



# **SINOTOP HOLDINGS BERHAD**

**(114842-H)**

*(Incorporated In Malaysia)*

## **QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 SECOND QUARTER ENDED 30 JUNE 2016

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

	3 MONTHS		CUMULATIVE 6 MONTHS	
	CURRENT YEAR QUARTER ENDED 30/6/2016 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30/6/2015 RM'000 (Audited)	CURRENT YEAR TO DATE ENDED 30/6/2016 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30/6/2015 RM'000 (Audited)
Revenue	41,704	38,273	73,670	73,664
Operating expenses	(41,779)	(38,486)	(74,126)	(73,085)
Other operating income	167	193	1,317	549
Profit from operations	92	(20)	861	1,128
Finance costs	(48)	(2)	(64)	(6)
Profit before taxation	44	(22)	797	1,122
Share of loss in a joint venture	(316)	-	(455)	-
	(272)	(22)	342	1,122
Taxation	-	(44)	-	(410)
Share of tax in joint venture	-	-	-	-
(Loss) / profit after taxation for the financial period	(272)	(66)	342	712
Other comprehensive income <i>Items that May be Reclassified Subsequently to Profit or Loss</i>				
Foreign currency translation differences	(362)	3,711	(19,698)	16,107
Total comprehensive income for the period	(634)	3,645	(19,356)	16,819
Profit attributable to:				
Equity holders of the parent	(272)	(66)	342	712
Minority interest	-	-	-	-
	(272)	(66)	342	712
Total comprehensive income/(expense) attributable to:				
Equity holders of the parent	(634)	3,645	(19,356)	16,819
Minority interest	-	-	-	-
	(634)	3,645	(19,356)	16,819
Earnings per share (sen) :				
- Basic	-	-	0.02	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 SECOND QUARTER ENDED 30 JUNE 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/6/2016 RM'000 UNAUDITED	AS AT 31/12/2015 RM'000 AUDITED
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in a joint venture	4,607	4,297
Property, Plant and Equipment	43,151	50,215
Investment Property	4,086	4,462
Land use rights	6,582	7,370
Other Investments	13,959	15,241
	<b>72,385</b>	<b>81,585</b>
<b>Current Assets</b>		
Land use rights	84	184
Inventories	16,868	19,143
Trade and other receivables	68,604	82,238
Cash and cash equivalents	58,021	55,115
Tax Recoverable	-	30
	<b>143,577</b>	<b>156,710</b>
<b>Total assets</b>	<b>215,962</b>	<b>238,295</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	394,899	394,899
Statutory reserve	15,432	15,386
Foreign currency translation reserve	39,781	59,479
Retained profits	(242,667)	(242,963)
<b>Total equity</b>	<b>207,445</b>	<b>226,801</b>
<b>Current Liabilities</b>		
Trade and other payables	8,337	10,684
Income tax payable	180	810
<b>Total current liabilities</b>	<b>8,517</b>	<b>11,494</b>
<b>Total liabilities</b>	<b>8,517</b>	<b>11,494</b>
<b>Total equity and liabilities</b>	<b>215,962</b>	<b>238,295</b>
<b>Net assets per share (RM)</b>	<b>0.11</b>	<b>0.11</b>

*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 SECOND QUARTER ENDED 30 JUNE 2016**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	< ----- Non distributable ----- >				Distributable Unappropriated Profits RM '000	Total Equity RM '000
	Share Capital RM '000	Reverse Acquisition Reserve RM '000	Statutory Reserve RM '000	Foreign Currency Translation Reserve RM '000		
Balance at 31 December 2015						
- As reported previously	394,899	(328,124)	15,386	59,479	85,161	226,801
- Effect of change in an accounting policy (Note A17)	-	328,124	-	-	(328,124)	-
As restated / Balance at 1 January 2016	394,899	-	15,386	59,479	(242,963)	226,801
Total comprehensive income for the financial year	-	-	-	(19,698)	342	(19,356)
Transfer to statutory reserve	-	-	46	-	(46)	-
Balance at 30/6/2016 (Unaudited)	394,899	-	15,432	39,781	(242,667)	207,445

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

## INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	AS AT CURRENT FINANCIAL PERIOD ENDED 30/6/2016	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2015
	RM'000 UNAUDITED	RM'000 AUDITED
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	797	4,010
Adjustments for :-		
Depreciation	3,080	6,965
Amortisation of land use right	86	174
Allowance for impairment losses in trade receivables	-	2,401
Unrealised (gain)/loss on foreign exchange	(446)	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	(848)	(846)
- interest income	(848)	(846)
Changes in working capital	2,275	1,832
- Inventories	2,275	1,832
- Trade receivables and other receivables	13,634	23,176
- Trade and other payables	(2,347)	(3,491)
Cash from operations	<u>16,231</u>	<u>34,344</u>
Tax (paid)/recovered	30	(1,394)
Net cash generated from operating activities	<u>16,261</u>	<u>32,950</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(175)	(937)
Purchase of investment in a joint venture	(929)	(4,067)
Interest received	848	846
Proceeds from disposal of property, plant and equipment	-	281
Net cash used in investing activities	<u>(256)</u>	<u>(3,877)</u>
Increase in cash and cash equivalents	16,005	29,073
Foreign exchange translation differences	(13,099)	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>58,021</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 SECOND QUARTER ENDED 30 JUNE 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.

In addition, the Group has changed its accounting policy on reverse acquisition reserve during the current reporting period. In the previous financial years, the reverse acquisition reserve represents the difference between the nominal value of Be Top Group Limited and the Company and the par value of the enlarged issued and paid-up share capital of the Company after the asset injection. The accounting treatment on the reverse acquisition reserve has now been changed by adjusting against suitable reserve of the accounting acquiree to the extent that laws or statutes do not prohibit the use of such reserve. The Board of Directors is of the opinion that this voluntary change in accounting policy provides a more relevant and fairer presentation of the financial position of the Group. The change in the accounting policy had been applied retrospectively and its financial effects to the financial statements of the Group are disclosed in Note A17 below.

**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.

## **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:-

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
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

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 will also has a significant impact on the demand of fabric finished products, and hence on the demand of fabrics. Generally, barring any unforeseen circumstances, the Group experiences slower sales typically in mid and end of a year ( ie, towards end of December and in the months of May and June).

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 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.

## **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 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	Preceding Year	Current Year	Preceding Year	
	Ended	Corresponding	To Date	Corresponding	
	30/6/2016	Quarter Ended	Ended	Period Ended	
	RM'000	30/6/2015	RM'000	30/6/2015	RM'000
<b>Revenue</b>					
Domestic Sales	38,375	34,802	66,064	68,599	
Overseas Sales	3,329	3,471	7,606	5,065	
<b>Total</b>	<b>41,704</b>	<b>38,273</b>	<b>73,670</b>	<b>73,664</b>	

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**

The Group acquired 100% issued and paid up share capital of a newly incorporated company named Gorgeous Goldhill Sdn. Bhd. ("GGSB"), for a total cash consideration of RM2.00 on 19 August 2016.

GGSB was incorporated on 1 August 2016 with an authorised share capital of RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each and a paid up capital of RM2.00.

GGSB is currently a dormant company and its intended principal activity will be project management and consultancy for infrastructure construction and related works.

There were no other 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

1,362

**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 30/6/2016</b>	<b>As at Financial Year Ended 31/12/2015</b>
Condensed consolidated statement of comprehensive income		
Based on average rates for the financial period/year RMB1.00 to RM	0.6193	0.6257
Condensed consolidated statement of financial position		
Based on closing rates for the financial period/year RMB1.00 to RM	0.6054	0.6610

**A16. SIGNIFICANT RELATED PARTY TRANSACTION**

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

**A17. EFFECTS OF CHANGE IN AN ACCOUNTING POLICY**

The financial effects on the voluntary change in an accounting policy as disclosed in Note A1 are summarised below:-

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

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

The prior year adjustments relate to the change in accounting policy where the reverse take-over reserve to be adjusted against suitable reserve of the accounting acquiree to the extent that laws or statutes do not prohibit the use of such reserve.

**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 increased by RM3.43 million compared to the corresponding quarter in the preceding financial year. Demand on fabrics in the current year quarter is started to pick up in a stronger momentum than the second 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 a profit after taxation of RM44,000 for the current quarter compared to loss of RM22,000 registered in the corresponding quarter for the preceding financial year, generated from its core business of manufacturing and sale of fabrics.

Price of the major raw material, cotton, had been higher than the previous financial year after staying relatively stable for the past one year.

In addition, the Group has commenced recognition of its share of earnings/loss from a joint venture, Suzhou Han Ling Packaging Co. Ltd., from the current financial year. The joint venture is currently at its early stage of commencement of business operations. After taking into account of the Group's share of loss, amounting to RM316,000, the Group reported a loss of RM272,000 in the current quarter.

**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 RM44,000 in the current quarter compared to RM753,000 recorded in the immediate preceding quarter, from its main business operations. Since the first quarter in the current financial year, the Group started to account for its share of results of a joint venture, Suzhou Han Ling Packaging Co. Ltd.

The reasons for drop in the PBT are fixed administrative, sales and marketing costs incurred which were not in proportion to sales revenue generated, and unrealized foreign exchange losses on inter-company balances, in addition to the recognition of the Group's share of loss in Han Ling amounting to RM316,000 in the current quarter. The reported loss in Han Ling was mainly resulted from fixed costs and expenses incurred at the current start-up phase whereby it has not reach a breakeven stage, yet.

**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 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.

**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 2016.

**B5. TAXATION**

	Individual Quarter		Cumulative Quarters	
	Current Quarter Ended 30/6/2016 RM'000	Preceding Year Corresponding Quarter Ended 30/6/2015 RM'000	Current Year To Date Ended 30/6/2016 RM'000	Preceding Financial Year Ended 30/6/2015 RM'000
Tax on profit for the year	-	44	-	410

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 30 June 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 30 June 2016.

**B10. EARNINGS PER SHARE**

	Current year quarter ended 30/6/2016 RM '000	Preceding financial year ended 31/12/2015 RM '000
<b>a) Basic earnings per share</b>		
Net profit attributable to equity holders of the Company	342	2,083
Weighted average number of ordinary shares ( '000)	1,974,496	1,974,496
Basic earnings per share (sen)	<u>0.02</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 30 June 2016, into realised and unrealised profits is as follows:-

	<b>As at Quarter Ended 30/6/2016 RM '000</b>	<b>As at Financial Year Ended 31/12/2015 RM '000</b>
- Realised	(472,761)	(471,802)
- Unrealised	446	(809)
Less: Consolidation adjustments	229,648	229,648
Total retained earnings as per condensed consolidated statement of changes in equity	<u>(242,667)</u>	<u>(242,963)</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)

	<b>Current Year Quarter Ended 30/6/2016 RM'000</b>	<b>Cumulative Quarters Ended 31/12/2015 RM'000</b>
Amortisation of land use rights	86	174
Depreciation of property, plant and equipment	3,080	5,275
Interest income	(848)	(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/(loss) on foreign exchange	(446)	809