for impairment losses on trade receivables of the fabric production segment has been made, and higher amount of the Group's share of losses of investment in a joint venture, Han Ling, in the current quarter.

**(iv) PROFIT AFTER TAX ("PAT") & PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

PAT and profit attributable to ordinary equity holders of the parent of the Group, for the current reporting quarter decreased due to higher tax expenses being accrued in the current quarter.

**B3. PROSPECTS**

**a) FABRIC PRODUCTION SEGMENT**

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

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

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

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

The Group has diversified its business into the project management services and infrastructure construction ("**Diversification**") through a wholly-owned subsidiary, Gorgeous Goldhill Sdn Bhd ("**GGSB**"), effective from the fourth quarter of financial year ended 31 December 2016 and 1 June 2017, respectively. Shareholders' approval for the Diversification was obtained by the Company on 15 December 2016.

The Diversification is expected to bring additional revenue sources and enhance profits of the Group, instead of depending solely on the existing fabric production business which is facing limited profitability growth as indicated by weakened earnings recorded in recent years.

To date, GGSB has begun to contribute positive financial results to the Group. With the CIDB Registration, the Group is expected to secure more construction works through GGSB.



QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

PART B :-

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

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

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

**B5. TAXATION**

	Individual Quarter		Cumulative Quarters	
	Current Quarter Ended 30/6/2017	Preceding Year Corresponding Quarter Ended 30/6/2016	Current Year To-Date Ended 30/6/2017	Preceding Financial Year Ended 30/6/2016
	RM'000	RM'000	RM'000	RM'000
Tax on profit for the year	290	-	294	-
In respect of :-				
- Top Textile (Suzhou) Co., Ltd	288	-	288	-
- Gorgeous Goldhill Sdn. Bhd.	2	-	6	-

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

- the corporate income tax rate of a subsidiary in the People's Republic of China is 25%.
- the subsidiary incorporated in The British Virgin Islands is not subject to any corporate tax; and
- the Company and its wholly-owned subsidiary incorporated in Malaysia are subject to a statutory tax rate at 24%. Nevertheless, the Company is in a tax loss position.

**B6. CORPORATE PROPOSALS**

On 21 October 2016, the Board of Directors of the Company, via Astramina Advisory Sdn Bhd and RHB Investment Bank Berhad, the joint advisers of the Company, had announced that the Company proposes to undertake the following:-

- Proposed capital reduction of the existing ordinary shares of Sinotop Holdings Berhad ("**Sinotop**") pursuant to section 64 of the Companies Act, 1965 involving the cancellation of RM0.14 of the par value of each existing ordinary share of RM0.20 each in Sinotop ("**Capital Reduction and Repayment**");
- Proposed share consolidation of every five (5) ordinary shares of RM0.06 each in Sinotop (after the completion of the Proposed Capital Reduction and Repayment) into one (1) new ordinary share of RM0.30 each in Sinotop ("**Share Consolidation**"); and
- Proposed diversification of the existing core business of Sinotop and its subsidiaries to include project management and infrastructure construction related businesses ("**Diversification**").

(The Capital Reduction and Repayment, Share Consolidation and Diversification are collectively referred to as the "**Proposals**").

## QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

### PART B :-

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

##### **B6. CORPORATE PROPOSALS (CONT'D)**

On 16 November 2016, Bursa Malaysia Securities Berhad had, vide its letter dated 15 November 2016 (“Bursa Letter”), resolved to approve the Share Consolidation, subject to the conditions as set out in the Bursa Letter.

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

On 14 February 2017, the Company was granted an order from The High Court of Malaya at Kuala Lumpur for the Capital Reduction and Repayment (“Order”). Subsequently on 30 March 2017, upon lodging of the sealed Order with the Registrar of Companies, the Capital Reduction and Share Consolidation took effect and duly completed on the same day.

##### **SHARE CONSOLIDATION**

Based on the share capital of the Company as at 5.00 p.m. on 30 March 2017, 1,974,496,518 ordinary shares in Sinotop were consolidated into 394,899,274 shares (“Consolidated Shares”) as a result of the Share Consolidation. The Consolidated Shares were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on 31 March 2017.

##### **STATUS UPDATES ON CAPITAL REPAYMENT**

Capital Repayment to entitled shareholders of the Company was effected and completed on 13 April 2017 via cash payment made by the Company. With Capital Repayment to entitled shareholders being effected, the Proposals had therefore been duly completed.

##### **B7. BORROWINGS**

There was no outstanding borrowing as at 30 June 2017.

##### **B8. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

##### **B9. CHANGES IN MATERIAL LITIGATION**

The Group does not have any material litigation.

##### **B10. PROPOSED DIVIDEND**

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

## QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

### PART B :-

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

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

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

Based on the Record of Depositors as at 23 August 2017, the public shareholding spread of the Company was 21.29%.

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

##### B12. DISPOSAL OF UNQUOTED INVESTMENT

On 18 April 2017, a subsidiary of the Group, Top Textile (Suzhou) Co., Ltd has disposed its 36.625% of equity interest held in Suzhou Xuande Equity Investment Centre (Limited Partnership) to Beijing Zhifu Yihe Investment Management Co., Ltd. for a total cash consideration of RMB23.1 million (equivalent to RMB14.77 million).

##### B13. EARNINGS PER SHARE

	Current year quarter ended 30/6/2017 RM '000	Preceding financial year ended 31/12/2016 RM '000
	Unaudited	Audited
a) <b>Basic earnings per share</b>		
Net profit attributable to equity holders of the Company	49	2,033
Weighted average number of ordinary shares ('000)	1,171,607	1,974,496
Basic earnings per share (sen)	n.a.	0.10

The weighted average number of ordinary shares used in the computation of the basic EPS in the current reporting quarter has taken into account the effect of the 394,899,274 Consolidated Shares (please refer to Note B6) that were listed on 31 March 2017.

##### b) **Diluted earnings per share**

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

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

**PART B :-**

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

**B14. DISCLOSURE OF REALISED AND UNREALISED PROFITS**

The breakdown of the retained profits of the Group as at 30 June 2017, into realised and unrealised profits is as follows:-

	<b>As at Quarter Ended 30/6/2017 RM '000 Unaudited</b>	<b>As at Financial Year Ended 31/12/2016 RM '000 Audited</b>
- Realised	(142,038)	(142,817)
- Unrealised	(323)	105
Less: Consolidation adjustments Capital reduction	(98,476) 246,615	(98,476) -
Total retained earnings as per condensed consolidated statement of changes in equity	<u>5,778</u>	<u>(241,188)</u>

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

**B15. PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging /(crediting)

	<b>Current Year Quarter Ended 30/6/2017 RM'000 Unaudited</b>	<b>Financial Year Ended 31/12/2016 RM'000 Audited</b>
Amortisation of land use rights	89	173
Depreciation of property, plant and equipment	2,840	6,154
Interest income	(921)	(1,745)
Write-back of allowance for impairment losses on trade receivables	1,178	(1,897)
Allowance for impairment losses on trade receivables	1,453	909
Unrealised loss/(gain) on foreign exchange	323	(105)