



SINOTOP HOLDINGS BERHAD

(114842-H)

(Incorporated In Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2018

CONTENTS

1. Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
2. Unaudited Condensed Consolidated Statement of Financial Position
3. Unaudited Condensed Consolidated Statement of Cash Flows
4. Unaudited Condensed Consolidated Statements of Changes in Equity
5. Explanatory Notes
 - (i) Part A – Explanatory Notes Pursuant to MFRS134
 - (ii) Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements

INTERIM FINANCIAL STATEMENTS FOR THE SIXTH QUARTER ENDED 30 JUNE 2018

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

	3 MONTHS		CUMULATIVE 18 MONTHS	
	CURRENT PERIOD QUARTER ENDED 30/6/2018	PRECEDING FINANCIAL YEAR CORRESPONDING QUARTER	CURRENT FINANCIAL PERIOD TO-DATE ENDED 30/6/2018	PRECEDING FINANCIAL YEAR CORRESPONDING PERIOD
	RM'000 Unaudited	RM'000	RM'000 Unaudited	RM'000
Revenue	31,910	-	217,496	-
Cost of sales	(29,303)	-	(203,155)	-
Gross profit	2,607	-	14,341	-
Other operating income	(562)	-	5,416	-
Distribution and marketing expenses	838	-	(3,274)	-
Administrative expenses	1,095	-	(10,538)	-
Other operating expenses	1,175	-	(2,763)	-
Profit from operations	5,153	-	3,182	-
Share of profit / (loss) in a joint venture	226	-	(594)	-
Profit before taxation	5,379	-	2,588	-
Taxation	(1,305)	-	(2,467)	-
Profit after taxation for the financial period	4,074	-	121	-
Other comprehensive income <i>Items that May be Reclassified Subsequently to Profit or Loss</i>				
Foreign currency translation differences	(1,032)	-	(11,531)	-
Total comprehensive expense for the period	3,042	-	(11,410)	-
Profit / (loss) attributable to:				
Equity holders of the parent	4,074	-	121	-
Minority interest	-	-	-	-
	4,074	-	121	-
Total comprehensive expense attributable to:				
Equity holders of the parent	3,042	-	(11,410)	-
Minority interest	-	-	-	-
	3,042	-	(11,410)	-
Earnings per share (sen) :				
- Basic	0.62	-	0.02	-
- Diluted	N/A	N/A	N/A	N/A

Weighted average number of shares ('000)

652,379

-

652,379

-

Note 1)

The Company changed its financial year end from 31 December 2017 to 30 June 2018 as announced to Bursa Malaysia Securities Berhad on 29 December 2017, accordingly, there were no comparative figures that correspond to the current quarter and the 18-month financial period ended 30 June 2018.

Note 2)

Basic earnings per share for the current quarter and current financial period to-date were computed based on the weighted average number of shares in issue as disclosed above.

Note 3)

In the current quarter, reclassification as have been made between the distribution & marketing, administrative and other operating expenses.

Note 4)

A reversal of unrealised foreign exchange gain had been made in the current quarter booked under other operating income

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

INTERIM FINANCIAL STATEMENTS FOR THE SIXTH QUARTER ENDED 30 JUNE 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/6/2018 RM'000 UNAUDITED	AS AT 31/12/2016 RM'000 AUDITED
ASSETS		
Non-current assets		
Investment in a joint venture	3,885	4,655
Property, plant and equipment	42,332	43,172
Investment property	4,068	5,810
Land use rights	6,378	7,018
Other investments	-	14,884
	56,663	75,539
Current Assets		
Land use rights	170	179
Inventories	13,309	16,817
Trade and other receivables	61,834	71,201
Cash and cash equivalents	61,963	70,724
	137,276	158,921
Total assets	193,939	234,460
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	118,470	394,899
Statutory reserve	15,697	15,644
Foreign currency translation reserve	42,588	54,119
Retained profits	5,495	(241,188)
Total equity	182,250	223,474
Current Liabilities		
Trade and other payables	11,234	10,153
Income tax payable	455	833
Total current liabilities	11,689	10,986
Total liabilities	11,689	10,986
Total equity and liabilities	193,939	234,460
Net assets ("NA") per share (RM)	0.46	0.11
Number of shares outstanding as at 30.6.2018 / 31.12.2016 ('000)	394,899 *	1,974,497 #
Weighted average number of shares outstanding as at 30.6.2018 / 31.12.2016 ('000)	652,379	1,974,497

* Number of shares ('000) in Sinotop Holdings Berhad 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 SIXTH QUARTER ENDED 30 JUNE 2018

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	RM '000	RM '000	
Balance at 1 January 2017 (audited)	394,899	-	15,644	54,119	(241,188)	223,474		
Capital reduction	(276,429)	-	-	-	246,615	(29,814)		
Total comprehensive income for the financial year	-	-	-	(11,531)	121	(11,410)		
Transfer to statutory reserve	-	-	53	-	(53)	-		
Balance at 30 June 2018 (unaudited)	118,470	-	15,697	42,588	5,495	182,250		

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

INTERIM FINANCIAL STATEMENTS FOR THE SIXTH QUARTER ENDED 30 JUNE 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	AS AT CURRENT FINANCIAL PERIOD TO-DATE ENDED 30/6/2018	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2016
	RM'000 UNAUDITED	RM'000 AUDITED
OPERATING ACTIVITIES		
Profit before taxation	2,588	4,264
Adjustments for :-		
Allowance for impairment losses on trade receivables	2,330	909
Amortisation of land use right	262	173
Depreciation	7,101	6,154
Inventory written off	43	-
Loss on disposal of plant and machinery	2,675	-
Share of results of a joint venture	594	1,113
Unrealised gain on foreign exchange	(1,254)	(105)
Write-back of allowance for impairment losses on trade receivables	-	(1,897)
Non-operating items - interest income	(2,618)	(1,745)
Changes in working capital - Inventories	3,508	1,810
- Trade receivables and other receivables	9,367	9,760
- Trade and other payables	1,081	(277)
Cash from operations	25,677	20,159
Income tax paid	(2,845)	(2,188)
Income tax refund	-	30
Net cash generated from operating activities	22,832	18,001
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,800)	(500)
Purchase of investment in a joint venture	(63)	(1,555)
Proceeds from disposal of plant and machinery	494	-
Proceeds from disposal of unquoted investment	14,771	-
Refund from an investment property/purchase of an investment property	1,417	(1,400)
Interest received	2,618	1,745
Net cash generated from investing activities	7,437	(1,710)
FINANCING ACTIVITY		
Capital repayment to shareholders	(29,814)	-
Net cash for financing activity	(29,814)	-
Net increase in cash and cash equivalents	455	16,291
Foreign exchange translation differences	(9,216)	(682)
Cash and cash equivalents at beginning of the year	70,724	55,115
Cash and cash equivalents at end of the period	61,963	70,724

Note :

() Denotes cash outflow

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



SINOTOP HOLDINGS BERHAD (114842-H)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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 financial year ended 31 December 2016.

A2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2016. During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

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

MFRS 14 Regulatory Deferral Accounts

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

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

Amendments to MFRS 101: Disclosure Initiative

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

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

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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 : Consolidated Financial Statements 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 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Amendments to MFRS 128 : Long Term interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 3 : Annual Improvement to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 11 : Annual Improvement to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 112 : Annual Improvement to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 123 : Annual Improvement to MFRS Standards 2015-2017 Cycle	1 January 2019

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

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.

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 has a significant impact on the demand of fabric finished products, and hence on the demand of fabrics.

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

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

ii) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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

A5. UNUSUAL ITEMS

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence in respect of the financial period-to-date.

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 2018.

A9. SEGMENTAL INFORMATION

The Group has two operating business segments, namely the fabric production segment and project management services and infrastructure construction segment. Accordingly, segmental information of the Group is presented from the perspectives of the Group's major operating business segments in addition to geographical areas. However, as substantial amount of the Group's assets and liabilities are located in PRC, hence, there is no separate geographical segment for assets and liabilities being presented.

(i) BY BUSINESS SEGMENTS

	Individual Quarter		Cumulative Quarters (18 Months)	
	Current Period	Preceding	Current	Preceding
	Quarter	Financial Year	Financial	Financial Year
	Ended	Corresponding	Period	Corresponding
	30/6/2018	Quarter #	To-Date	Period #
	RM'000	RM'000	Ended	RM'000
			30/6/2018	
			RM'000	RM'000
Revenue				
Fabric production	31,720	-	206,613	-
Project management services and infrastructure construction	190	-	10,883	-
Total	31,910	-	217,496	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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 Current Quarter Ended 30/6/2018 RM'000	Preceding Financial Year Corresponding Quarter # RM'000	Cumulative Quarters (18 Months) Current Financial Period To Date Ended 30/6/2018 RM'000	Preceding Financial Year Corresponding Period # RM'000
Revenue				
China	31,719	-	196,250	-
Malaysia	190	-	10,883	-
Other overseas countries	1	-	10,363	-
Total	31,910	-	217,496	-

The Company changed its financial year end from 31 December 2017 to 30 June 2018, as announced on 29 December 2017. Accordingly, there were no comparative figures that correspond to the current quarter and the 18-month financial period ended 30 June 2018.

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 Group has the following capital commitment in relation to the construction of a logistic warehouse in China as at the current quarter ended 30 June 2018.

Contracted but not provided for	RM'000
Construction of a logistic warehouse	28,270

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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

A15. FOREIGN CURRENCY TRANSLATION

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

	As at Quarter Ended 30/6/2018	As at Financial Year Ended 31/12/2016
Condensed consolidated statement of comprehensive income		
Based on average rates for the financial period/year RMB1.00 to RM	0.6290	0.6223
Condensed consolidated statement of financial position		
Based on closing rates for the financial period/year RMB1.00 to RM	0.6100	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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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

The Company changed its financial year end from 31 December 2017 to 30 June 2018, as announced on 29 December 2017. Accordingly, there were no comparative figures that correspond to the current quarter and the 18-month financial period ended 30 June 2018.

In view of and with reference to the above, there shall be no review of performance on the following comparison basis:

- i) current year quarter vs corresponding quarter in the preceding financial year; and
- ii) year-to-date performance in the current and preceding financial years.

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

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

	Current Quarter Ended 30/6/2018 RM '000	Immediate Preceding Quarter Ended 31/3/2018 RM '000	Changes	
			RM'000	Percentage
Revenue	31,910	27,887	4,023	14%
Profit/(loss) from operations	5,153	(301)	5,454	1812%
Profit/(loss) before interest and tax *	5,379	(303)	5,682	1875%
Profit/(loss) before tax	5,379	(303)	5,682	1875%
Profit/(loss) after tax	4,074	(303)	4,377	1445%
Profit/(loss) attributable to ordinary equity holders of the parent	4,074	(303)	4,377	1445%

**The Group did not have borrowing from any financial institutions for the 18-month financial period ended 30 June 2018.*

(i) REVENUE

a) FABRIC PRODUCTION SEGMENT

Sales will be lower for first three months of the year after it peaked in the fourth quarter ahead of festivals celebrated in December and February (2018) and started to pick up in pace in the second fiscal quarter. Changes in the quarterly sales revenue recorded is an observation in the ordinary course of business which does not indicate any change in the Group's sales and marketing direction.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

PART B :-

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

B2. MATERIAL CHANGES IN THE CURRENT REPORTING QUARTER COMPARED TO THE IMMEDIATE PRECEDING QUARTER (CONT'D)

(i) REVENUE (CONT'D)

b) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT

Revenue from the Group's project management services and infrastructure construction segment recorded an additional of RM190,000 in contract revenue recognized. The previous infrastructure construction contract had been completed substantially. Revenue reported for the 6-month period ended 30 June 2018 was contributed by a new project management contract secured by subsidiary of the Company.

(ii) OPERATING PROFIT/LOSS

Results from operations of the Group for the current reporting quarter increased compared to the immediate preceding quarter, resulted from a combination of factors detailed below:-

- higher sales revenue recorded
- lower allowances for impairment losses on trade receivables.

(iii) PROFIT BEFORE INTEREST AND TAX & PROFIT BEFORE TAX

Profit before interest and tax and profit before tax increased in the current quarter for the reasons detailed in B2 (ii) above and a share of profit in investment in Han Ling for the current quarter.

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

Profit after tax and profit attributable to ordinary equity holders of the parent of the Group is higher than the immediate preceding quarter for reasons detailed in B2 (ii) and (iii) above.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

PART B :-

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

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

Since the diversification of business into the project management services and infrastructure construction, there had been positive contribution of earnings recorded in the results of the Group from this business segment. The project management and infrastructure construction division completed substantially its maiden infrastructure construction project in December 2017 and secured a new project management services contract in 2018. The Group is confident that this segment will continue to contribute positively to its earnings to mitigate the impact of limited profitability growth in the fabric production segment.

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 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

PART B :-

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

B5. TAXATION

	Individual Quarter		Cumulative 18-Month Period	
	Current	Preceding	Current	Preceding
	Quarter Ended	Financial Year Corresponding Quarter #	Financial Period To-Date Ended	Financial Year #
	30/6/2018		30/6/2018	
	RM'000	RM'000	RM'000	RM'000
Tax on profit for the period	1,305	-	2,467	-
In respect of :-				
- Top Textile (Suzhou) Co., Ltd	1,268	-	2,311	-
- Gorgeous Goldhill Sdn. Bhd.	37	-	156	-

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.

The Company changed its financial year end from 31 December 2017 to 30 June 2018, as announced on 29 December 2017. Accordingly, there were no comparative figures that correspond to the current quarter and the 18-month financial period ended 30 June 2018.

B6. CORPORATE PROPOSALS

i) CAPITAL REDUCTION AND REPAYMENT, SHARE CONSOLIDATION AND DIVERSIFICATION OF BUSINESS

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

ii) PROPOSED ACQUISITION OF AT LEAST 60% OR UP TO THE ENTIRE EQUITY INTEREST IN ASIANMAX CORPORATION SDN BHD ("ACSB")

On 20 April 2018, the Company announced that it had entered into a binding term sheet ("Term Sheet") with Dato' Justin Soo ("DJ") to explore and negotiate further on the proposed acquisition by Sinotop of at least 60% equity interest and/or up to the entire equity interest in ACSB from DJ and/or such other shareholder(s) of ACSB to be procured by DJ (collectively, "Vendors").

For avoidance of doubt, the Term Sheet will be subject to the signing of a definitive share sale agreement to be entered into between the Company and the Vendor(s) on a later date.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

PART B :-

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

B7. BORROWINGS

There was no outstanding borrowing as at 30 June 2018.

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 2018.

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 29 August 2018, the public shareholding spread of the Company was 20.79%.

The Company had on 27 June 2018, 2 July 2018, 10 July 2018, 24 July 2018 and 31 July 2018 submitted applications to seek the approval of Bursa Malaysia Securities Berhad (“Bursa Securities”) for a further extension of time of nine (9) months from 1 July 2018 until 31 March 2019 to comply with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities (“MMLR”) (“Public Spread Requirement”).

In a decision letter dated 10 August 2018, Bursa Securities has granted the Company a further extension of time of six (6) months until 31 December 2018 to comply with the Public Spread Requirement.

The Company will continue to work on its rectification plan to address the shortfall in the Public Spread Requirement, within the extension of time granted by Bursa Securities till 31 December 2018.

B12. DISPOSAL OF UNQUOTED INVESTMENT

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

PART B :-

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

B13. EARNINGS PER SHARE

	Current Financial Period Ended 30/6/2018 RM '000 Unaudited	Preceding Financial Year Ended 31/12/2016 RM '000 Audited
a) Basic earnings per share		
Net profit attributable to equity holders of the Company	121	2,033
Weighted average number of ordinary shares ('000)	652,379	1,974,496
Basic earnings per share (sen)	0.02	0.10

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN ISSUE

	Current Financial Period Ended 30/6/2018 RM '000 Unaudited	Preceding Financial Year Ended 31/12/2016 RM '000 Audited
Ordinary shares in issue as at 1 January 2017/2016	1,974,496,518	1,974,496,518
Effect of share consolidation	(1,322,117,107)	-
Weighted average number of ordinary shares	652,379,411	1,974,496,518
Weighted average number of ordinary shares ('000)	652,379	1,974,497

b) Diluted earnings per share

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

PART B :-

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

B14. PROFIT BEFORE TAXATION

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

	Cumulative Quarters (18 Months) Ended 30/6/2018 RM'000 Unaudited	Financial Year Ended 31/12/2016 RM'000 Audited
Amortisation of land use rights	262	173
Depreciation of property, plant and equipment	7,101	6,154
Interest income	(2,618)	(1,745)
Write-back of allowance for impairment losses on trade receivables	-	(1,897)
Recovery of bad debt	(1,493)	-
Allowance for impairment losses on trade receivables	2,330	909
Loss on disposal of plant and machinery	2,675	-
Unrealised gain on foreign exchange	(1,254)	(105)

B15. CHANGE IN THE COMPANY'S FINANCIAL YEAR END

On 29 December 2017, the Company announced a change in its financial year end from 31 December 2017 to 30 June 2018.

Following the change in financial year end, the next financial statements will be made up from 1 January 2017 to 30 June 2018. Thereafter, the financial year end of the Company shall fall on 30 June of each of the subsequent years.