



SINOTOP HOLDINGS BERHAD

(114842-H)

(Incorporated In Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2012

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS		CUMULATIVE 6 MONTHS	
	CURRENT YEAR QUARTER ENDED 30/6/2012 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30/6/2011 RM'000 (Unaudited)	CURRENT YEAR TO DATE ENDED 30/6/2012 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30/6/2011 RM'000 (Unaudited)
Revenue	42,442	36,015	69,248	68,156
Operating expenses	(41,557)	(33,591)	(67,750)	(64,450)
Other operating income	469	649	520	858
Profit from operations	1,354	3,073	2,018	4,564
Finance costs	(339)	(344)	(596)	(650)
Profit before taxation	1,015	2,729	1,422	3,914
Taxation	(87)	(278)	(204)	(499)
Profit for the financial period	928	2,451	1,218	3,415
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	4,783	1,098	(469)	242
Total comprehensive income for the period	5,711	3,549	749	3,657
Profit attributable to:				
Equity holders of the parent	928	2,451	1,218	3,415
Minority interest	-	-	-	-
	928	2,451	1,218	3,415
Total comprehensive (expense) / income attributable to:				
Equity holders of the parent	5,711	3,549	749	3,657
Minority interest	-	-	-	-
	5,711	3,549	749	3,657
Profit per ordinary share (sen):				
- Basic	0.05	0.12	0.06	0.17
- Diluted	N/A	N/A	N/A	N/A

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

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT SECOND QUARTER ENDED 30/6/2012 RM'000 UNAUDITED	AS AT FINANCIAL YEAR ENDED 31/12/2011 RM'000 AUDITED
ASSETS		
Non-current assets		
Property, Plant and Equipment	55,366	58,045
Land use rights	6,153	6,173
Other Investments	10,463	3,398
	71,982	67,616
Current Assets		
Land use rights	70	140
Inventories	13,769	13,233
Trade and other receivables	70,745	74,704
Cash and cash equivalents	28,460	34,388
	113,044	122,465
Total assets	185,026	190,081
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	394,899	394,899
Statutory reserve	13,964	13,822
Reverse take over reserve	(328,124)	(328,124)
Foreign currency translation	4,162	4,631
Retained profits	76,068	74,992
Total equity	160,969	160,220
Non-current liabilities		
Interest-bearing liabilities	-	-
Total non-current liabilities	-	-
Current Liabilities		
Trade and other payables	11,212	9,819
Interest-bearing liabilities	12,546	19,784
Income tax payable	299	258
Total current liabilities	24,057	29,861
Total liabilities	24,057	29,861
Total equity and liabilities	185,026	190,081
Net assets per share (RM)	0.08	0.08

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

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR

	SECOND QUARTER ENDED 30/6/2012 RM'000 UNAUDITED	PRECEDING FINANCIAL YEAR ENDED 31/12/2011 RM'000 AUDITED
OPERATING ACTIVITIES		
Profit before taxation	1,422	8,030
Depreciation	2,766	5,022
Amortisation of land use right	34	132
Allowance for impairment losses	-	2,322
Impairment loss of inventories	-	171
Gain on disposal of property, plant and equipment	-	(258)
Waiver of debts	-	(237)
Writeback of allowance for impairment losses on trade receivables	-	(365)
Non-operating items		
- interest expenses	585	1,151
- interest income	(71)	(179)
Changes in working capital		
- Inventories	(536)	2,987
- Trade and other receivables	3,959	2,667
- Trade and other payables	1,393	(9,616)
Cash generated from operations	<u>9,552</u>	<u>11,827</u>
Interest paid on borrowing	(585)	(1,151)
Tax paid	(164)	(1,484)
Net cash generated from operating activities	<u>8,803</u>	<u>9,192</u>
INVESTING ACTIVITIES		
Capital expenditure	(349)	(3,780)
Interest received	71	179
Investment in unquoted shares	(7,065)	(3,398)
Proceeds from disposal of property, plant and equipment	-	258
Net cash used in investing activities	<u>(7,343)</u>	<u>(6,741)</u>
FINANCING ACTIVITIES		
Repayment of interest-bearing liabilities	(7,239)	(17,371)
Drawdown of interest-bearing liabilities	-	20,073
Net cash generated from financing activities	<u>(7,239)</u>	<u>2,702</u>
Increase in cash and cash equivalents	(5,779)	5,153
Foreign exchange translation differences	(149)	2,492
Cash and cash equivalents at beginning of the year	34,388	26,743
Cash and cash equivalents at end of the period	<u>28,460</u>	<u>34,388</u>

Note :

() Denotes cash outflow

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

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<----- Non distributable ----->					Distributable Unappropriated Profits RM '000	Total Equity RM '000
	Share Capital RM '000	Reverse take-over reserve RM '000	Statutory reserve RM '000	Foreign currency translation reserves RM '000			
Balance at 1/1/2012 (audited)	394,899	(328,124)	13,822	4,631	74,992	160,220	
Total comprehensive income/(expenses) for the financial year	-	-	-	(469)	1,218	749	
Transfer to statutory reserve	-	-	142	-	(142)	-	
Profit from operations							
Balance at 30/6/2012 (Unaudited)	394,899	(328,124)	13,964	4,162	76,068	160,969	

SINOTOP HOLDINGS BERHAD

QUARTERLY REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Report Standard (“FRS”) 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the Main Market.

The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year ended 31 December 2011.

A2. CHANGES IN ACCOUNTING POLICIES

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

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 1 (Revised) First-time Adoption of Financial Reporting Standards

FRS 3 (Revised) Business Combinations

FRS 127 (Revised) Consolidated and Separate Financial Statements

Amendments to FRS 1 (Revised): Limited Exemption from Comparative
FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1 (Revised): Additional Exemptions for First-time
Adopters

Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)

Amendments to FRS 2: Group Cash-settled Share-based Payment
Transactions

Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary

Amendments to FRS 7: Improving Disclosures about Financial Instruments

Amendments to FRS 138: Consequential Amendments Arising from FRS 3
(Revised)

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

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

A2. CHANGES IN ACCOUNTING POLICIES (CONT ' D)

FRSs and IC Interpretations (including the Consequential Amendments) (Cont'd)

IC Interpretation 17 Distributions of Non-cash Assets to Owners

IC Interpretation 18 Transfers of Assets from Customers

Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3
(Revised)

Annual Improvement to FRSs (2010)

The adoption of the above accounting standards and interpretations (including consequential amendments) does not have any significant financial impact on the Group's financial statements other than the following:-

- i. FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred.

The Group has applied FRS 3 (Revised) prospectively. Accordingly, business combinations entered into prior to 1 January 2011 have not been adjusted to comply with this revised standard.

- ii. FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, whilst maintaining control, to be recognized as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interests to be absorbed by the non-controlling interests instead of by the parent.

The Group has applied the major changes of FRS 127 (Revised) prospectively during the current financial year with no financial impact on the financial statements of the Group but may impact the accounting for future transactions or arrangements.

- iii. Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy.
- iv. Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes.

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

A2. CHANGES IN ACCOUNTING POLICIES (CONT ' D)

The amendments to FRS 101 (Revised) clarify that an entity may choose to present the analysis of the items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present the items of other comprehensive income in the statement of changes in equity.

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

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Disclosures - Transfers of Financial Assets	1 January 2012
Amendments to FRS 7 : Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transitional Disclosures	1 January 2015
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 132 : Offsetting Financial Assets and Financial Liabilities	1 January 2014

A2. CHANGES IN ACCOUNTING POLICIES (CONT ' D)

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
IC Interpretation 15 Agreements for the Construction of Real Estate	Withdrawn on 19 November 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011

- c) Following the issuance of MFRSs (equivalent to IFRSs) by the MASB on 19 November 2011, the Group will be adopting the new accounting standards in the current financial year. The Group is currently in the process of assessing the impact of the adoption of these new accounting standards and the directors do not expect any significant impact on the financial statements arising from the adoption.

A3. AUDITORS' REPORT

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

A4. SEASONAL OR CYCLICAL FACTORS

The Group continues to face pressure from the global economy uncertainties from the US and Europe which affect demand from downstream players (mainly garment manufacturers that are export-oriented) over its fabric products. Nevertheless, the Board is of the view that after the consolidation phase currently experienced by the textile industry, the Group will be able to post better results.

A5. EXCEPTIONAL ITEMS

Not applicable.

A6. CHANGES IN ESTIMATES

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

A7. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

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

A8. DIVIDEND

There were no dividends paid for the financial period ended 30 June 2012.

A9. SEGMENTAL INFORMATION

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

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

Geographical Segments

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

	Individual Quarter		Cumulative 6 Months	
	Current Quarter	Preceding Year	Current Year	Preceding Year
	Ended	Corresponding	To Date	Corresponding
	30 June 2012	Quarter Ended	Ended	Period Ended
	RM'000	30 June 2011	30 June 2012	30 June 2011
		RM'000	RM'000	RM'000
Revenue				
Domestic Sales	39,040	30,175	63,103	57,909
Overseas Sales	3,402	5,840	6,145	10,247
Total	42,442	36,015	69,248	68,156

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

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Not applicable

A11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

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

A13. CHANGES IN CONTINGENT LIABILITIES / ASSETS

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

A14. CAPITAL COMMITMENTS

	RM '000
Approved and contracted for :	
Purchase of property, plant and equipment	202

A15. FOREIGN CURRENCY TRANSLATION

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

	As at Second Quarter Ended 30/6/2012	As at Financial Year Ended 31/12/2011
Condensed consolidated statement of comprehensive income		
Based on average rates for the financial period/year RMB1.00 to RM	0.4879	0.4741
Condensed consolidated statement of financial position		
Based on closing rates for the financial period/year RMB1.00 to RM	0.5018	0.5034

A16. SIGNIFICANT RELATED PARTY TRANSACTION

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

SINOTOP HOLDINGS BERHAD

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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

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

Current quarter and financial period

The current quarter and cumulative quarter revenue of RM42.4 million and RM69.2 million respectively comprise the revenue from the production and sales of customized woven loom-state fabrics made from cotton, synthetic and mixed yarn.

Sales revenue increased by RM15.6 million compared to the preceding quarter due to higher sales volume recorded.

The Group recorded profit after taxation of RM0.9 million for the current quarter and RM1.2 million for the current financial period ended 30 June 2012 respectively.

The profit after taxation for the current quarter increased by RM0.3 million compared to the preceding quarter is primarily due to higher sales volume of the Group's fabric products as well as higher other operating income generated in the current quarter.

Comparison between the current quarter and the corresponding quarter in the preceding financial year

For the current quarter ended 30 June 2012, the Group recorded revenue of RM42.4 million, an increased of RM6.4 million compared to the revenue of RM36.0 million recorded in the corresponding quarter ended 30 June 2011. The increase of 17.8% in revenue is due to higher sales volume registered in the current quarter from sales of the Group's fabric products.

Profit after taxation for the Group decreased by 62.1% or RM1.6 million compared to the corresponding quarter ended 30 June 2011, mainly attributed to higher operating expenses (primarily costs of sales) recorded in the current quarter compared to the corresponding quarter ended 30 June 2011.

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

The increase of RM0.6 million in the Group's profit before taxation for the current quarter at RM1.0 million as compared to the preceding quarter's profit before tax of RM0.4 million is due mainly to higher sales volume of the Group's products.

B3. CURRENT YEAR PROSPECTS

The Group remains cautious though it observes improvement in terms of revenue and earnings compared to the preceding quarter. Uncertainties in the global economic outlook and higher operating costs especially wages and utilities will continue to weight on the Group's sales revenue and earnings. Nevertheless, the Group will continue to utilize its financial and operational resources efficiently to generate more satisfactory financial results.

In addition, the Board believes that after the completion of the consolidation phase experienced by the textile industry in China, eventually the business conditions will improve and able to maintain a satisfactory financial performance.

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

The Group has not provided any profit forecast or profit guarantee during the financial period ended 30 June 2012.

B5. TAXATION

	Individual Quarter		Cumulative 6 Months	
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Financial Year Ended
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Tax on profit for the year	87	278	204	499

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

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

- (a) the enterprise income tax rate of a subsidiary in the People's Republic of China ("PRC") remains at 12.5%;
- (b) the subsidiary incorporated in The British Virgin Islands ("BVI") is not subject to any corporate tax; and
- (c) the holding company was in a tax loss position.

B6. STATUS OF CORPORATE PROPOSALS

The Corporate Proposals in respect of the acquisition of Be Top Group Limited and its subsidiary, namely Top Textile (Suzhou) Co. Ltd. (collectively referred to as the "Be Top Group") for a total consideration of RMB755.0 million (or RM393,229,168) ("Assets Injection") from Mr. Pan Ding and Mr. Pan Dong ("Vendors") and Renounceable Rights Issue on the basis of ten (10) right shares for every one (1) existing Sinotop Share held in Sinotop ("Rights Issue") were completed on 3 August 2010. To date, RM41.458 million has been utilised with RM19.174 million remain unutilised.

The Board of Directors of Sinotop ("Board") announced that the Board has revised the original proposed utilisation of the proceeds raised from the rights issue with regard to the unutilised portion of RM19.174 million out of the total proceeds of RM60.632 million, for an extended utilisation timeframe of two (2) years commencing immediately from the expiry of the original 2-year timeframe in August 2012.

The authority to revise the utilisation of RI Proceeds has been granted by the shareholders to the Board at the Extraordinary General Meeting held on 12 January 2010.

There were no corporate proposals announced or outstanding as at the date of this report.

B7. BORROWINGS

The Group's bank borrowings as at 30 June 2012 were as follows:-

	As at Financial Period Ended 30/6/2012 RM '000	As at Financial Year Ended 31/12/2011 RM '000
Interest-bearing liabilities (denominated in RMB):		
-Secured	8,029	14,750
-Unsecured	4,516	5,034
	12,545	19,784

B8. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B9. CHANGES IN MATERIAL LITIGATION

The Group does not have any material litigation.

B10. PROPOSED DIVIDEND

The Board does not recommend the payment of any dividend for the financial period ended 30 June 2012.

B11. EARNINGS PER SHARE

	Current year quarter ended 30/6/2012 RM '000	Current Financial period ended 30/6/2012 RM '000
a) Basic earnings per share		
Net profit attributable to equity holders of the Company	928	1,218
Weighted average number of ordinary shares ('000)	1,974,496	1,974,496
Basic earnings/(loss) per share (sen)	<u>0.05</u>	<u>0.06</u>

b) Diluted earnings per share

The Company does not have any diluted earnings per share.

B12. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the group as at 30 June 2012, into realised and unrealised profits is as follows:-

	As at Second Quarter Ended 30/6/2012 RM '000	As at Financial Year Ended 31/12/2011 RM '000
- Realised	76,105	70,719
- Unrealised	(37)	4,274
Total retained earnings of the Group	<u>76,068</u>	<u>74,993</u>
Less: Consolidation adjustments	<u>-</u>	<u>-</u>
Total retained earnings as per condensed consolidated statement of changes in equity	<u>76,068</u>	<u>74,993</u>

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

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

B13. PROFIT BEFORE TAXATION

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

Financial period /year ended	Current Year Quarter Ended 30 June 2012 RM'000	Cumulative Quarters Ended 30 June 2012 RM'000
Amortisation of land use rights	12	34
Depreciation of property, plant and equipment	1,857	2,766
Interest expense	392	585
(Gain) / loss on foreign exchange		
-realised	-	-
-unrealised	37	37
Interest income	(21)	(71)