



SINOTOP HOLDINGS BERHAD

(114842-H)

(Incorporated In Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

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 FIRST QUARTER ENDED 31 MARCH 2016

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

	3 MONTHS		CUMULATIVE 3 MONTHS	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER ENDED 31/3/2016 RM'000 (Unaudited)	CORRESPONDING QUARTER ENDED 31/3/2015 RM'000 (Audited)	TO DATE ENDED 31/3/2016 RM'000 (Unaudited)	CORRESPONDING PERIOD ENDED 31/3/2015 RM'000 (Audited)
Revenue	31,966	35,391	31,966	35,391
Operating expenses	(32,347)	(34,599)	(32,347)	(34,599)
Other operating income	1,150	356	1,150	356
Profit from operations	769	1,148	769	1,148
Finance costs	(16)	(4)	(16)	(4)
Profit before taxation	753	1,144	753	1,144
Share of loss in a joint venture	(139)	-	(139)	-
	614	1,144	614	1,144
Taxation	-	(366)	-	(366)
Share of tax in joint venture	-	-	-	-
Profit after taxation for the financial period	614	778	614	778
Other comprehensive income <i>Items that May be Reclassified Subsequently to Profit or Loss</i>				
Foreign currency translation differences	(19,336)	12,396	(19,336)	12,396
Total comprehensive income for the period	(18,722)	13,174	(18,722)	13,174
Profit attributable to:				
Equity holders of the parent	614	778	614	778
Minority interest	-	-	-	-
	614	778	614	778
Total comprehensive income/(expense) attributable to:				
Equity holders of the parent	(18,722)	13,174	(18,722)	13,174
Minority interest	-	-	-	-
	(18,722)	13,174	(18,722)	13,174
Earnings per share (sen) :				
- Basic	0.03	0.04	0.03	0.04
- 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 FIRST QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/3/2016 RM'000 UNAUDITED	AS AT 31/12/2015 RM'000 AUDITED
ASSETS		
Non-current assets		
Investment in a joint venture	4,353	4,297
Property, Plant and Equipment	40,466	50,215
Land use rights	6,593	7,370
Investment Property	4,093	4,462
Other Investments	13,982	15,241
	69,487	81,585
Current Assets		
Land use rights	126	184
Inventories	17,694	19,143
Trade and other receivables	64,614	82,238
Cash and cash equivalents	63,547	55,115
Tax Recoverable	100	30
	146,081	156,710
Total assets	215,568	238,295
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	394,899	394,899
Statutory reserve	15,389	15,386
Reverse take over reserve	(328,124)	(328,124)
Foreign currency translation reserve	40,143	59,479
Retained profits	85,772	85,161
Total equity	208,079	226,801
Current Liabilities		
Trade and other payables	7,489	10,684
Income tax payable	-	810
Total current liabilities	7,489	11,494
Total liabilities	7,489	11,494
Total equity and liabilities	215,568	238,295
	-	-
Net assets per share (RM)	0.11	0.11

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

SINOTOP HOLDINGS BERHAD CO. NO. 114842-H

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	< ----- Non distributable ----- >				Distributable Unappropriated Profits	Total Equity
	Share Capital	Reverse take-over reserve	Statutory reserve	Foreign currency translation reserves		
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Balance at 1/1/2016	394,899	(328,124)	15,386	59,479	85,161	226,801
Total comprehensive income for the financial year	-	-	-	(19,336)	614	(18,722)
Transfer to statutory reserve	-	-	3	-	(3)	-
Balance at 31/3/2016 (Unaudited)	394,899	(328,124)	15,389	40,143	85,772	208,079

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

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	AS AT CURRENT FINANCIAL YEAR ENDED 31/3/2016	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2015
	RM'000 UNAUDITED	RM'000 AUDITED
OPERATING ACTIVITIES		
Profit before taxation	753	4,010
Adjustments for :-		
Depreciation	1,560	6,965
Amortisation of land use right	44	174
Allowance for impairment losses in trade receivables	-	2,401
Unrealised (gain)/loss on foreign exchange	(760)	809
Loss on disposal of plant and equipment	-	267
Property, plant and machinery written off	-	48
Write-back of allowance for impairment losses on trade receivables	-	(1,017)
Bad debt written off	-	16
Non-operating items	-	(846)
- interest income	(389)	(846)
Changes in working capital	-	1,832
- Inventories	1,449	1,832
- Trade receivables and other receivables	17,624	23,176
- Trade and other payables	(3,195)	(3,491)
Cash (for)/from operations	<u>17,086</u>	<u>34,344</u>
Tax paid	(810)	(1,394)
Net cash generated from operating activities	<u>16,276</u>	<u>32,950</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(937)
Purchase of investment in a joint venture	(564)	(4,067)
Interest received	389	846
Proceeds from disposal of property, plant and equipment	-	281
Net cash used in investing activities	<u>(175)</u>	<u>(3,877)</u>
Increase in cash and cash equivalents	16,101	29,073
Foreign exchange translation differences	(7,669)	5,176
Cash and cash equivalents at beginning of the year	55,115	20,866
Cash and cash equivalents at end of the period	<u>63,547</u>	<u>55,115</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 FIRST QUARTER ENDED 31 MARCH 2016

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 2015. 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 2015.

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 IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities – Applying the Consolidation Exception

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

Amendments to MFRS 127 : Equity Method in Separate Financial Statements

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

Amendments to MFRSs : Annual Improvements to MFRSs 2012 – 2014 Cycles

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 issued by IASB in July 2014)

1 January 2018

MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15

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

Defer until further notice

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The above accounting standards and/or interpretations (including the consequential amendments) are not relevant to the Group's operations 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. 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.

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

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, ie 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 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 contributed by higher wages and utilities costs) do impact the Group's financial performance. Consumer sentiment is another important factor that impacts the Group's earnings, given their spending pattern differs at different stages in the economic cycle, which will affect the demand for fashion products and consequently the demand over the Group's fabric products.

Nonetheless, being a relatively established player in the fabric manufacturing industry, we are able to secure new customers.

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 31 March 2016.

A9. SEGMENTAL INFORMATION

Information on business segments is not presented as the Group operates primarily in the manufacturing and sale of fabric products.

Revenue by geographical segment is based on the geographical location of the customers. As substantial amount of the Group's assets and liabilities are located in PRC and accordingly, no separated geographical segment for assets and liabilities has been presented for the financial period.

Geographical Segments

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

	Individual Quarter		Cumulative Months	
	Current Quarter Ended 31/3/2016 RM'000	Preceding Year Corresponding Quarter Ended 31/3/2015 RM'000	Current Year To Date Ended 31/3/2016 RM'000	Preceding Year Corresponding Period Ended 31/3/2015 RM'000
Revenue				
Domestic Sales	27,689	33,797	27,689	33,797
Overseas Sales	4,277	1,594	4,277	1,594
Total	31,966	35,391	31,966	35,391

The Group's revenue, based on customers' locations, is derived mainly from the PRC and other overseas countries.

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Not applicable

A11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There were no material events subsequent to the end of the period reported on that have not been reflected in the financial statements for the said period made up to a date not earlier than 7 days from the date of issue of this quarterly report.

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 were no contingent liabilities as at the date of this announcement.
- (ii) There are no changes in contingent assets since the last annual financial statements.

A14. CAPITAL COMMITMENTS

	RM '000
Approved and contracted for :	
Purchase of property, plant and equipment	1,364

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 31/3/2016	As at Financial Year Ended 31/12/2015
Condensed consolidated statement of comprehensive income		
Based on average rates for the financial period/year RMB1.00 to RM	0.6271	0.6257
Condensed consolidated statement of financial position		
Based on closing rates for the financial period/year RMB1.00 to RM	0.6064	0.6610

A16. SIGNIFICANT RELATED PARTY TRANSACTION

There was no related party transaction during the current financial period under review.

PART B - EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE FOR THE CURRENT QUARTER AND FINANCIAL YEAR & CORRESPONDING QUARTER IN THE PRECEDING FINANCIAL YEAR

REVENUE

Total sales revenue dropped by RM3.43 million compared to the corresponding quarter in the preceding financial year. Demand on fabrics in the current year quarter is generally softer compared to the first quarter of financial year 2015. Fluctuations observed in either of the market segments (domestic & export) are normal observations in the Group's ordinary course of business and do not indicate any significant change in the sales and marketing direction of the Group. Instead, analysis of the Group's sales revenue in totality would be more appropriate in assessing its financial performance.

PROFIT AFTER TAXATION

The Group recorded profit after taxation of RM614,000 for the current quarter, representing a decrease of approximately RM530,000 compared to profit of RM1.14 million registered in the corresponding quarter for the preceding financial year.

This is due mainly to fixed costs incurred for sales and marketing as well as administration functions that did not decrease in tandem with the drop in sales revenue. Within the components of costs of sales, there are some fixed cost elements, such as depreciation charges and workers benefits expenses that are unavoidable regardless of the production activities level. Electricity charges have also been on the rise, adding pressure on total production overhead costs.

B2. MATERIAL CHANGE IN THE PROFIT BEFORE TAXATION FOR THE CURRENT REPORTED QUARTER AS COMPARED TO THE IMMEDIATE PRECEDING QUARTER

The Group registered profit before taxation ("PBT") of RM753,000 in the current quarter compared to RM1.61 million recorded in the immediate preceding quarter, from its main business operations. Commencing in the current quarter, the Group starts to account for its share of results of a joint venture, Suzhou Han Ling Packaging Co. Ltd., The total PBT recorded is RM614,000.

The reasons for drop in the PBT are fixed administrative, sales and marketing costs incurred which did not reduced in tandem with sales revenue achievement, and the recognition of the Group's share of results in Han Ling amounting to RM139,000 in the current quarter. The minor loss incurred was mainly expenses incurred at the current start-up phase.

B3. PROSPECTS

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 preservation. Moving forward, the Group anticipates higher fuel costs resulted from the compulsory switch from coal to liquefied natural gas used in its production process.

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 31 March 2016.

B5. TAXATION

	Individual Quarter		Cumulative Quarters	
	Current Quarter Ended 31/3/2016 RM'000	Preceding Year Corresponding Quarter Ended 31/3/2015 RM'000	Current Year To Date Ended 31/3/2016 RM'000	Preceding Financial Year Ended 30/3/2015 RM'000
Tax on profit for the year	-	366	-	366

The tax on profit for the current year is in respect of the Group's subsidiary in China, namely Top Textile (Suzhou) Co. Ltd which principally engaged in the production of customised woven loom-state fabrics made from cotton, synthetic and mixed yarn.

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

- (a) the corporate income tax rate of a subsidiary in the People's Republic of China ("PRC") is 25%.
- (b) the subsidiary incorporated in The British Virgin Islands ("BVI") is not subject to any corporate tax; and
- (c) the holding company ("Company") is in a tax loss position, nevertheless, the statutory tax rate of the Company will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

B6. BORROWINGS

There was no outstanding borrowing as at 31 March 2016.

B7. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B8. CHANGES IN MATERIAL LITIGATION

The Group does not have any material litigation.

B9. PROPOSED DIVIDEND

The Board does not recommend the payment of any dividend for the financial period ended 31 March 2016.

B10. EARNINGS PER SHARE

	Current year quarter ended 31/3/2016 RM '000	Preceding financial year ended 31/12/2015 RM '000
a) Basic earnings per share		
Net profit attributable to equity holders of the Company	614	2,083
Weighted average number of ordinary shares (‘000)	1,974,496	1,974,496
Basic earnings per share (sen)	<u>0.03</u>	<u>0.11</u>
b) Diluted earnings per share		
The Company does not have any diluted earnings per share.		

B11. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 March 2016, into realised and unrealised profits is as follows:-

	As at Quarter Ended 31/3/2016 RM '000	As at Financial Year Ended 31/12/2015 RM '000
- Realised	(144,636)	(143,678)
- Unrealised	760	(809)
Less: Consolidation adjustments	229,648	229,648
Total retained earnings as per condensed consolidated statement of changes in equity	<u>85,772</u>	<u>85,161</u>

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

B12. PROFIT BEFORE TAXATION

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

	Current Year Quarter Ended 31/3/2016 RM'000	Cumulative Quarters Ended 31/12/2015 RM'000
Amortisation of land use rights	44	174
Depreciation of property, plant and equipment	1,560	5,275
Interest income	(389)	(846)
Writeback of allowance for impairment losses on trade receivables	-	(377)
Allowance for impairment losses on trade receivables	-	2,401
Loss on disposal of plant and equipment	-	267
Unrealised gain on foreign exchange	(760)	(809)