

ANNUAL REPORT 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

PAN DING
Group Managing Director / Executive Director

PAN DONG
Executive Director

DATUK NG BEE KEN
Independent Non-Executive Chairman

LOW YAN SEONG
Independent Non-Executive Director

WAN KAMARUL ZAMAN IN WAN YAACOB
Independent Non-Executive Director

AUDIT COMMITTEE

CHAIRMAN
Datuk Ng Bee Ken

MEMBERS
Low Yan Seong
Wan Kamarul Zaman Bin Wan Yaacob

REMUNERATION COMMITTEE

CHAIRMAN
Wan Kamarul Zaman Bin Wan Yaacob

MEMBERS
Datuk Ng Bee Ken
Pan Dong

NOMINATING COMMITTEE

CHAIRMAN
Low Yan Seong

MEMBERS
Datuk Ng Bee Ken
Wan Kamarul Zaman Bin Wan Yaacob

PRINCIPAL BANKER

AmFunds Management Berhad (154432-A)
(formally known as AmInvestment Services Berhad)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

WEBSITE

www.sinotop.com.my

COMPANY SECRETARIES

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

AUDITORS

Messrs Crowe Horwath
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

SHARE REGISTRAR

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya Tel : 603 7784 3922
Selangor Darul Ehsan Fax : 603 7784 1988

REGISTERED OFFICE

802, 8th Floor, Block C
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya Tel : 603 7803 1126
Selangor Darul Ehsan Fax : 603 7806 1387

CORPORATE STRUCTURE



PROFILE OF THE BOARD OF DIRECTORS

DATUK NG BEE KEN 拿督黃美錦 Independent Non-Executive Chairman

Datuk Ng Bee Ken ("Datuk Ng"), a Malaysian, aged 61, was appointed to the Board on 27 January 2006. Datuk Ng is the Chairman of the Board and the Audit Committee. He is also a member of both the Nominating Committee and the Remuneration Committee.

Datuk Ng holds a Bachelor of Law (Honours) from the University of Wales, Cardiff, Wales and a Master of Laws from King's College, University of London. Datuk Ng is also a Barrister-at-Law of Lincoln's Inn, London, an Advocate & Solicitor of the High Court of Malaya and a Certified Mediator of the Malaysian Mediation Centre. He has been practising as a lawyer since 1987 and is presently the Managing Partner of a law firm.

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

Datuk Ng also sits on the Board of Widetech (Malaysia) Berhad, Talam Transform Berhad, OpenSys (M) Berhad and Yong Tai Berhad. He is also the local representative Independent Non-Executive Director of Glencor Recycling Inc. (Malaysia) Sdn. Bhd., whose parent company is listed in London, Hong Kong and Johannesburg. Glencore is one of the world largest global diversified natural resource companies and a major producer and marketer of more than 90 commodities.

Datuk Ng attended all four (4) Board Meetings which were held in the financial year ended 31 December 2015.

PAN DING 潘鼎 Group Managing Director / Executive Director

Mr. Pan Ding, a citizen of The People's Republic of China ("PRC"), aged 51, was appointed to the Board on 3 June 2010.

Mr. Pan Ding graduated with a Diploma in Mechanical Manufacturing and Machinery Engineering from Suzhou Vocational University. He is the co-founder of Be Top Group Limited and its wholly-owned subsidiary company, Top Textile (Suzhou) Co., Ltd. ("Be Top Group"), a fabric manufacturing company based in PRC. He has over twenty years of experience in the fabric industry and is currently responsible for the formulation and execution of the overall business strategies and policies of Be Top Group.

He is the brother of Mr. Pan Dong, an Executive Director of the Company.

Mr. Pan Ding attended all four (4) Board Meetings which were held in the financial year ended 31 December 2015.

PAN DONG 潘東 Executive Director

Mr. Pan Dong, a citizen of The People's Republic of China ("PRC"), aged 45, was appointed to the Board on 3 June 2010. He is a member of the Remuneration Committee.

Mr. Pan Dong graduated with a Diploma in Economics Management from the Continuing Education Institute of Suzhou University. He is also the co-founder of Be Top Group. Prior to the formation of Be Top Group, Mr. Pan Dong has close to twenty years of experience in the fabric manufacturing industry in PRC. Due to his vast experience, he is currently responsible for overseeing the Group's production operations, marketing, quality control, public relations and technology.

He is the brother of Mr. Pan Ding, the Group Managing Director of the Company.

Mr. Pan Dong attended all four (4) Board Meetings which were held in the financial year ended 31 December 2015.

PROFILE OF THE BOARD OF DIRECTORS

LOW YAN SEONG 劉延祥 Independent Non-Executive Director

Mr. Low Yan Seong ("Mr. Low"), a Malaysian, aged 44, was appointed to the Board on 11 June 2010. Mr. Low is the Chairman of the Nominating Committee and a member of the Audit Committee.

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

Mr. Low attended all four (4) Board Meetings which were held in the financial year ended 31 December 2015.

WAN KAMARUL ZAMAN BIN WAN YAACOB Independent Non-Executive Director

Encik Wan Kamarul Zaman Bin Wan Yaacob ("Encik Wan"), a Malaysian aged 61, was appointed to the Board on 11 June 2010. Encik Wan is the Chairman of the Remuneration Committee and a member of the Audit Committee.

En. Wan holds a LLB (Hons) Degree from the University of London and CLP (Malaya) as well as an M.Sc (A.Econs) and B.Sc. Degree from Louisiana State University, USA.

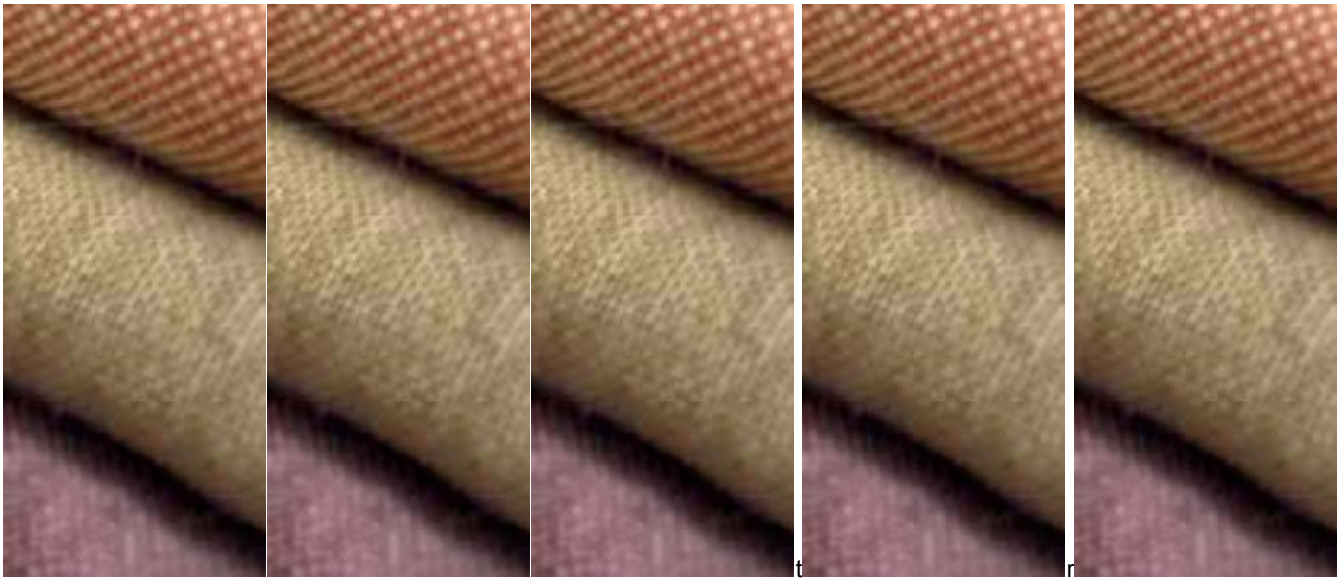
En. Wan was a banker for more than 20 years and has worked with several financial institutions in Malaysia. During his tenure in the financial services industry, he was involved in corporate finance and advisory work, corporate banking and loan syndication, treasury as well as the corporate bonds/sukuks and the private debt securities market. After leaving the financial services industry, he joined the legal firm of Messrs Abu Talib Shahrom as a Partner.

Encik Wan attended all four (4) Board Meetings which were held in the financial year ended 31 December 2015.

Notes :

- None of the Directors have been convicted for any offences other than traffic offences within the past 10 years.
- Save as disclosed above, none of the Directors have any family relationship with any Director and/or substantial shareholder of the Company.
- None of the Directors have any conflict of interest with the Company.
- Save as disclosed above, none of the Directors sit on the Board of any other public listed companies.

CHAIRMAN'S STATEMENT



Dear valued shareholders,

On behalf of the Board of Directors ("Board") of Sinotop Holdings Berhad ("Sinotop" or "Group"), I present to you the Annual Report and Audited Financial Statements of Sinotop and its subsidiaries ("Group") for the financial year ended 31 December 2015.

BUSINESS ENVIRONMENT REVIEW

By virtue of the Group having a subsidiary which operates in China, naturally, we are concerned about development of the China as well as global economic performance. China achieved a gross domestic product ("GDP") growth of 6.9% in 2015, narrowly missed the psychological mark of 7%. In 2013 and 2014, China's GDP growth rates were at 7.7% and 7.4% respectively. The GDP growth of 2016 is forecasted to be in the range of 6.5% to 7%. Generally, information gathered from recent data released indicates a trend towards normalization from the stellar double-digit growth that China achieved in the past.

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

On the global-front, views of economists around the world are divided into two schools of thought, one being optimistic over the gradual recovery on track while the other camp advocates a higher probability of recession occurring based on their own justification.

We gathered views from the Executive Directors on the outlook of the fabric manufacturing sector and the Group's business. They concur that consumers are expected to remain prudent in their spending behavior and consequently this will flow into downstream manufacturers' demand projection. Hence, as a semi-finished fabric supplier, the Group is likely to face competition arising from a smaller demand base.

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

REVIEW OF OPERATING ENVIRONMENT

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

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

CHAIRMAN'S STATEMENT



REVIEW OF OPERATING ENVIRONMENT (CONT'D)

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

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

CORPORATE GOVERNANCE

On the corporate governance front, the Group is determined to uphold best practices of corporate governance. The Board has applied principles of corporate governance as stipulated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") in discharging their fiduciary duties. The Group's Directors work on the principles and spirit as spelt out in the Board Charter. A copy of the Board Charter can be retrieved from our website, www.sinotop.com.my.

The Board concurs that these best practices are to be internalized in the Group's policies and procedures for thorough compliance. In fact, good corporate governance without compromise is part of the core values of the Group's corporate culture.

The Board is satisfied with its size and composition. Board members have the essential mix of professional background and acumen to discharge duties of the Board.

The Board practices segregation of duties and power, as evidenced in the roles of Chairman and Group Managing Director being held by different individuals. Segregation of these top positions in the Group balances power, duties and authorities. It conforms to the Group's determination to maintain good corporate governance.

OUTLOOK

Demand over consumer fabric products are to a very large extent subject to changes in fashion trend and consumer taste. In view of the reasonably strong foothold that the Group has set in the industry, coupled with healthy cash flows position, the Board is confident that these are the two key factors that differentiate the Group from other fabric manufacturers that operate in the same segment.

WORDS OF APPRECIATION

The Board continues its support and expresses gratitude towards the Executive Directors who had contributed efforts beyond speech in managing the Group's business operations.

In view of the challenges ahead, the Board concurs that it is advisable for the Company to remain prudent and conserve cash. Therefore, the Board has decided not to declare dividend for the financial year ended 31 December 2015.

To all my fellow Board members, I thank you for all your unwavering support and immense contribution of ideas that throughout the year in guiding the Group.

Lastly, I would like to express our sincere appreciation to all shareholders and stakeholders for their unwavering support and patience in the past years.

Yours truly,
Datuk Ng Bee Ken
Independent Non-Executive Chairman

MANAGING DIRECTOR'S STATEMENT



Dear esteemed shareholders

For the financial year ended 31 December 2015, the subsidiary of Sinotop, Top Textile (Suzhou) Co., Ltd., ("Top Textile" or "Company") recorded sales revenue of RMB297 million (2014 : RMB301 million) and profit after tax of RMB5.19 million (2014 : RMB6.45 million).

I shall move on to brief about the Company's management system and vision.

I. COST MANAGEMENT AND SALES STRATEGIES

(i) RAW MATERIALS

The Company secures its supplies of raw materials from suppliers with good reputations to ensure reliable supply at the most favourable price.

(ii) ENERGY

The government in China imposes mandatory switch from coal to the use of liquefied natural gas (LPG) on grounds of environmental preservation. As a result, the energy cost element in the total production overhead has increased tremendously.

One of the measures that mitigate the effect is the phasing-out of some compact-sized air compressors and replaced them with an America-made larger capacity and energy efficient compressor. We lower the reliance on third party suppliers and also ensure self-sufficient supplies of compressed steam (used in the jet loom machines) so that there will not be interruption in the production schedule planning.

(iii) LABOUR COSTS

China government is devoting unrelenting effort in labour market policy reform. As such, competitive advantages in terms of costs that China labour market used to enjoy has diminished over the years. Rising labour costs have turned the factor into China's competitive disadvantage.

China's one-child policy has been in place for 35 years, and has inevitably skewed the age and demographic profiles of its population.

Generation born under the one-child policy has shrunk the country's employable labour force. Generally, nowadays younger generation in the working class is unwilling to work in factories or leave their hometowns to work in faraway places. Apart from the afore-mentioned, the country is facing ageing issue as well, which exaggerates the labour costs escalation challenge.

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

MANAGING DIRECTOR'S STATEMENT

(iv) PRODUCT VALUE CHAIN

Top Textile has a sizeable number of customers who are export-oriented garment manufacturers. These customers have stringent requirements and expectation on product specifications, which causes our product value chain to be more complicated.

Nevertheless, high expectation from our customers has turned into a solid proof of our strength, competitiveness and market positioning. The Company will continue to develop more products at a faster pace to meet customer requirements and fulfill orders replenishment from existing customers, and eventually market expansion.

II. MANAGEMENT INFORMATION SYSTEM ("MIS")

Top Textile commenced the establishment of an Enterprise Resource Planning ("ERP") system in 2012, an initiative devoted by the Management to upgrade MIS of the Company. We have seen tremendous improvement since the full implementation of ERP in 2014. ERP enhances our resources planning and information system. It increased the information exchange efficiency and productivity of the production team. We achieve operating cost reduction from the implementation of this system.

Although the ERP has been running smoothly, we continue to look for avenue where we can have further improvement. The system development engineers are fine-tuning the ERP to meet our needs more precisely.

III. CORPORATE GOVERNANCE

TRADE RECEIVABLES

The Management works without compromise to preserve shareholders interest. They continue to manage the trade receivables in more effective, efficient and stringent manners to ensure healthy cash flow positions at all times.

Besides, our external auditors, Messrs Crowe Horwath, have been scrutinizing our books of trade receivables during their course of auditing the Group's accounts. They urge the Management to step up efforts in collecting outstanding trade debts, so as to preserve the Group's assets.

Whilst striving for higher sales revenue, the Company remains cautious, prudent and diligent in managing our portfolio of customers. The Management assures our shareholders that we ensure the Company deals with customers of high credit-worthiness. We will not compromise any risk of unrecoverable debts for the sake of securing sales order.

IV. OTHER INVESTMENTS

a) XUANDE PRIVATE EQUITY FUND

The Group's invested in two companies through Xuande Private Equity Fund in 2012. One of the investee companies, Hierstar, is in the business of research, development and production of high-tech chip for use in identity authentication security devices. Amongst all are products such as OTP authentication devices, ultra slim OTP and high-end credit card authentication chips.

The Management believes that the investee company has positive growth potentials backed by the current trend of emphasis on high-tech development and application.

The other investee Company is involved in the business of high-end data analysis of consumer behavior, loyalty programs and online direct marketing. In 2013, the company set up its head office and customer service center in Suzhou. The clients of this investee company are mostly global top ranked companies such as Mercedes-Benz, BMW, Audi, Infiniti, China Telecom, Samsung Electronics, P&G and a couple of companies in the finance and insurance industries. With more aggressive market expansion by global brands in China, this company has bright potential of enjoying exponential growth trajectory.

b) HAN LING PACKAGING CO LTD.,

In 2015, Top Textile sealed a joint-venture investment in Suzhou Han Ling Packaging Co., Ltd. ("Han Ling"). The Company injected RMB 6.5 million (approximately RM4.3 million) to acquire 50% equity interest in Han Ling.

Han Ling engages in the painting of labels and patterns on the exterior of glass and plastic bottles and jars for packaging of skin care as well as other consumer products. It commenced trial production run at the end of 2015.

Prior to investing in these investee companies, the Management performed thorough verification checking on various aspects such as finance, legal, marketing and their management team. The Management upholds the principles of prudence and diligence, selecting to invest in the best available projects.

The Management continues to participate in matters concerning the development of business, with the intention to have a close scrutiny on the investee companies. We continue to obtain updates from the investee companies regarding the financial performance and other aspects. The Management is aspired to lead the Group towards diversified sources of income.

MANAGING DIRECTOR'S STATEMENT

UPDATES ON THE ECONOMIC AND INDUSTRIAL ENVIRONMENT

Currently, China government is advocating wrenching measures in supply side structural reform, to shift the economy's growth drivers from large-scale investments and export-oriented manufacturing sector to a more sustainable domestic consumption-based and service sector growth model.

The supply-side structural reform on one hand is aimed at managing the adverse impact from the global economic slowdown on the China economy, whilst on the other hand, it is a bridge to introduce the concept of economy new normal (which indicates that stellar growth rates in the past three decades will not be replicated indefinitely into the future).

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

(i) Shrinkage in the global demand ;
(ii) Significant spike in the labour costs resulting in erosion of competitiveness ; and
(iii) Compulsory switch from the use of coal to LPG imposed by the government on grounds of environmental preservation (this has directly impacted the production overheads and profit margin of Top Textile).

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

OUTLOOK

As the China economy enters the age of new normal, growth rates in the near future is believed to be comparatively lower, coupled with the high base effect of stellar growth rates achieved in the past. China economic growth is expected to normalize into a more stable pace at more sustainable rates.

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

OUTLOOK (CONT'D)

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

We see great opportunities within these challenges ahead. We believe after going through the consolidation stage, the fabric manufacturing industry will achieve a meaningful breakthrough of the bottleneck and the Group will be stronger. Furthermore, the fundamentals supporting the overall manufacturing sector remain relevant:

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

In conclusion, although the overall manufacturing industry in China has yet to recover from adverse effects of external factors in terms of global demand contraction, we believe the market will eventually back to a healthy level, gradually.

We are confident that the Group will be able to maintain normal production level. The Group expects to achieve a sales revenue target of approximately RMB300 million in the next few years. We will continue our efforts to strengthen the corporate management and product development to broaden our market share in the industry.

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

Pan Ding,
Group Managing Director

董事經理献词

尊敬的股东大家好，

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

业务汇报

截止 2015 年 12 月 31 日的财政年，顶峰旗下子公司中国托普纺织（苏州）有限公司（“托普”）的销售额为人民币 2 亿 9700 万 （2014: 3 亿 89 万），税后盈利则为人民币 519 万 （ 2014: 645 万 ）。

我深明各位股东对公司的期望，公司高层在经营集团主营业务所投入的精力也确实比以前更多；但现有的大环境在全球经济滑坡的影响下确实是不利于制造商，尤其是服装和家饰布料产品一类的弹性消费商品。

以下我将托普的管理体制和理念向各位做一个简报：

（一）成本管理与销售策略

a) 原材料

向信誉良好的供应商取货，确保原材料供应稳定并且锁定最佳价格。

b) 能源

政府规定改用液化天然汽取代传统上更具经济效益但不环保的煤炭使到能源成本急速上涨。

托普所采取的其中一个策略为淘汰原来多台小型空压机，转用美国寿力牌大容量空压机。该套配备具有节能功效，同时也确保托普在在供气生产方面自供自足，大幅度减低对第三方压缩空气供应商的依赖，让生产线规划不受供气短缺所影响。

c) 劳动力

随着中国政府近年来极力推进民生工程，改革劳动力政策；因此，现在中国劳动力市场已不再廉宜，过往的优势有转化成劣势的趋向。

由于一胎政策施行了 35 年之久，年轻劳动力群体人口大幅度萎缩。当今就业群体普遍上不太愿意离乡别井或到工厂里成为蓝领阶级。除此，一胎也造成人口老化的问题，更是加剧了人力资源与其成本的窘境。

由于人力资源成本急速上升，托普转向劳动力团队生产效率方面下手，特此雇用了人力资源咨询顾问，提供培训建立全面团队文化，审核生产部运作，从各角度作出合适调整。此举有助于整合工人团队工作效率，进一步减低原材料耗损及提升人力资源管理。

d) 产品价值链

托普的客户当中，有不少是做出口市场的成衣厂家；因此，对于产品规格要求很高，价值链是愈趋复杂。客户高规格的要求恰好印证了托普的强项，竞争力与市场定位；公司的产品研发部持续开发新品种，将产品的种类多元化，快速达到客户对产品规格的要求，稳固现有客户追加订单，同时也是公司提高市场渗透率的重要筹码。

（二）资讯系统管理

托普纺织在 2012 年开始着手设立的企业资源规划管理系统（ERP），是属于企业资讯系统管理升级。自 2014 年正式启动后运行了年余，至今已看到了成效。

ERP 优化了公司的资源规划，将之系统化，提高各部门工作和资讯传递效率，进一步撙节运营成本成本。虽然 ERP 帮助资讯管理提升了效率，但我们精益求精，请系统工程师在一些细节上再进行调整，让系统操作更接近公司的要求。

（三）企业监管

应收账款

董事会在保障股东权益的大前提之下，继续严格执行及优化收账过程，令公司的流动资金状况保持良好。

同时，顶峰审计师对应收账款进行了一系列严格的审查，督促管理层持续在应收账款管理方面努力，对账款加紧跟进，以保障公司资产。

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

（四）其他投资

a) 玄德私募基金

顶峰过去通过玄德私募基金投资了两个项目，其中一家海博智能的公司是经营高科技加密芯片的研发和生产，主要生产认证 OTP 令牌，认证 OTP 卡（超薄型）和高端银行信用卡认证。

在这个重视科技发展和应用，金融安全要求越来越高的时代，这会是一家极具有成长空间和潜能的公司。

另一家公司是从事高端客户数据分析的电子直复营销的公司。该公司 2013 年在苏州设立公司总部及服务中心，主要客户是全球 500 强企业，例如奔驰公司，宝马公司，奥迪公司，英菲尼迪公司，中国电信，三星电子，宝洁公司，观澜湖公司以及若干金融保险业的公司等等。

董事經理献词

（四）其他投资（续）

a) 玄德私募基金（续）

随着越来越多跨国大公司在中国市场的高速发展，其客户管理和市场分析业务会呈现几何态势增长，市场潜力非常受到看好。

b) 联营投资

托普于 2015 年投入人民币 650 万持有苏州韩羚包装有限公司（“韩羚”）50%的股份。韩羚的主营业务是玻璃及塑料制品的喷涂和涂装，用于化妆保养品的包装瓶罐。韩羚已于 2015 年底开始小批量试生产。

对于这些项目的投资，我们在投资前均作了大量相关的财务、法律、市场和管理团队方面的详细尽职调查，投资后，我们也积极与公司沟通、配合，共同促进业务。管理层秉持着优中选优的理念及抱着审慎的态度来筛选投资项目，期望这些努力与付出日后将带领顶峰集团迈向多元化收益的方向。

经济大环境简报

目前，中国政府正积极推动供给侧结构性改革，把中国的经济体系从过往依靠大规模投资驱动和低成本出口导向的发展模式， 转型升级到由内需作主导的经济模式; 一方面是对应全球经济放缓而造成的制造业产品出口需求下滑， 另一方面则是适应和引领中国经济发展的新常态。

作为世界主要制成品出口国，现今中国制造业的整体概况如下：

(i) 国际市场需求的减缓；

(ii) 劳动力成本剧增而造成竞争力减低

(iii) 政府加速推动环保，进一步强制工厂以液化天然气取代煤炭作为燃料，因此推高了整体燃料成本 (此项因素导致托普生产线所需的蒸汽成本大幅度增加，直接影响利润)。

我深明各位股东对公司的期望，公司高层在管理集团主营业务所投入的精力也确实比以前更多；但现有的大环境在全球经济滑坡的影响下确实是不利于制造商，尤其是服装和家饰布料产品一类的弹性消费商品。

前景与展望

中国经济增长趋势正迈向新常态，在高基数效应的拱托之下，与过往的高速成长明显的减低许多。然而纺织行业这一个劳动密集型的行业不会被时代所淘汰；相反地，即便是经济局势再低迷，纺织业仍然是支撑着人类四大需求，衣、食、住、行之首的骨干。

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

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

(i) 中国政局稳定；

(ii) 政府致力于推动经济改革转型升级，推动内需及服务领域成为经济成长关键领域；

(iii) 政府继续大力推动发展城镇化建设，把内需市场定位转化为往后 GDP 增长率的主要推手。在这令人鼓舞背景的带动下，中国消费的群体及消费力预料将持续增长，

(iv) 中国政府对制造业的大力支持；

(v) 中国接近 14 亿人口的市场是庞大的基本需求及纺织品市场。今后内需市场会持续扮演着更吃重的角色，继续支撑市场；

尽管中国整体的制造业尚未完全从之前的负面外围因素影响（全球市场萎缩及景气度欠佳）恢复，但在各方面的努力之下，市场会逐渐复苏。

管理层保障公司的生产正常持续，我们预测接下来几年的销售额会在将人民币 3 亿左右。我们承诺将倾尽全力，加强企业管理及产品开发，争取更多的市场份额。

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

潘鼎
董事经理

GROUP FINANCIAL HIGHLIGHTS

		Dec 2015	Dec 2014	Dec 2013	Dec 2012	Dec 2011
FINANCIAL						
Revenue	(RM'000)	185,629	159,841	172,358	163,620	151,584
Profit Before Taxation	(RM'000)	4,010	4,087	3,574	5,894	8,030
After Taxation - Attributable to equity holders of the Company	(RM'000)	2,083	2,749	2,068	4,833	6,948
Earnings per share	(sen)	0.11	0.14	0.10	0.24	0.35
Net asset	(RM'000)	226,801	190,682	180,377	161,069	160,220
Net asset per share	(sen)	11.49	9.66	9.14	8.16	38.11
KEY RATIOS						
Return on equity #		0.92%	1.44%	1.15%	3.00%	4.34%
Return on assets @		0.87%	1.35%	1.08%	2.56%	3.66%
Debt to equity ^		n.a.	n.a.	n.a.	9.14	12.35%

\# Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Equity attributable to Equity Holders

@ Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Assets

^ Based on Total Borrowings expressed as a percentage of Total Equity attributable to Equity Holders

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of Sinotop Holdings Berhad ("Group") reckons the importance of good corporate governance that eventually will preserve stakeholders' interest and enhance shareholders' value. The Board is committed to uphold good corporate governance practices throughout the Group.

The Group has heightened its efforts in ensuring best practices of corporate governance are internalized in the Group's policies and procedures. The Board has applied principles of corporate governance as stipulated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") in discharging their fiduciary duties.

The Board is pleased to report on the application of the best practices recommended under the MCCG 2012 by the Group during the financial year ended 31 December 2015.

1. BOARD OF DIRECTORS

1.1 BOARD COMPOSITION

The Company is helmed by experienced Board comprising members of high calibre, expertise and experience. The Board presently comprises two (2) Executive Directors and three (3) Independent Non-Executive Directors with a mix of skill sets in the areas of corporate strategy, finance, business management and corporate law.

MEMBERS OF THE BOARD

The Board currently consists of five (5) Directors, namely:

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Datuk Ng Bee Ken

GROUP MANAGING DIRECTOR / EXECUTIVE DIRECTOR

Pan Ding

EXECUTIVE DIRECTOR

Pan Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Low Yan Seong

Wan Kamarul Zaman Bin Wan Yaacob

The Board is of the opinion that the current size and composition of the Board is well-balanced after taking into account the Board members' wide experience and exposure in various areas as well as their diverse background and skills, reflect the Group's commitment to ensure the effective leadership and control of the Group.

Profile of the Board members is as set out on pages 4 and 5 of this Annual Report.

1.2 DIRECTORS' APPOINTMENT AND RE-ELECTION

In accordance with the provisions of the Articles of Association of the Company, Directors who are appointed during the year are required to retire at the Annual General Meeting following his appointment. One-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office provided always that an election of Directors shall take place each year and that all directors shall retire from office once at least in every three years. All directors who retire from office shall be eligible for re-election.

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.3 BOARD INDEPENDENCE

The roles of Independent Non-Executive Chairman and Group Managing Director ("Group MD") are held by separate individuals, with clear division of responsibilities and authorities. The segregation of the roles of Chairman and Managing Director ensures balance of power and authority. The Chairman is responsible for the orderly conduct of the Board while the Group MD is responsible in ensuring the smooth and effective running of the Group's business and daily operations as well as implementation of the Board's decisions.

1.4 ESTABLISHMENT OF BOARD COMMITTEES

In addition, the Board has also set up three Board Committees ("Committees"), namely Audit Committee, Nominating Committee and Remuneration Committee, to delegate specific duties to these Committees.

These Committees have been granted with full authority to investigate any matter within their scope of responsibility and to obtain satisfactory information as it may requires from directors and/or employees of the Group. In the event where independent professional advice are needed to discharge their duties, the Committees are entitled to engage external professionals and/or consultants at the cost of the Group after due consultation with the Board.

The Committees shall discharge their duties within their respective terms of reference and recommend to the Board for approval. The function, role and responsibility of the Audit Committee is presented in the Audit Committee Report while other Committees' roles, and responsibilities are detailed in section 1.16.

1.5 ROLES AND RESPONSIBILITIES OF THE BOARD

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

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

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

1.5.1 PRINCIPAL ROLES AND RESPONSIBILITIES OF THE BOARD

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

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.5 ROLES AND RESPONSI BILITIES OF THE BOARD (CONT'D)

1.5.2 MATTERS RESERVED FOR BOARD DECISION

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

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

1.6 MANAGING DIRECTOR ("MD")

1.6.1 ROLES AND FUNCTIONS OF THE MD

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

1.6.2 CORPORATE OBJECTIVES TO BE MET BY THE MD

1.6.2.1 Corporate Governance and Board Effectiveness

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

1.6.2.2 Financial Performance of the Group

- Strive towards steering the Group to meet its financial objectives, ie profitability, return on investment, and growth rate
- Ensures the sustainability of the Group's profitability and competitiveness

1.6.2.3 Communication with Shareholders / Other Stakeholders

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

1.7 ROLES AND RESPONSIBILITIES OF EXECUTIVE DIRECTORS

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

The Executive Directors are responsible for the formulation and execution of strategies of the Group's fabric manufacturing business in China.

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.8 ROLES AND RESPONSIBILITIES OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

1.8.1 INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Independent Directors fulfil the criteria of independence as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). The Board adopts a policy on annual assessment of Independent Directors and has undertaken an assessment of independence of the three (3) Independent Directors for the financial year ended 31 December 2015. The Board has received confirmation of independence from the respective Independent Directors.

The Independent Non-Executive Directors do not involve in the day-to-day management of the Group's business operations. The Independent Non-Executive Directors are free from conflict of interest and thus enable them to carry out their duties as independent directors effectively. They provide impartial views and insight to the Executive Directors in matters relating to financial management, corporate governance, risk management and internal control. Strategies proposed by the Executive Directors are deliberated from both quantitative and qualitative aspects, taking into account of the interest of various stakeholders as well as the impact of risk factors that exist in the operating environment.

1.8.2 ANNUAL ASSESSMENT OF DIRECTORS' INDEPENDENCE

MCCG 2012 recommends that the Board shall undertake annual assessment of the independence of its independent directors. In line with this recommendation, the Board has outlined a policy to facilitate procedures for the annual independence assessment of the Group's Independent Directors.

The assessment on independent directors for the current financial year has been duly completed.

1.8.3 NON-EXECUTIVE DIRECTORS' TENURE OF SERVICE

a) GENERAL PROVISIONS

Under the MCCG 2012, the service tenure of an independent director should not exceed a cumulative term of nine (9) years ("term") and upon completion of term, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director. The Company set a term limit of nine (9) cumulative years for Independent Directors in accordance with the best practices recommended in MCCG 2012.

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

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

1.8.3 NON-EXECUTIVE DIRECTORS' TENURE OF SERVICE (CONT'D)

b) EXCEPTION TO THE GENERAL PROVISIONS

Nevertheless, the Board reckons that there are significant advantages to be gained from a long-serving Director who possess valuable insight and in-depth knowledge of the Company's background and the operating environment of the Company. Therefore, notwithstanding the recommendation of MCCG 2012, an independent director may continue to serve on the Board subject to the Board's justification.

1.8.4 RE-APPOINTMENT OF A LONG SERVICE INDEPENDENT DIRECTOR

Datuk Ng Bee Ken ("Datuk Ng"), the Independent Non-Executive Chairman who is also Chairman of the Audit Committee and a member of both Nominating and Remuneration Committee, was appointed to the Board on 27 January 2006 and has served the Company for a cumulative term of ten (10) years. The Board, together with the Nominating Committee has reviewed and recommended that Datuk Ng shall continue to act as an independent director and chair the Board and Audit Committee of the Company based on the following justifications:

(i) He fulfilled the criteria under the definition of Independent Director as stated in the MMLR and thus he would be able to bring an element of objectivity to the Board.
(ii) He has vast and diverse ranges of experiences and therefore would be able to provide constructive opinion, independent judgment and act in the best interest of the Group and shareholders
(iii) He has continued to exercise his independence and due care during his tenure of service.
(iv) He had not entered into any related party transactions with the Group.

With the assessment of independence and regular interaction with Datuk Ng, the Board was of the view that the length of his service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interest of the Company. Therefore, no motion is to be tabled to the shareholders for his re-election as Independent Director.

1.9 DIRECTORS' TRAINING

1.9.1 PREREQUISITE REQUIREMENTS PRIOR TO APPOINTMENT

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

1.9.2 ANNUAL TRAINING REQUIREMENTS

The Board has empowered the directors to determine their own training requirements as they may deem fit and necessary to broaden their exposure in the relevant subject matters that are appropriate to contribute to the Group's success.

During the financial year ended 31 December 2015, the Directors have attended the following training programmes and seminars:

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.9 DIRECTORS' TRAINING (CONT'D)

1.9.2 ANNUAL TRAINING REQUIREMENTS

DIRECTOR	NAME OF SEMINARS / TRAINING PROGRAMME/(S)
Low Yan Seong	1) Corporate Governance Statement Reporting Workshop : The Interplay Between Corporate Governance ("CG"), Non-Financial Information and Investment Decision (Organized by Bursa Malaysia) 2) Risk Management and Internal Control Workshop : Is Our Line of Defence Adequate and Effective (Organised by Bursa Malaysia) 3) CG Breakfast Series with Directors : Future of Auditor Reporting-The Game Changer For Boardroom (Organized by Bursa Malaysia) 4) Philip Capital 6th Annual Investment Conference 2015 5) Trade Warrants with Confidence (Organized by Bursa Malaysia) 6) The Silk Road for Capital Market (Jointly organized by Deloitte, China Securities and Jingtian & Gongcheng Law Firm)
Wan Kamarul Zaman Bin Wan Yaacob	1) Corporate Governance Statement Reporting Workshop : The Interplay Between Corporate Governance ("CG"), Non-Financial Information and Investment Decision (Organized by Bursa Malaysia) 2) CG Breakfast Series with Directors : Future of Auditor Reporting-The Game Changer For Boardroom (Organized by Bursa Malaysia)

Datuk Ng Bee Ken, Mr Pan Ding and Pan Dong could not attend any seminar or training due to their heavy schedule during the financial year.

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.10 CODE OF BUSINESS CONDUCT

1.10.1 OVERVIEW

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

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

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

1.10.2 GIST OF THE CBC

- Core values of the Group
- Dealing with conflicts of interest
- Definition of related parties and related parties transactions
- Compliance to applicable law, regulations and rules
- Confidentiality of information
- Environment, health and safety
- Discrimination and harassment
- Group assets
- Resignation and termination of employment
- Whistle-blowing policy
- Communication and implementation of the CBC

1.10.3 PERIODICAL UPDATE

The CBC is subject to periodical review and updates to incorporate important current development in the corporate governance scene.

1.11 GROUP SUSTAINABILITY POLICY

1.11.1 ENVIRONMENTAL

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

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

1.11.2 SOCIAL

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

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

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.12 BOARD MEETING

Board Meetings are scheduled to be held regularly with sufficient notice being issued for meetings conducted in accordance with a structured agenda. There were four (4) Board Meetings held during the financial year ended 31 December 2015. The summary of attendance of each Director is as follows:

Directors	Number of Meetings Attended
1. Datuk Ng Bee Ken	4/4
2. Pan Ding	4/4
3. Pan Dong	4/4
4. Low Yan Seong	4/4
5. Wan Kamarul Zaman Bin Wan Yaacob	4/4

The Executive Directors came to Malaysia to attend Board meetings, as well as Audit Committee meetings on invitation, during which the Board and the Audit Committee are updated with progress and implementation status report on various operational aspects of the Group.

1.12.1 ACCESS TO AND SUPPLY OF INFORMATION BY BOARD MEMBERS

The Board meets at least four (4) times a year to discuss the key issues arising out of the operations of the Group. However, the Board meets at other times as and when essential matters requiring its approval are raised.

All Directors are provided with board papers that contain relevant information of the agenda to enable them to discharge their duties effectively. Each of the Directors is supplied with the agenda and a set of Board Papers containing information relevant to the subject for discussion prior to a Board Meeting. The Board Papers are issued in sufficient time for their perusal and consideration.

1.12.2 MEETING THE EXTERNAL PROFESSIONALS / MANAGEMENT

a) Communication and Advices

The Board invites senior management staff and auditors, when necessary, to attend Board meetings to furnish clarifications on issues that may be raised by the Directors on issues tabled to them. The Board has direct access to senior management staff to obtain complete and unimpeded information to assist them in discharging their duties. The proceedings of all Board meetings are recorded by the Company Secretary and filed properly in the minute's book of the Company upon confirmation by the Board.

b) Procurement of Independent Professionals / Advisor(s)

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

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.13 PERIODICAL VISIT TO TOP TEXTILE FACTORY IN WUJIANG, CHINA

The Board re-visited the Group's subsidiary and factory in Wujiang City, Suzhou, China in November 2015. The Group held its off-site 2015 4th quarter Audit Committee and Board meetings at Top Textile office.

a) UPDATES ON TOP TEXTILE ENTERPRISE RESOURCE PLANNING SYSTEM ("ERP")

The primary objective of the visit to Top Textile is to sight the improvement in production and ancillary facilities. The Executive Directors brought other Board members for a walk-through and briefing on enhancement achievement.

The Group started the implementation of ERP in 2014. After going through the teething stage and transitional period from the conventional system to ERP, a majority part of the production process flow record and management system have now been modernized. The system has been computerized to provide real-time data record and retrieval.

The Board reckons that the Management has successfully brought the operation of the Group to another milestone by realizing the vision to revamp the Company's management information system.

b) UPDATES ON THE GROUP'S INVESTMENTS IN SHARES OF UNQUOTED CORPORATIONS

Sinotop, through Top Textile, invested in two companies via a private equity fund called Xuande Fund. The Executive Directors take this opportunity to deepen Board members' understanding on the outlook of one of these companies, Hierstar, and therefore had arranged for a visit and briefing at the investee company's office and production plant located at Suzhou Chuang Ye Yuan and Mo Ti Si Intellectual Industrial Park respectively.

In October 2015, the Group invested in 50% equity interest in Suzhou Han Ling Packaging Co., Ltd. ("Han Ling"). The Board went for a site visit at Han Ling's newly constructed production plant and office building which is located at Lili Town, Wujiang City. Han Ling was at the stage of final calibration of its production lines and machineries when the Board visited its plant located at Wujiang, China, nearby to Top Textile factory. The Board is satisfied with the completion of fund injection into Han Ling and anticipates positive contribution to the Group's results once Han Ling starts operating at full scale.

1.14 BOARD CHARTER

The Board has formally adopted a Group's Board Charter which spells out clearly the Board's responsibilities, duties of the Non-Executive Chairman and Managing Director.

a) EXTRACT OF CONTENTS OF THE BOARD CHARTER

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

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

b) REVIEW OF BOARD CHARTER

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

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.14 BOARD CHARTER (CONT'D)

c) TRANSPARENCY

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

1.15 COMPANY SECRETARIES

a) QUALIFIED JOINT-COMPANY SECRETARIES

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

b) PROVISION OF ADVICES TO DIRECTORS

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

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

c) SAFEGUARDING OF STATUTORY BOOKS AND RECORDS

The Company Secretaries also safeguard all statutory books and records of the Company and maintain the statutory registers of the Company. Company Secretaries also ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded. In addition, the Company Secretaries also ensure that any change in the Group's statutory information should be duly completed in the relevant prescribed forms and lodged with the Registrar of Companies within the required period of time.

1.16 BOARD COMMITTEES

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

1.16.1 AUDIT COMMITTEE

The Audit Committee ("AC") is responsible in assisting the Board to review the adequacy and integrity of the Group's financial reporting and internal control systems. The AC reviews all financial statements before submission to the Board for approval. The detailed roles, functions and responsibilities are as set out in the Audit Committee Report on pages 34 to 36 of this Annual Report.

1.16.2 NOMINATING COMMITTEE

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

CHAIRMAN	
Low Yan Seong	Independent Non-Executive Director
MEMBER	
Datuk Ng Bee Ken	Independent Non-Executive Director

The members of the NC are independent non-executive directors. The Chairman of NC is a seasoned corporate finance professional and is currently the partner of an investment management center in Beijing.

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.16 BOARD COMMITTEES (CONT'D)

1.16.2 NOMINATING COMMITTEE (CONT'D)`

(i) FUNCTIONS OF THE NC

- provide a documented, formal and transparent procedure for the appointment of Directors and Board Committee Members
- recommend the nomination of a person or persons for directorship to be filled by shareholders or the Board
- consider, in making its recommendations, candidates for directorships proposed by the Executive Directors and, within the bounds of practicability, by any other senior executive or any director or shareholder
- recommend to the Board, directors to be appointed to the Board Committees
- identify, evaluate and recommend candidates for appointment as Company Secretary
- review annually the required mix of skills and experience and other qualities, including core competencies of non-executive directors
- bring to the Board's attention results of NC annual review and recommend the Board on the next course of actions
- assess the performance of each director, the Board and Board Committees
- review the Group's keyman succession plan and report to the Board

(ii) NOMINATION POLICY

The key role of the NC is to assist the Board to identify and assess suitability of candidates to be appointed as Board members.

A formal nomination policy has been drawn up by the Company to assist the NC in the nomination criteria and process. The Company's directors nomination policy set out essential criteria of candidates for vacancy(ies) in the Board, and the process and procedures for directors nomination. The nomination policy can be found at the Company's website at www.sinotop.com.my.

In carrying out these duties, members of the NC have been identified as having respectable exposure in the corporate world, hence, they are well-versed with the essential qualities that any Board member must possess to maintain an effective Board.

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

a) Board Assessment

The Board assesses its composition and the adequacy of members' exposure / knowledge in meeting the stewardship needs and decides whether there is any need and urgency to expand its size.

b) Required Profile and List of Competencies of Candidates

The NC will table the list of preferred attributes of Board members, such as profile, competencies, industry exposure, professional qualification and employment background for Board confirmation.

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.16 BOARD COMMITTEES (CONT'D)

1.16.2 NOMINATING COMMITTEE (CONT'D)

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

c) Commencement of Search

The NC, through various channels, will commence the search for and invite suitable candidates to submit their resume. The channels that the NC can utilize include fellow Board members' / business associates' recommendation, trade association, professional bodies listing and professional headhunters.

d) Selection and Shortlisting

The NC will select and shortlist candidates based on the attributes that the Board is seeking. Matters that will be considered other than core competencies would be possible conflict of interest, commitment of time and factors that may lead to compromise of independence in discharging the duties as directors of a public listed company.

e) Interview

Interview will be arranged for the shortlisted candidates.

f) Verification Background Checking

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

g) Nomination of The Finalised Candidate and Board Approval

NC will nominate the finalized candidate that best suits the position and recommend to the Board for approval.

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

Formal appointment letter, registration with the Companies Commission of Malaysia as well as announcement to Bursa Malaysia will be made and notification to the Securities Commission. All newly appointed directors of a listed company must attend the MAP within four months from the formal appointment date, pursuant to provisions in paragraph 15.08 of the Listing Requirements and Practice Note 5 issued by Bursa Malaysia.

(iv) GENDER DIVERSITY ON BOARD

The NC supports recommendation in MCCG 2012 on gender diversity in Board composition and adopted a gender diversity policy. The Group will consider the appointment of lady director(s) to the Board when there are suitable candidates. Nevertheless, the Group upholds the spirit of appointing directors to serve the Board based on merits and experience of the candidates without bias on race, age or gender.

(iv) SUMMARY OF ACTIVITIES OF NC DURING FINANCIAL YEAR 2015

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

- Review of the mix of skill and experience and other qualities of the Board.
- Assessment of the effectiveness of the Board as a whole, the Board committees and the Directors.
- Annual assessment of the independence and performance of Independent Directors.
- Discussion of the Company's Directors' retirement by rotation.

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.16 BOARD COMMITTEES (CONT'D)

1.16.2 NOMINATING COMMITTEE (CONT'D)

CONCLUSION

In view of the Group's lean organizational structure, the NC is satisfied with the current Board composition and size. The NC is of the view that the Board is able to carry out its duties and responsibilities effectively.

1.16.3 REMUNERATION COMMITTEE

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

CHAIRMAN

Wan Kamarul Zaman Bin Wan Yaacob	Independent Non-Executive Director

MEMBERS

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

(i) FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE RC

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

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

(ii) DIRECTORS' REMUNERATION

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

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

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.6 BOARD COMMITTEES (CONT'D)

1.16.3 REMUNERATION COMMITTEE (CONT'D)

(ii) DIRECTORS' REMUNERATION (CONT'D)

The aggregate remuneration of the Directors for the financial year ended 31 December 2015 is as follows:

	Non-Executive Director (RM)	Executive Director (RM)
Salary	-	880,000
Fees	132,000	-
Meeting Allowance	21,000	14,000

The number of Directors whose total remuneration falls within the following range is as follows:

Remuneration (RM)	Non-Executive Director	Executive Director
Less than 50,000	2	-
50,001 to 100,000	1	-
350,001 to 450,000	-	2

2. COMMUNICATION AND INTERACTION WITH SHAREHOLDERS

2.1 SHAREHOLDERS' COMMUNICATION POLICY

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

The Company has also established a Statement on Shareholders' Rights which clearly spelt out the de-facto rights of shareholders. Salient terms of the said statement are made available for review at the Company's website at www.sinotop.com.my.

2.1.1 COMMUNICATION CHANNELS

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

The Group releases periodical announcements on Bursa website, which the public, shareholders and other stakeholders can easily access these reports on computers, iPad and smart phones. The Company's corporate website will also be updated with these announcements.

(ii) DISSSEMINIATION OF INFORMATION ON CORPORATE WEBSITE

Other than periodical and ad-hoc announcements, the Group also discloses essential information on its website www.sinotop.com.my. Some important corporate policies that promote best practices of good corporate governance are uploaded on the corporate website too. Shareholders and the public could register for the Company's news alert at the website in order to receive the Company's newly posted news and announcements via email.

(iii) DISTRIBUTION OF ANNUAL REPORTS

The Group publishes annual reports for distribution to shareholders within the stipulated timeframe prior to holding of Annual General Meetings. Electronic version of the full report (contained in a CD) and the printed abridged version are disseminated to shareholders via ordinary postal service at their registered address in accordance with details in the shareholders register.

CORPORATE GOVERNANCE STATEMENT

2. COMMUNICATION AND INTERACTION WITH SHAREHOLDERS (CONT'D)

2.1 SHAREHOLDERS' COMMUNICATION POLICY (CONT'D)

2.1.1 COMMUNICATION CHANNELS (CONT'D)

(iii) DISTRIBUTION OF ANNUAL REPORTS (CONT'D)

The annual report contains essential information of the Group, including the audited financial report, corporate governance statement, updates on the Group's risk management and internal control system and report from the Audit Committee, amongst all. By referring to the annual reports, shareholders are updated on the Group's financials and corporate development.

(iv) ANNUAL GENERAL MEETING ("AGM")

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

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

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

(v) STATEMENT ON SHAREHOLDERS' RIGHTS

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

3 CORPORATE DISCLOSURE POLICY ("CD")

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

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

3.1 REGULATORY REQUIREMENTS ON DISCLOSURE

3.1.1 MAIN MARKET LISTING REQUIREMENTS

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

(i) Immediate disclosure of material information

(ii) Clarification, confirmation or denial of rumours

(iii) Unusual market activities

CORPORATE GOVERNANCE STATEMENT

3. CORPORATE DISCLOSURE POLICY (CONT'D)

3.1 REGULATORY REQUIREMENTS ON DISCLOSURE (CONT'D)

3.1.1 MAIN MARKET LISTING REQUIREMENTS (CONT'D)

(iv) Quarterly disclosures of financial results and annual audited financial reports

3.1.2 MCCG 2012

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

3.2 EXTRACT OF CORPORATE DISCLOSURE POLICY

3.2.1 GUIDELINES IN THE CD POLICY

The Group has drawn up a formal corporate disclosure policy that is aimed at providing a structured and clear set of guidelines based on the regulatory disclosure requirements on the disclosure obligations of a listed company.

(i) OBJECTIVES

The CD policy is a commitment that the Company adheres strictly to the disclosure obligations. It is one of the internal guidelines in place to ensure good corporate governance.

It also serves to bridge the communication gap between the Company and its shareholders and the investing public at large, as well as all other groups of stakeholders.

(ii) SCOPE OF APPLICATION

This CD policy applies to all directors, management, officers and employees of the Company and its subsidiaries. This policy aims at providing awareness and a clear direction to the Board, management, officers and employees on the Company's disclosure obligations, requirements and responsibilities of relevant persons.

(iii) OVERSIGHT BY THE BOARD

Ultimately, the Board is responsible for the adherence to disclosure requirements under the applicable laws, regulations and rules. Hence, disclosure of all material information shall only be made after the Board has resolved to make such announcement and/or disclosure of material information.

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

Material information is defined as any information about the Company and its subsidiaries which are reasonably believed to have material impact on its

- share price and/or market activities over its shares
- the decision of a holder of securities of the Company or an investor in determining his choice of action

CORPORATE GOVERNANCE STATEMENT

3) CORPORATE DISCLOSURE POLICY (CONT'D)

3.2 EXTRACT OF CORPORATE DISCLOSURE POLICY (CONT'D)

3.2.1 GUIDELINES IN THE CD POLICY (CONT'D)

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

Materiality is a very subjective matter. The Company will take the appropriate approach in assessing and deciding the materiality of the event and its likely impact on the Company's share price and trading activities in its shares. Based on the available information, the Board, with due consultation with our Company Secretary, will be able to decide whether these events are material information as defined in the MMLR and hence the requirement to make immediate announcement.

The Company will make immediate announcement to Bursa Securities the events that are material in nature and those as set out in the Paragraph 9.19 in the MMLR when the criteria of the events warrant such immediate announcement.

(v) METHODS OF DISCLOSURE

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

(vi) CONSISTENCY

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

(vii) WITHHOLDING OF INFORMATION

Material information will be temporarily withheld and kept confidential should the immediate disclosure of such information is detrimental to the interests of the Company. The Board of Sinotop shall decide on the appropriate timing for disclosure of such material information after appropriate assessment.

(viii) FACTUAL DISCLOSURE

The Company shall only make factual disclosure.

(ix) PROMPT DISCLOSURE

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

(x) AUTHORISED SPOKESPERSON OF THE GROUP

The Company's authorized spokesperson would be the Chairman, Group Managing Director/Executive Director and any designates that such authorized spokesperson may appoint.

(xi) RECORDS MAINTENANCE

The Company will maintain a copy of the announcement and other forms of disclosure of information in our database. Such announcement and other disclosure materials will also be made available for public access on the Company's corporate website for a reasonable period of time.

CORPORATE GOVERNANCE STATEMENT

4. ACCOUNTABILITY AND AUDIT

4.1 FINANCIAL REPORTING

The Company presents quarterly public financial announcements in accordance with the MMLR. The Board is assisted by the Audit Committee in ensuring quality and timely release of financial reports. As part of the efforts to uphold the integrity of the financial reporting, the Board is responsible to ensure that the financial statements conform to the applicable rules, regulations and accounting standards issued by the Malaysian Accounting Standards Board.

The Audit Committee shall go through the financial reports and recommends to the Board as to its appropriateness for release to the general investing public and regulatory bodies. All announcements are tabled to the Board for approval prior to their official release. Every effort is taken to ensure that the announcements present a balanced and understandable assessment of the Group's position and prospects.

4.2 RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges it is crucial for the Group to maintain a sound system of risk management and internal control ("RMIC"), which is capable of providing reasonable assurance that the Group's assets and shareholders' investments in the Group are safeguarded. Nonetheless, due its inherent nature, the Group's RMIC system can only provide reasonable but not absolute assurance against material misstatements, fraud or wilful circumvention of rules and procedures.

In recognition of the importance of having in place a structured and organised approach to identify and manage appropriately risk factors affecting the Company, a risk management and internal control framework has been established to set out principles of the Company's risk identification and management culture, which provide input of its internal control system.

Another check-and-balance measure in the Company's internal control system is through the conduct of internal audit annually. The internal audit function is outsourced to Infinity Business Solutions LLP, an audit firm based locally, which reports directly to the Audit Committee. The cost incurred for the internal audit function for the financial year ended 31 December 2015 was RM28,000.

A Statement on Risk Management and Internal Control of the Company is set out on pages 37 and 40 of this Annual Report.

4.3 RELATIONSHIP WITH THE EXTERNAL AUDITORS

(i) THROUGH AUDIT COMMITTEE

The Board maintains a transparent and formal relationship with the external auditors through the Audit Committee. The Audit Committee meets with the external auditors at least twice a year without the presence of the Executive Directors and Management for feedback of matters regarding the Management.

(ii) ASSESSMENT OF THE EXTERNAL AUDITORS

The Company has put in place the policies and procedures to assess the suitability and independence of external auditors. The AC at its meeting held on 18 March 2016 undertook an annual assessment of the suitability and independence of the external auditors in accordance with the Board's Policy and Procedure on Evaluation of External Auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of Messrs Crowe Horwath ("CH") and the level of non-audit services to be rendered by CH to the Company for the financial year ended 31 December 2015.

CORPORATE GOVERNANCE STATEMENT

4. ACCOUNTABILITY AND AUDIT (CONT'D)

4.3 RELATIONSHIP WITH THE EXTERNAL AUDITORS (CONT'D)

(ii) ASSESSMENT OF THE EXTERNAL AUDITORS (CONT'D)

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

5. RESPONSIBILITY STATEMENT BY THE BOARD

In the course of preparing the annual financial statements of the Group and the Company, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the requirements of the applicable Approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965 and the MMLR.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Company present a true and fair view of the state of affairs of the Group and the Company as of the end of the financial year and the results and cash flows for the year then ended.

The Directors have applied the appropriate and relevant accounting policies on a consistent basis and made judgments and estimates that are reasonable and fair in preparing the financial statements of the Group and the Company. The financial statements are prepared on going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 44 of this Annual Report.

6. ADDITIONAL COMPLIANCE INFORMATION

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

6.1 SUSTAINABILITY POLICY AND CORPORATE SOCIAL RESPONSIBILITIES STATEMENT

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

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

CORPORATE GOVERNANCE STATEMENT

6. ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

6.1 SUSTAINABILITY POLICY AND CORPORATE SOCIAL RESPONSIBILITIES STATEMENT (CONT'D)

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

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

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

6.2 SHARE BUY-BACK

Not applicable during the financial year ended 31 December 2015.

6.3 OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There are no issues of options, warrants or convertible securities during the financial year ended 31 December 2015.

6.4 DEPOSIT RECEIPT PROGRAMME

The Company does not sponsor any of the above programme.

6.5 IMPOSITION OF SANCTIONS / PENALTIES

There are no sanctions and/or penalties imposed on the Group, Directors and Management by the relevant regulatory bodies during the financial year.

6.6 NON-AUDIT FEES

There is no non-audit fee incurred during the financial year ended 31 December 2015.

6.7 VARIATION OF RESULTS

Not applicable.

6.8 MATERIAL CONTRACTS

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

6.9 PROFIT GUARANTEE

Not applicable.

6.10 RECURRENT RELATED PARTY TRANSACTIONS

There are no recurrent related party transactions undertaken by the Group during the financial year.

7. COMPLIANCE WITH THE CODE

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

AUDIT COMMITTEE REPORT

1) COMPOSITION

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

CHAIRMAN

Datuk Ng Bee Ken	Independent Non-Executive Chairman

MEMBERS

Low Yan Seong	Independent Non-Executive Director
Wan Kamarul Zaman Bin Wan Yaacob	Independent Non-Executive Director

2) MEETINGS

Six (6) meetings were held during the financial year ended 31 December 2015. The summary of attendance of each member is as follows:

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

The Group Managing Director, Executive Director and senior management staff were invited to attend some of the Committee's meetings. The external and internal auditors also attended the meetings by invitation to brief the Committee the nature and scope of their audit as well as presenting to the Committee the audit review report and evaluation of the system of internal controls.

The Committee had conducted private discussion with the external auditors, without the presence of Executive Directors and management staff, during the financial year ended 31 December 2015.

3) TERMS OF REFERENCE

The terms of reference of the Committee summarised below are regularly reviewed to ensure compliance with the Main Market Listing Requirements ("MMLR"), as well as best practices recommended under the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

(i) MEMBERSHIP

- The Committee shall comprise at least three (3) members who are non-executive directors with majority of them are independent directors.
- All members should be financially literate and at least one of them must fulfill the accounting qualification prescribed by the MMLR.
- No alternate director shall be appointed as a member of the Committee.
- The Chairman of the Committee shall be an independent director.

(ii) AUTHORITY AND RIGHTS

The Committee was established to assist the Board in discharging its duties of maintaining a sound system of internal controls to safeguard the Group's assets and shareholders' investment.

The Committee, whenever necessary and reasonable for the performance of its duties, shall in accordance with the procedures determined by the Board and at the cost of the Company, have authority to:

- investigate matters within its terms of reference;
- request for required resources to perform its duties;

AUDIT COMMITTEE REPORT

3) TERMS OF REFERENCE (CONT'D)

(ii) AUTHORITY AND RIGHTS (CONT'D)

- seek any information from the external and/or internal auditors and employees of the Company;
- obtain legal or other independent professional advice when necessary; and
- convene meetings with the external and/or internal auditors, without the presence of the executive directors and employees of the Group for at least twice a year.

4) FUNCTIONS AND DUTIES

The Committee shall, amongst others, discharge the following functions:

(i) In relation to external auditors:

- to review the audit plan, scope of work and audit report;
- to review their evaluation of the quality and effectiveness of the system of internal controls;
- to assess the assistance given by the employees of the Group to the external auditors;
- to deliberate matters pertaining to nomination for appointment of the external auditors, their audit fee and resignation or dismissal;
- to discuss problems and reservations arising from the interim and final audits;
- to review the external auditors' management letter and management's response; and
- to meet at least twice a year with the external auditors without the presence of management.

(ii) In relation to internal auditors:

- to review the adequacy of scope, functions, competency and resources of the internal audit function;
- to review the internal audit plan, processes, the results of the internal audit program, processes or investigations undertaken, Management responses and whether or not appropriate action is taken on the recommendation of the internal auditors; and
- to review any significant audit findings, reservations, difficulties encountered during their audit field work or material weaknesses reported by the internal auditors.

(iii) Review the following and report the same to the Board:

- quarterly results and the annual financial statements of the Group;
- reports received on the adequacy and effectiveness of the risk management and internal control system and major findings of internal reviews and management's response; and
- any related party transactions and conflict of interest situations that may arise within the Group and any related parties outside the Group.

5) MEETINGS AND MINUTES

- The Committee shall hold a minimum of 4 meetings in a financial year.
- The Committee meetings shall be chaired by the Chairman of the Audit Committee or in the absence of the Chairman, another member who is an Independent Director nominated by the Committee members.
- The quorum for the meeting of the Committee shall be two (2) members, with majority are Independent Directors.
- The Company Secretary shall be the Secretary of the Committee.

AUDIT COMMITTEE REPORT

6) SUMMARY OF THE ACTIVITIES OF THE COMMITTEE

The following activities were carried out by the Committee during the financial year ended 31 December 2014 in discharging its functions:

- Reviewed the quarterly unaudited financial results and related announcements and recommended the same to the Board for consideration and approval.
- Reviewed and approved the audit plan and scope of work presented by the external auditors for the statutory audit of the Group's financial statements for the financial year ended 31 December 2014.
- Reviewed the Internal Audit Report with the internal auditors.
- Reviewed the Statement on Risk Management and Internal Control before recommending to the Board for approval for insertion into the Company's Annual Report.
- Reviewed the Risk Management and Internal Control Framework of the Group.
- Reviewed changes in major accounting policies.
- Reviewed significant or unusual events.
- Reviewed and discussed the annual financial statements of the Group with the external auditors prior to the presentation to the Board for approval.
- Reviewed the related party transactions, if any, undertaken by the Group on a quarterly basis.
- Reviewed and discussed with the external and internal auditors any issues and findings noted in the course of their audit of the Group.
- Reviewed and recommended to the Board the re-appointment of external auditors and their audit fees.

7) INTERNAL AUDIT FUNCTION

The Group recognizes the pivotal role played by internal auditors in assisting the Committee to ascertain the adequacy of the risk management and internal control system set up and implemented by the Group to safeguard shareholders' investments and the Group's assets. As such, the internal auditors is directed to report to the Committee their findings regarding the effectiveness of internal control system and to provide the Committee with reasonable assurance over the reliability of the financial reports and proper functioning of all operating units of the Group.

The internal audit function of the Group is outsourced to firm called Infinity Business Solutions LLP, which was appointed in 2013 and had carried out the internal audit of the Group since then.

During the current financial year under review, the internal auditors conducted audit procedures to assess the effectiveness and adequacy of the system of internal controls of the Company's operating subsidiary in China. A review on controls and system in the Group's Property, Plant & Equipment ("PPE") and Human Resource cycles were covered in the current financial year ended 31 December 2015.

The methodology adopted by our internal auditors and the scope of their review include obtaining and reviewing of the Group's policies and procedures of the PPE and Human Resource cycles.

The internal auditors assessed the Group's internal control procedures and system from various angles such as authorization, procedures and documentation of the management reports as well as compliance to policies and procedures. Apart from these, verification on the authenticity of PPE presented in the management accounts was performed to ensure integrity of accounts.

A report incorporating the internal auditors' findings and recommendations was presented for deliberation by the Committee. The Committee had also deliberated the Management's responses on findings and recommendation for improvement.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board reckons the pivotal roles of a sound risk management and internal control system that provides reasonable assurance in effectiveness and efficiency of operations, reliability in financial management and reporting as well as compliance to applicable laws and regulations.

This Statement on Risk Management and Internal Control is drawn pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement On Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

1) THE GOVERNING LAWS AND REGULATIONS

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

The MCCG 2012 and CG Guide 2014 require that Board of Directors of listed issuers to maintain a sound risk management and internal control system to safeguard shareholders' investments and the Group's assets.

2) ROLES AND RESPONSIBILITY OF THE BOARD

The Board of Directors ("Board") is responsible for

(i) RISKS IDENTIFICATION AND ASSESSMENT

The Board is responsible for identifying key business and operational risk factors faced by the Group and assessing their degree of influence on the Group. This is the very first important step in efforts devoted in safeguarding the Group's assets, shareholders' and other stakeholders' interests.

In the course of assessing the risk factors, the Board collectively determines the Group's tolerance level to each risk factor, to ensure sustainability of the Group's business continuity is not compromised.

(ii) ENSURE APPROPRIATE AND TIMELY ACTIONS

The Board also plays the role of ensuring the Management initiates timely and appropriate remedial actions to mitigate risks. Our Company Secretary will record matters pending for management actions in the AC and/or Board minutes. This will serve as the list of issues that the Management obliges to report on status updates in the forthcoming meetings.

3) ROLES OF SENIOR MANAGEMENT TEAM

The Management Team is responsible for

(i) INITIATE AND IMPLEMENT PROCESSES & PROCEDURES

The senior management team is in the key position of initiating enhancement in the Group's internal control system based on the in depth knowledge they gained through the respective position held. The senior management staffs are expected to highlight to the Executive Directors control weaknesses identified and recommend solutions to resolve the issues.

(ii) MANAGEMENT OF BUSINESS AND OPERATIONAL RISKS

The Senior Management Team (Executive Directors and Heads of Department) is entrusted with the daily management of the Group's business and operations. Hence, they are the most appropriate persons to initiate changes in procedures that will enhance the effectiveness and efficiency of the Group's internal control environment. This includes formulation of measures to mitigate such risks.

Within the Group, the Senior Management Team is responsible for the continuous management and monitoring of various issues on business and/or operational risks within their respective delegated authority.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

3) ROLES OF SENIOR MANAGEMENT TEAM (CONT'D)

(ii) MANAGEMENT OF BUSINESS AND OPERATIONAL RISKS (CONT'D)

The Executive Directors update the Board on status of the management of risk factors during quarterly meetings or at other ad-hoc meetings convened. The Executive Directors, who oversee the day-to-day operations of the Group, will nevertheless be responsible for the overall risk management of the Group. The Senior Management Team meets at management meetings to discuss about significant risk identified and feasible solutions to mitigate and/or manage such risks.

The Board will be updated with development of the key risk areas management and be satisfied that the Management has initiated reasonable and adequate processes to mitigate undesirable effects that may arise.

4) ROLES OF THE AUDIT COMMITTEE

The Audit Committee was set up to provide oversight and scrutiny over the financial operations and reporting of the Group.

A full description of the AC terms of reference is disclosed in the Audit Committee Report set out on pages 34 to 36.

5) ROLES OF INTERNAL AUDITOR

The Group outsourced the internal audit function to a third party namely Infinity Business Solutions LLP has been appointed as the internal auditors of the Group for financial years 2013 - 2015. The internal auditors are tasked with performing independent appraisal on the overall control environment of the Group in stages, assessment on components of the internal control system, conclude and report to the AC. They are expected to highlight to Management risk factors that may exist in the overall operating environment of the Group as it evolves.

6) STRATEGIES TO ADDRESS IDENTIFIED RISKS

(i) ESTABLISHMENT OF A RISK MANAGEMENT & INTERNAL CONTROL FRAMEWORK

A Risk Management and Internal Control Framework has been established for the purpose of maintaining a structured documentation pertaining to the identification of risks and the formulation of measures used in our internal control system in responding to risk factors that exist in the Group's operating environment.

(ii) STATUS UPDATES FROM MANAGEMENT

The Group's Management is directed by the Board to update periodically progress and status of implementation of specific policies drawn up in response to mitigation of identified key risk factors that have significant impact on the Group's business operations in China. The Executive Directors update the Board at a fixed interval of quarterly meetings. Apart from status updates at meetings, email communication is another formalised manner of managing information flow.

The day-to-day operations are delegated to the Group's Management, therefore it plays an important and irreplaceable role of communicating typical risks that evolve / identified in the course of managing the Group's daily business operations.

In response to the identified risk factors, appropriate internal control measures are devised and practiced to counter the risks.

(iii) REVIEW AND REVAMP OF RISK MANAGEMENT POLICIES (WHERE APPLICABLE)

Existing company policies are reviewed by the Management to assess its effectiveness in meeting the risk mitigation objectives.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

6) STRATEGIES TO ADDRESS IDENTIFIED RISKS (CONT'D)

(iv) INPUT OF AREAS FOR RECTIFICATION FROM EXTERNAL AND INTERNAL AUDITORS

The Board review feedback from the external and internal auditors ("auditors") pertaining to any absence, weaknesses or deficiencies in the practices that pose significant undesirable consequences to the Group. Comments from the auditors will form the base where corrective measures are being implemented.

7) KEY PROCESSES / FEATURES OF INTERNAL CONTROL SYSTEM

(i) Conduct of a yearly internal audit on major operational areas to assess the adequacy of existing control measures and obtain an independent appraisal of the internal control system.

(ii) Open management style culture practiced by the Managing Director, Executive and Non-Executive Directors encourages proactive interaction with senior and middle management staff. This promotes timely escalation of issues to the Board and the Board Committees, hence making the internal control system more responsive to situations.

(iii) The Board meets at least once every quarter to deliberate and be updated on strategic issues that may have significant impact on the Group's financial performance and other aspects. The Executive Directors will also brief the Board and Board Committees about findings in the Group's operating units and rectification measures taken to mitigate possible financial and non-financial losses.

(iv) The Group adopted its Code of Business Conduct which serves as guidance to all employees, about the attitude and rules they are expected to observe when carrying out their duties. Employees are expected to act in the best interest of the Group, failing which may result in stern disciplinary actions being taken.

8) LIMITATION OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

A risk management and internal control system is designed to mitigate rather than to eliminate risks; hence, owing to the inherent limitation of the risk management and internal control system, the Board reckons that the Group's system is unable to provide absolute assurance against events such as poor judgement in decision-making, circumvention of control process by staff, management overriding control process and other unforeseen events.

9) ASSURANCE PROVIDED BY THE EXECUTIVE DIRECTORS

In line with the Guidelines, the Board has received assurance from the Executive Directors that the risk management and internal control system of the Group is operating adequately and effectively.

CONCLUSION

The Board believes that the Group's risk management and internal control system is adequate to provide a reasonable but not absolute assurance that all deficiencies and weaknesses will reasonably be identified and rectified in a timely manner. Nonetheless, the Board is committed in continually enhancing the risk management and internal control system in order to achieve its primary objectives of safeguarding shareholders' investments, Group's assets and interest of other stakeholders, namely suppliers, customers and regulators.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW OF THE RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT BY THE EXTERNAL AUDITOR

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 on the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

This statement is issued in accordance with a resolution of the Board dated 24 March 2016.

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group	The Company
	RM'000	RM'000
Profit/(Loss) after taxation for the financial year	2,083	(2,090)
Attributable to:-		
Owners of the Company	2,083	(2,090)

DIVIDENDS

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the statements of changes in equity and Note17 to the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Pan Ding
Datuk Ng Bee Ken
Low Yan Seong
Pan Dong
Wan Kamarul Zaman Bin Wan Yaacob

DIRECTORS' INTERESTS

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

	< --------- Number of Ordinary Shares of RM0.20 Each ------- >			
	At			At
The Company	**1.1.2015**	**Bought**	**Sold**	**31.12.2015**
*Indirect Interests in the Company**				
Pan Ding	1,425,625,000	-	-	1,425,625,000
Pan Dong	1,425,625,000	-	-	1,425,625,000

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company or a related corporation) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 18 March 2016

Pan Ding

Datuk Ng Bee Ken

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

We, Pan Ding and Datuk Ng Bee Ken, being two of the directors of Sinotop Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 48 to 94 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 31, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 18 March 2016

Pan Ding **Datuk Ng Bee Ken**

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

I, Pan Ding, being the director primarily responsible for the financial management of Sinotop Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 48 to 94 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Pan Ding, at The People's Republic of China on
this 22 April 2016

Pan Ding

Before me

Mohamad Ridzuan Bin Zainon
Consular Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINOTOP HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 114842 - H

Report on the Financial Statements

We have audited the financial statements of Sinotop Holdings Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 94.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

(Incorporated in Malaysia)
Company No: 114842 - H

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 12 to the financial statements. The Group has not made allowance for impairment losses on receivables in relation to those debts past due and which remained outstanding at the date of approval of the financial statements of approximately RM12,530,000 as the Directors are of the opinion that the debts are recoverable.

Report on Other Legal and Regulatory Requirements

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

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

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 31 on page 95 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

(Incorporated in Malaysia)
Company No: 114842 - H

Other Matters

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ooi Song Wan
Approval No: 2901/10/16 (J)
Chartered Accountant

22 April 2016
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2015

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	155,477	155,477
Investment in a joint venture	6	4,297	-	-	-
Property, plant and equipment	7	50,215	48,792	-	-
Land use rights	8	7,370	6,442	-	-
Investment property	9	4,462	3,805	-	-
Other investment	10	15,241	12,998	-	-
		81,585	72,037	155,477	155,477
CURRENT ASSETS					
Land use rights	8	184	157	-	-
Inventories	11	19,143	17,976	-	-
Trade receivables	12	76,944	72,269	-	-
Other receivables and deposits	13	5,294	20,005	10	7
Amount owing by a subsidiary	14	-	-	630	505
Current tax assets		30	30	30	30
Fixed deposits with licensed banks	15	397	338	-	-
Cash and bank balances		54,718	20,528	410	375
		156,710	131,303	1,080	917
TOTAL ASSETS		238,295	203,340	156,557	156,394
EQUITY AND LIABILITY					
EQUITY					
Share Capital	16	394,899	394,899	394,899	394,899
Reserves	17	(168,098)	(204,217)	(246,649)	(244,559)
TOTAL EQUITY		226,801	190,682	148,250	150,340
CURRENT LIABILITIES					
Trade payables	18	5,697	7,167	-	-
Other payables and accruals	19	4,987	5,280	1,795	1,053
Amount owing to a subsidiary	14	-	-	6,512	5,001
Current tax liabilities		810	211	-	-
		11,494	12,658	8,307	6,054
TOTAL LIABILITY		11,494	12,658	8,307	6,054
TOTAL EQUITY AND LIABILITY		238,295	203,340	156,557	156,394

. The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	The Group 2015 RM'000	The Group 2014 RM'000	The Company 2015 RM'000	The Company 2014 RM'000
REVENUE	20	185,629	159,841	9	7
COST OF SALES		(170,804)	(146,964)	-	-
GROSS PROFIT		14,825	12,877	9	7
OTHER INCOME		3,053	1,809	-	-
DISTRIBUTION AND MARKETING EXPENSES		(3,863)	(4,009)	-	-
ADMINISTRATIVE EXPENSES		(8,794)	(6,243)	(1,155)	(1,133)
OTHER OPERATING EXPENSES		(1,211)	(347)	(944)	(629)
PROFIT/(LOSS) BEFORE TAXATION	21	4,010	4,087	(2,090)	(1,755)
INCOME TAX EXPENSE	22	(1,927)	(1,338)	-	-
PROFIT/(LOSS) AFTER TAXATION		2,083	2,749	(2,090)	(1,755)
OTHER COMPREHENSIVE INCOME					
Items that May be Reclassified Subsequently to Profit or Loss					
Foreign currency translation differences		34,036	7,556	-	-
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL YEAR		36,119	10,305	(2,090)	(1,755)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		2,083	2,749	(2,090)	(1,755)
TOTAL COMPREHENSIVE INCOME / (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		36,119	10,305	(2,090)	(1,755)
EARNINGS PER SHARE (SEN)					
- Basic	23	0.11	0.14		
- Diluted	23	N/A	N/A		

N/A – Not Applicable

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	← Non-Distributable →				Distributable	
The Group	Share Capital RM'000	Reverse Acquisition Reserve RM'000	Statutory Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of the Company RM'000
Balance at 1.1.2014	394,899	(328,124)	14,718	17,887	80,997	180,377
Profit after taxation for the financial year	-	-	-	-	2,749	2,749
Other comprehensive income for the financial year :						
- Foreign currency translation differences	-	-	-	7,556	-	7,556
Total comprehensive income for the financial year	-	-	-	7,556	2,749	10,305
Transfer to statutory reserve	-	-	343	-	(343)	-
Balance at 31.12.2014 / 1.1.2015	394,899	(328,124)	15,061	25,443	83,403	190,682
Profit after taxation for the financial year	-	-	-	-	2,083	2,083
Other comprehensive income for the financial year						
- Foreign currency translation differences	-	-	-	34,036	-	34,036
Total comprehensive income for the financial year	-	-	-	34,036	2,083	36,119
Transfer to statutory reserve	-	-	325	-	(325)	-
Balance at 31.12.2015	394,899	(328,124)	15,386	59,479	85,161	226,801

The Company	Share Capital RM'000	Accumulated Losses RM'000	Equity Attributable To Owners of the Company RM'000
Balance at 1.1.2014	394,899	(242,804)	152,095
Loss after taxation/Total comprehensive expenses for the financial year	-	(1,755)	(1,755)
Balance at 31.12.2014/1.1.2015	394,899	(244,559)	150,340
Loss after taxation/Total comprehensive expenses for the financial year	-	(2,090)	(2,090)
Balance at 31.12.2015	394,899	(246,649)	148,250

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before taxation	4,010	4,087	(2,090)	(1,755)
Adjustments for:-				
Allowance for impairment losses on trade receivables	2,401	825	-	-
Amortisation of land use rights	174	148	-	-
Bad debts written off	16	-	-	-
Depreciation of property, plant and equipment	6,965	5,940	-	-
Loss on disposal of property, plant and equipment	267	3	-	-
Property, plant and equipment written off	48	-	-	-
Unrealised loss on foreign exchange	809	291	939	619
Interest income	(846)	(200)	(9)	(7)
Writeback of allowance for impairment losses on trade receivables	(1,017)	(577)	-	-
Operating profit/(loss) before working capital changes	12,827	10,517	(1,160)	(1,143)
Decrease / (Increase) in inventories	1,832	(2,172)	-	-
Decrease / (Increase) in trade and other receivables	23,176	(5,449)	(3)	9
(Decrease) / Increase in trade and other payables	(3,491)	882	742	(26)
CASH FROM/(FOR) OPERATIONS	34,344	3,778	(421)	(1,160)
Income tax paid	(1,394)	(1,666)	-	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES	32,950	2,112	(421)	(1,160)
CASH FLOWS FOR INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(937)	(534)	-	-
Purchase of an investment property	-	(1,195)	-	-
Investment in a joint venture	(4,067)	-	-	-
Proceeds from disposal of property, plant and equipment	281	5	-	-
Advances to a subsidiary	-	-	(125)	(135)
Interest received	846	200	9	7
NET CASH FOR INVESTING ACTIVITIES	(3,877)	(1,524)	(116)	(128)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

		The Group		The Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
NET CASH FROM FINANCING ACTIVITY					
Advances from a subsidiary		-	-	572	1,206
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29,073	588	35	(82)
EFFECT OF FOREIGN EXCHANGE TRANSLATION		5,176	719	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		20,866	19,559	375	457
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	24	55,115	20,866	410	375

The annexed notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	Fenhu Economic Development Zone, Wujiang City, Jiangsu Province, The People's Republic of China ("PRC") 215212.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 March 2016.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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

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

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions

Annual Improvements to MFRSs 2010 – 2012 Cycle

Annual Improvements to MFRSs 2011 – 2013 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.

3. BASIS OF PREPARATION (CONT'D)

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

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers & 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	Deferred until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

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.

3. BASIS OF PREPARATION (CONT'D)

3.2 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):-

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.

3.3 REVERSE ACQUISITION

Upon completion of the acquisition of a business based in PRC through an asset injection exercise, the Company became the legal holding company of Be Top Group Limited ("Be Top Group") whereas the former shareholders of Be Top Group to whom 780,281,000 shares were issued became the major shareholders of the Company. In accordance with MFRS 3 Business Combinations, the substance of such business combination between the Company and Be Top Group constituted a reverse acquisition whereby the acquirer and acquiree of the transaction for accounting purposes should be Be Top Group (the legal subsidiary) and the Company (the legal holding company).

Under the reverse acquisition accounting, the consolidated financial statements, although issued under the name of the legal holding company, the Company, represent a continuation of the financial statements of the legal subsidiary, Be Top Group. Accordingly, the consolidated financial statements set out on pages 48 to 94 together with the notes thereto cover Be Top Group as the accounting acquirer and the Company as the accounting acquiree.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-Financial Assets

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

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

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

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an significant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(f) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

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

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

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Loss of Control (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in joint ventures that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations (Cont'd)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in joint ventures that includes a foreign operation while retaining joint control, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(i) Financial Assets at Fair Value Through Profit or Loss (Cont'd)

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investment are classified as non-current assets, except for those having maturity within 12 months after reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(d) Statutory Reserve

The Company's subsidiary in the PRC is required to maintain certain statutory reserves by appropriating from profit after taxation in accordance with the relevant laws and regulations in the PRC and articles of association of the subsidiary before declaration or payment of dividends. The reserves form part of the equity of the Company. The statutory reserve fund can be used to increase the registered capital and eliminate future losses of the subsidiary, but it cannot be distributed to shareholders except in the event of a solvent liquidation of the subsidiary.

The appropriation to the statutory surplus reserve represents 10 percent of the profit after taxation of each individual PRC subsidiary. In accordance with the laws and regulations in the PRC, the appropriations to statutory reserve cease when the balances of the reserve reach 50 percent of the registered capital of the subsidiary. The statutory reserve is not distributable by way of dividends.

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets net of the estimated residual values over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

	Estimated Useful Lives
Leasehold buildings	50 years
Plant and machinery	12 years
Office equipment	5 years
Motor vehicles	5 years
Renovation	5 years

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the different between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4.7 LAND USE RIGHTS

All land in China is owned by the State or collectives. Individuals and companies are permitted to acquire land use rights for general or specific purposes. In the case when land is used for industrial purposes, the land use rights are granted for a period of 50 years. The rights may be renewed at the expiration of the initial and any subsequent terms according to the relevant Chinese laws. Granted land use rights are transferable and may be used as security for borrowings and other obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 LAND USE RIGHTS (CONT'D)

The cost of acquisition of land use rights is capitalised and amortised on a straight-line basis over the lease term of the land of 50 years. The portion of the land use rights to be amortised over the next 12 months is reflected as current assets. The amortisation expense is recognised in the profit or loss.

4.8 INVESTMENT PROPERTIES

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

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

Capital-in-progress represents investment property under construction, and which are not ready for commercial use at the end of the reporting period.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

4.9 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

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

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimate the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.10 INVENTORIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 INCOME TAXES

Income tax for the reporting period comprises current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

4.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.13 PROVISIONS

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4.15 RELATED PARTIES

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.17 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

4.18 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4.19 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 JOINT ARRANGEMENTS

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

(a) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement. The Group accounts for each of its interest in the joint operations the assets, liabilities, revenue and expenses (including its share of those held or incurred jointly with the other investors) in accordance with the applicable accounting standards.

(b) Joint Ventures

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to the end of reporting period. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 JOINT ARRANGEMENTS (CONT'D)

(b) Joint Ventures (Cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

4.21 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.

(b) Interest Income

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2015	**2014**
	RM'000	RM'000
Unquoted shares outside Malaysia, at cost	328,125	328,125
Quasi loan	57,000	57,000
	385,125	385,125
Less: Accumulated impairment losses	(229,648)	(229,648)
	155,477	155,477

Quasi loan represents advances of which the settlement is neither planned nor likely to occur in the foreseeable future. This amount was, in substance, a part of the Company's net investment in the subsidiaries. The quasi loan was stated at cost less accumulated impairment losses, if any.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Place of Business	Effective Equity Interest 2015 %	Effective Equity Interest 2014 %	Principal Activities
Be Top Group Limited	Hong Kong (The subsidiary is incorporated in The British Virgin Island)	100	100	Investment holding.
Subsidiary of Be Top Group Limited				
Top Textile (Suzhou) Co., Ltd ("Top Textile")	PRC	100	100	Investment holding, production of customised woven loom-state fabrics made from cotton, synthetic and mixed yarn.

6. INVESTMENT IN A JOINT VENTURE

	The Group	
	2015	**2014**
	RM'000	RM'000
Unquoted investment in a joint venture outside Malaysia, at cost		
At 1 January	-	-
Addition during the year	4,067	-
Foreign currency translation differences	230	-
	4,297	-

The details of the joint venture are as follows:-

Name Of Joint Venture	Principal Place of Business	Effective Equity Interest 2015 %	Effective Equity Interest 2014 %	Principal Activities
Suzhou Han Ling Packaging Co. Ltd. ("Han Ling") *	PRC	50	-	Packaging of plastic and glass made product

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

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

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

	RM'000
At 31 December	
Non-current assets	2,988
Current assets	3,510
Non-current liabilities	-
Current liabilities	(319)
Net assets	6,179
Financial Period from 8 October 2015 to 31 December 2015	
Revenue	-
Loss for the financial period/Total comprehensive expenses	(430)

7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2015 RM'000	Additions RM'000	Disposal RM'000	Written off RM'000	Depreciation Charge RM'000	Foreign Currency Translation Differences RM'000	At 31.12.2015 RM'000
2015							
Net Book Value							
Leasehold buildings	20,605	-	-	-	(527)	3,526	23,604
Plant and machinery	25,760	14	(494)	-	(5,435)	4,112	23,597
Office equipment	969	-	-	(35)	(424)	141	651
Motor vehicles	921	923	(54)	(13)	(189)	197	1,785
Renovation	537	-	-	-	(390)	71	218
	48,792	937	(548)	(48)	(6,965)	8,047	50,215

	At 1.1.2014 RM'000	Additions RM'000	Disposal RM'000	Depreciation Charge RM'000	Foreign Currency Translation Differences RM'000	At 31.12.2014 RM'000
2014						
Net Book Value						
Leasehold buildings	20,276	-	-	(448)	777	20,605
Plant and machinery	29,548	-	-	(4,674)	886	25,760
Office equipment	1,314	-	-	(374)	29	969
Motor vehicles	486	519	(8)	(118)	42	921
Renovation	834	15	-	(326)	14	537
	52,458	534	(8)	(5,940)	1,748	48,792

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

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2015			
Leasehold buildings	27,860	(4,256)	23,604
Plant and machinery	69,754	(45,797)	23,957
Office equipment	6,407	(5,756)	651
Motor vehicles	3,586	(1,801)	1,785
Renovation	2,058	(1,840)	218
	109,665	(59,450)	50,215
2014			
Leasehold buildings	23,759	(3,154)	20,605
Plant and machinery	62,653	(36,893)	25,760
Office equipment	5,782	(4,813)	969
Motor vehicles	2,833	(1,912)	921
Renovation	1,755	(1,218)	537
	96,782	(47,990)	48,792

8. LAND USE RIGHTS

	The Group	
	2015	2014
	RM'000	RM'000
At cost:-		
At 1 January	7,835	7,536
Foreign currency translation differences	1,352	299
At 31 December	9,187	7,835
Accumulated amortisation:-		
At 1 January	(1,236)	(1,038)
Amortisation charge (Note 21)	(174)	(148)
Foreign currency translation differences	(223)	(50)
At 31 December	(1,633)	(1,236)
	7,554	6,599
Carrying amounts:-		
Amortisation due:		
- not later than one year	184	157
- later than one year	7,370	6,442
	7,554	6,599

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

9. INVESTMENT PROPERTY

	The Group	
	2015	2014
	RM'000	RM'000
At cost:-		
At 1 January	3,805	-
Addition	-	3,585
Foreign currency translation differences	657	220
At 31 December	4,462	3,805

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

10. OTHER INVESTMENT

	The Group	
	2015	2014
	RM'000	RM'000
Unquoted investment outside Malaysia		
At 1 January	12,998	12,502
Foreign currency translation differences	2,243	496
At 31 December	15,241	12,998
Represented by:-		
At cost	15,241	12,998

Unquoted investment of the Group is designated as available-for-sale financial asset but is stated at cost as its fair value cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

11. INVENTORIES

	The Group	
	2015	2014
	RM'000	RM'000
Raw materials	6,276	3,327
Finished goods	12,867	14,649
	19,143	17,976
Recognised in profit or loss:-		
Inventories recognised as cost of sales	170,804	146,964

12. TRADE RECEIVABLES

	The Group	
	2015	2014
	RM'000	RM'000
Trade receivables	83,065	76,254
Allowance for impairment losses	(6,121)	(3,985)
	76,944	72,269
Allowance for impairment losses:-		
At 1 January	(3,985)	(3,580)
Addition during the financial year (Note 21)	(2,401)	(825)
Writeback during the financial year (Note 21)	1,017	577
Written off during the financial year	13	-
Foreign currency translation differences	(765)	(157)
At 31 December	(6,121)	(3,985)

(a) The Group's normal trade credit terms ranged from 90 to 270 (2014 – 90) days.

(b) Trade receivables, net of allowance for impairment losses, which are past due amounted to approximately RM24,310,000. Subsequent to the year end and up to the date of the issuance of these financial statements, an amount of approximately RM11,780,000 had been received from those debts past due. The Directors are of the opinion that the net remaining debts that were past due of approximately RM12,530,000 as at the date of the issuance of these financial statements are recoverable.

13. OTHER RECEIVABLES AND DEPOSITS

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Notes receivables	4,477	17,108	-	-
Deposits	808	2,534	2	2
Other receivables	9	363	8	5
	5,294	20,005	10	7

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

(b) Included in deposits of the Group was an amount of approximately RM759,000 (2014 - RM2,466,000) being advances to suppliers in respect of the Group's purchases of raw materials. The advances to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers.

14. AMOUNTS OWING BY/(TO) A SUBSIDIARY

The non-trade balances represent unsecured, interest-free advances and payments made on behalf. The amount owing is receivable/(repayable) on demand and to be settled in cash.

15. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group at the end of the reporting period bore an effective interest rate of 1.49% (2014 – 1.31%) per annum. The fixed deposits have a maturity period of 12 months (2014 - 12 months).

16. SHARE CAPITAL

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

	The Group/The Company					
	2015			2014		
	Par Value RM	Number of Shares '000	Share Capital RM'000	Par Value RM	Number of Shares '000	Share Capital RM'000
Authorised	0.20	5,000,000	1,000,000	0.20	5,000,000	1,000,000
Issued and Fully Paid-Up	0.20	1,974,496	394,899	0.20	1,974,496	394,899

17. RESERVES

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Reverse acquisition reserve	(a)	(328,124)	(328,124)	-	-
Statutory reserve	(b)	15,386	15,061	-	-
Foreign exchange translation reserve	(c)	59,479	25,443	-	-
Retained profits/ (Accumulated losses)		85,161	83,403	(246,649)	(244,559)
		(168,098)	(204,217)	(246,649)	(244,559)

17. RESERVES (CONT'D)

(a) Reverse Acquisition Reserve

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

(b) Statutory Reserve

The statutory reserve represents amounts transferred from profit after taxation of the subsidiary established in the PRC in accordance with the PRC laws and regulations as explained in Note 4.4(d) to the financial statements.

(c) Foreign Exchange Translation Reserve

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

18. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 60 to 90 (2014 - 60 to 90) days.

19. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Other payables	616	226	151	146
Accruals	4,024	3,871	1,644	907
Advances from customers	347	1,183	-	-
	4,987	5,280	1,795	1,053

20. REVENUE

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Manufacturing and sale of fabric products	185,620	159,834	-	-
Interest income	9	7	9	7
	185,629	159,841	9	7

21. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Allowance for impairment losses on trade receivables (Note 12)	2,401	825	-	-
Amortisation of land use rights (Note 8)	174	148	-	-
Audit fees	135	135	25	25
Bad debts written off	16	-	-	-
Depreciation of property, plant and equipment (Note 7)	6,965	5,940	-	-
Directors' fee (Note 25)	132	132	132	132
Directors' non-fee emoluments (Note 25)	915	883	755	749
Loss on disposal of property, plant and equipment	267	3	-	-
(Gain)/Loss on foreign exchange:				
- realised	(9)	(36)	-	-
- unrealised	809	291	939	619
Property, plant and equipment written off (Note 7)	48	-	-	-
Staff costs (including other key management personnel as disclosed in Note 25):				
- salaries and other benefits	14,333	11,099	76	69
- defined contribution plan	646	654	10	9
Interest income	(846)	(200)	(9)	(7)
Writeback of allowance for impairment losses on trade receivables (Note 12)	(1,017)	(577)	-	-

22. INCOME TAX EXPENSE

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- for the financial year	1,904	1,338	-	-
- underprovision in the previous financial year	23	-	-	-
	1,927	1,338	-	-

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	4,010	4,087	(2,090)	(1,755)
Tax at the statutory tax rate of 25%	1,002	1,021	(523)	(439)
Tax effect of:-				
Non-deductible expenses	925	316	523	439
Income tax expense for the financial year	1,927	1,338	-	-

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.

23. EARNINGS PER SHARE

	The Group	
	2015	2014
Profit attributable to owners of the Company (RM'000)	2,083	2,749
Weighted average number of ordinary shares in issue ('000)	1,974,496	1,974,496
Basic earnings per share (sen)	0.11	0.14

The diluted earnings per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

24. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	397	338	-	-
Cash and bank balances	54,718	20,528	410	375
	55,115	20,866	410	375

25. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

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

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Directors Of The Company				
Executive directors:				
- non-fee emoluments	894	865	734	731
Non-executive directors:				
- fee (Note 21)	132	132	132	132
- allowances (Note 21)	21	18	21	18
Total directors' remuneration (Note 21)	1,047	1,015	887	881

25. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

Other Key Management Personnel				
Short-term employee benefits	171	110	-	-
Defined contribution plans	5	8	-	-
Total compensation for other key management personnel (Note 21)	176	118	-	-

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

	The Group	
	2015	2014
	Number of Directors	
Executive Directors		
RM400,000 - RM450,000	2	2
Non-executive Directors		
Above RM50,000	1	1
Below RM50,000	2	2
	5	5

26. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

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

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, joint venture, key management personnel and entities within the same group.

26. RELATED PARTY DISCLOSURES (CONT'D)

(b) Related Party Transactions and Balances

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

	The Company	
	2015	2014
	RM'000	RM'000
Advances from subsidiaries	582	493
Payments on behalf of subsidiaries	135	155

27. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis.

Information on profit or loss for business segments is not presented as the Group's financial results contributed primarily by the manufacturing and sale of fabric products segment. All its assets and operations are in the PRC.

GEOGRAPHICAL INFORMATION

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

	Revenue	
	2015	2014
	RM'000	RM'000
PRC	170,012	134,069
Outside PRC	15,617	25,772
	185,629	159,841

27. OPERATING SEGMENTS (CONT'D)

	Manufacturing and Sale of Fabric Products	Investment Holding	Group
	RM'000	RM'000	RM'000
2015			
Assets			
Segment assets	214,265	24,000	238,265
Tax refundable			30
Consolidated total assets			238,295
Liabilities			
Segment liabilities	10,684	-	10,684
Provision for taxation			810
Consolidated total liabilities			11,494
2014			
Assets			
Segment assets	186,507	16,803	203,310
Tax refundable			30
Consolidated total assets			203,340
Liabilities			
Segment liabilities	12,447	-	12,447
Provision for taxation			211
Consolidated total liabilities			12,658

MAJOR CUSTOMERS

Revenue from one (2014 – three) major customer, with revenue equal to or more than 10% of Group revenue, amounted to approximately RM21,458,000 (2014 – RM60,024,000).

28. CAPITAL COMMITMENTS

	The Group	
	2015	2014
	RM'000	RM'000
Contracted but not Provided for		
Purchase of investment property	1,487	1,268
Purchase of investment in a joint venture	1,983	-
	3,470	1,268

29. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	2015	2014
	RM	RM
Chinese Renminbi	0.6610	0.5637
Hong Kong Dollar	0.5537	0.4506
United States Dollar	4.2920	3.4950

30. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

30.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Chinese Renminbi ("RMB") and Hong Kong Dollar ("HKD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) that based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	United States Dollar RM'000	Chinese Renminbi RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	**Total** RM'000
2015					
Financial assets					
Other investment	-	15,241	-	-	15,241
Trade receivables	8,284	68,660	-	-	76,944
Other receivables and deposits	-	5,284	-	10	5,294
Fixed deposits with licensed banks	-	397	-	-	397
Cash and bank balances	1	54,236	71	410	54,718
	8,285	143,818	71	420	152,594

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RM'000	Chinese Renminbi RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2015					
Financial liabilities					
Trade payables	-	5,697	-	-	5,697
Other payables and accruals	-	3,192	-	1,795	4,987
	-	8,889	-	1,795	10,684
Net financial assets/(liabilities)	8,285	134,929	71	(1,375)	141,910
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	(134,929)	-	1,375	(133,554)
Currency exposure	8,285	-	71	-	8,356

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Group	United States Dollar RM'000	Chinese Renminbi RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2014					
Financial assets					
Other investment	-	12,998	-	-	12,998
Trade receivables	6,359	65,910	-	-	72,269
Other receivables and deposits	-	19,998	-	7	20,005
Fixed deposits with licensed banks	-	338	-	-	338
Cash and bank balances	-	20,089	64	375	20,528
	6,359	119,333	64	382	126,138
Financial liabilities					
Trade payables	-	7,167	-	-	7,167
Other payables and accruals	1	4,226	-	1,053	5,280
	1	11,393	-	1,053	12,447
Net financial assets/(liabilities)	6,358	107,940	64	(671)	113,691
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	(107,940)	-	671	(107,269)
Currency exposure	6,358	-	64	-	6,422

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group	
	2015	**2014**
	RM'000	RM'000
Effects on Profit After Taxation		
USD/RM - strengthened by 20%	+1,243	+954
- weakened by 20%	-1,243	-954
HKD/RM - strengthened by 20%	+11	+10
- weakened by 20%	-11	-10
Effects on Other Comprehensive Income		
USD/RM - strengthened by 20%	+1,243	+954
- weakened by 20%	-1,243	-954
HKD/RM - strengthened by 20%	+11	+10
- weakened by 20%	-11	-10

(ii) Interest Rate Risk

The Group does not have any interest-bearing borrowings and hence, is not exposed to interest rate risk.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposure, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by two customers which constituted approximately 47% of its trade receivables at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

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

	The Group	
	2015	2014
	RM'000	RM'000
PRC	68,660	65,910
United Arab Emirates	4,624	5,761
Others	3,660	598
	76,944	72,269

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing Analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
2015				
Not past due	52,634	-	-	52,634
Past due:				
- less than 3 months	11,360	-	-	11,360
- 3 to 6 months	11,706	-	-	11,706
- over 6 months	7,365	-	(6,121)	1,244
	83,065	-	(6,121)	76,944
2014				
Not past due	34,594	-	-	34,594
Past due:				
- less than 3 months	15,778	-	-	15,778
- 3 to 6 months	10,778	-	-	10,778
- over 6 months	15,104	(2,578)	(1,407)	11,119
	76,254	(2,578)	(1,407)	72,269

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and adequate working capital to meet its obligations as and when they fall due.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2015					
Non-derivative Financial Liabilities					
Trade payables	5,697	5,697	5,697	-	-
Other payables and accruals	4,987	4,987	4,987	-	-
	10,684	10,684	10,684	-	-
2014					
Non-derivative Financial Liabilities					
Trade payables	7,167	7,167	7,167	-	-
Other payables and accruals	5,280	5,280	5,280	-	-
	12,447	12,447	12,447	-	-

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Company	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2015					
Non-derivative Financial Liabilities					
Other payables and accruals	1,795	1,795	1,795	-	-
Amount owing to a subsidiary	6,512	6,512	6,512	-	-
	8,307	8,307	8,307	-	-
2014					
Non-derivative Financial Liabilities					
Other payables and accruals	1,053	1,053	1,053	-	-
Amount owing to a subsidiary	5,001	5,001	5,001	-	-
	6,054	6,054	6,054	-	-

30.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

As the Group does not have any borrowings from financial institutions, the debt-to-equity ratio is not presented as it does not provide a meaningful indicator of risk of borrowings.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) more than 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Available-for-sale Financial Asset				
Other investment (Note 10)	15,241	12,998	-	-
Loans and Receivables Financial Assets				
Trade receivables (Note 12)	76,944	72,269	-	-
Other receivables and deposits (Note 13)	5,294	20,005	10	7
Amount owing by a subsidiary (Note 14)	-	-	630	505
Fixed deposits with licensed banks (Note 15)	397	338	-	-
Cash and bank balances	54,718	20,528	410	375
	137,353	113,140	1,050	887
Financial Liabilities				
Other Financial Liabilities				
Trade payables (Note 18)	5,697	7,167	-	-
Other payables and accruals (Note 19)	4,987	5,280	1,795	1,053
Amount owing to a subsidiary (Note 14)	-	-	6,512	5,001
	10,684	12,447	8,307	6,054

30.4 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statements of financial position.

The fair values of the financial assets and financial liabilities of the Group and the Company maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

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

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

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RM'000	RM'000	RM'000	RM'000
Total retained profits/ (accumulated losses) of the Company and its subsidiaries:				
- realised	(143,678)	(145,665)	(245,710)	(243,940)
- unrealised	(809)	(291)	(939)	(619)
	(144,487)	(145,956)	(246,649)	(244,559)
Less: Consolidation adjustments	229,648	229,359	-	-
At 31 December	85,161	83,403	(246,649)	(244,559)

LIST OF PROPERTIES HELD BY THE GROUP
AT 31 DECEMBER 2015

Location	Description	Area	Use of the land / building	Tenure	Net Book Value	
					RMB '000	RM'000
Huaying Village, Lili Town, Wujiang City, Jiangsu Province, PRC (Now known as Fenhu Economic Development Zone, Wujiang City, Jiangsu Province, PRC)	Land	81,790 square meters	Industrial	50 years expiring on 20/4/2056	11,428	7,554
	Factory Building and employees' dormitory	30,195 square meters	Industrial	50 years expiring on 20/4/2057	35,710	23,604
Wujiang City Chamber of Commerce Center Ren Min Lu Nan Chang An Lu Xi	One floor of Wujiang City Chamber of Commerce Center	1,500 square meters	Office	Work-in-progress	6,750	4,462

Notes:-

* The exchange rate used in the translation of the above financial information is summarised as below:-
Closing rate RMB 1: RM0.6610 at 31 December 2015

ANALYSIS OF SHAREHOLDINGS AT 15 APRIL 2016

Share Capital	:	RM1,000,000,000.00
Issued and Paid-up Share Capital	:	RM394,899,303.60
Class of Shares	:	Ordinary Shares of RM0.20 each
Voting Right	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Holders		Number of Shares		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	153	-	4,938	-	-	-
100 – 1000	681	4	322,825	1,875	0.02	-
1,001 – 10,000	771	14	4,637,006	77,000	0.23	-
10,001 – 100,000	1,541	25	72,864,735	825,500	3.69	0.04
100,001 to less than 5%	574	10	379,798,139	90,339,500	19.24	4.58
5% and above	-	1	-	1,425,625,000	-	72.20
Total	**3,720**	**54**	**457,627,643**	**1,516,868,875**	**23.18**	**76.82**

SUBSTANTIAL SHAREHOLDERS (Based on the Register of Substantial Shareholders)

	Direct		Indirect	
Name	Number of Shares	% of Issued Share Capital	Number of Shares	% of Issued Share Capital
Gifted Investments Limited	1,425,625,000	72.20	-	-
Pan Ding	-	-	1,425,625,000*	72.20
Pan Dong	-	-	1,425,625,000*	72.20

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

Pan Ding	-	-	1,425,625,000*	72.20
Pan Dong	-	-	1,425,625,000*	72.20

Note:
** Deemed interested through Gifted Investments Limited by virtue of Section 6A of the Companies Act, 1965*

ANALYSIS OF SHAREHOLDINGS AS AT 15 APRIL 2016

THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholders	Number of Shares	%
1	Gifted Investments Limited	1,425,625,000	72.20
2	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN For Deutsche Bank AG Singapore (Maybank SG PWM)	88,419,985	4.48
3	HSBC Nominees (Asing) Sdn Bhd Exempt AN For BNP Paribas Wealth Management Singapore Branch (A/C Clients - FGN)	66,640,900	3.38
4	Tan Yu Wei	17,928,700	0.91
5	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Saw Soon Yee (Penang-CL)	16,000,000	0.81
6	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	9,500,100	0.48
7	Hsu, Ching-Fu	7,356,700	0.37
8	Wong Foong Mooi	4,230,100	0.21
9	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loh Ng Kwa @ Loh Ng Kaw	3,960,500	0.20
10	Lim Kian Huat	3,639,300	0.18
11	Lee Beng Yeow	3,577,500	0.18
12	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Goh Mei Yuin	3,510,000	0.18
13	Kwok Khek Sin	3,501,000	0.18
14	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Arthur Yap Chee Keong	3,451,000	0.17
15	Lee Chee Heang	3,450,000	0.17
16	Tan Yu Yeh	3,290,000	0.17
17	Wong Foong Yoke	3,250,000	0.16
18	Lim Kim Seng	3,000,000	0.15
19	Lim Mooi Tean	3,000,000	0.15
20	Chuah Tiong Pan	2,970,000	0.15
21	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Saw Kong Beng (Penang-CL)	2,618,500	0.13
22	Lim Chun Seen	2,378,000	0.12
23	CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Geok Wah (B BRKLANG-CL)	2,318,400	0.12
24	Kwok Chee Chin	2,259,200	0.11
25	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Goh Tor Tong (E-PPG)	2,200,000	0.11
26	Go Suu Ken	2,100,025	0.11
27	Citigroup Nominees (Asing) Sdn Bhd Exempt AN For UBS AG Singapore (Foreign)	2,077,500	0.11
28	Lekok Plantation Sdn. Bhd.	2,000,000	0.10
29	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ong Yoke Chee	2,000,000	0.10
30	Yong Loo Kim	1,955,100	0.10

SINOTOP HOLDINGS BERHAD (114842-H)

(Incorporated in Malaysia)

NOTICE OF THE THIRTY-SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Second Annual General Meeting of the Company will be held at Tawau Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on 26 May 2016 at 2.30 p.m. for the following business:

AGENDA	Resolution No.
1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Directors' and Auditors' Reports thereon.	
2. To re-elect the following Directors who retire in accordance with Article 77 of the Company's Articles of Association:	
(a) Mr. Low Yan Seong	1
(b) Encik Wan Kamarul Zaman Bin Wan Yaacob	2
3. To appoint Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	3
4. As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:	
ORDINARY RESOLUTION - AUTHORITY TO ISSUE SHARES	4
"THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being."	
5. To transact any other business for which due notice shall have been given.	

BY ORDER OF THE BOARD

KANG SHEW MENG
SEOW FEI SAN
SECRETARIES

PETALING JAYA

29 April 2016

Notes:

(i) **Proxy**

1. Only depositors whose names appear in the Record of Depositors as at 20 May 2016 shall be regarded as members and entitled to attend, speak and vote at the Meeting.

2. A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his / her behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

3. The instrument appointing a proxy must be deposited at the registered office of the Company at 802, 8th Floor, Block C, Kelana Square, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for the Meeting.

4. A member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. The provision of Section 149(c) of the Companies Act, 1965 shall apply to the Company.

5. Where a member appoints more than one proxy (subject always to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he / she specifies the proportions of his / her holdings to be represented by each proxy.

6. In the case of a corporate member, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.

7. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

8. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

9. Any alteration in proxy form must be initialed.

(i) Explanatory Notes on Special Business

- **ORDINARY RESOLUTION NO. 4**

  The proposed Ordinary Resolution 4, if passed, will empower the Directors of the Company to issue not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

  As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Thirty-First Annual General Meeting held on 23 June 2015 and which will lapse at the conclusion of the Thirty-Second Annual General Meeting.

  The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

SINOTOP HOLDINGS BERHAD (114842-H)

(Incorporated in Malaysia)

FORM OF PROXY

CDS ACCOUNT NUMBER	NO. OF SHARES HELD

I/We……

(BLOCK LETTERS) NRIC No./Company No. ……..of being (a) Member(s) of SINOTOP HOLDINGS BERHAD (114842-H) hereby appoint the following person(s):

	NAME OF PROXY / NRIC NUMBER		No. of shares to be represented by proxy
1.			
2.			
Or failing him/her,			
1.			
2.			

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirty Second Annual General Meeting of the Company to be held at Tawau Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on 26 May 2016 at 2.30 p.m. and at any adjournment thereof and to vote as indicated below:-

Resolution No.	FOR	AGAINST
1		
2		
3		
4		

Please indicate with an “X” in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this ..... day of .....……., 2016

Signature / Seal of Member

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 20 May 2016 shall be regarded as members and entitle to attend, speak and vote at the Meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. The instrument appointing a proxy must be deposited at the registered office of the Company at 802, 8th Floor, Block C, Kelana Square, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for the meeting.
4. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. The provision of Section 149(c) of the Companies Act, 1965 shall apply to the Company.
5. Where a member appoints more than one proxy (subject always to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
6. In the case of a corporate member, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
7. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act,1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
8. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
9. Any alteration in this form must be initialed.

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STAMP

The Company Secretary

SINOTOP HOLDINGS BERHAD (114842-H)

802, 8th Floor, Block C
Kelana Square, 17 Jalan SS 7/26
47301 Petaling Jaya
Selangor Darul Ehsan

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SINOTOP HOLDINGS BERHAD (114842-H)

802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan