



SINOTOP HOLDINGS BERHAD

(114842-H)

(Incorporated In Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2013

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INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS		CUMULATIVE	
	CURRENT YEAR QUARTER ENDED 30/6/2013 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30/6/2012 RM'000 (Audited)	CURRENT YEAR TO DATE ENDED 30/6/2013 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30/6/2012 RM'000 (Audited)
Revenue	41,570	42,442	72,269	69,248
Operating expenses	(39,803)	(41,557)	(70,776)	(67,750)
Other operating income	244	469	782	520
Profit from operations	2,011	1,354	2,275	2,018
Finance costs	(64)	(339)	(189)	(596)
Profit before taxation	1,947	1,015	2,086	1,422
Taxation	(531)	(87)	(629)	(204)
Profit for the financial period	1,416	928	1,457	1,218
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	8,818	4,783	8,818	(469)
Total comprehensive income for the period	10,234	5,711	10,275	749
Profit attributable to:				
Equity holders of the parent	1,416	928	1,457	1,218
Minority interest	-	-	-	-
	1,416	928	1,457	1,218
Total comprehensive income attributable to:				
Equity holders of the parent	10,234	5,711	10,275	749
Minority interest	-	-	-	-
	10,234	5,711	10,275	749
Earnings per share (sen) :				
- Basic	0.07	0.05	0.07	0.06
- Diluted	N/A	N/A	N/A	N/A

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/6/2013 RM'000 UNAUDITED	AS AT 31/12/2012 RM'000 AUDITED (RESTATED)	AS AT 1/1/2012 RM'000 AUDITED (RESTATED)
ASSETS			
Non-current assets			
Property, Plant and Equipment	51,541	51,177	58,045
Land use rights	6,054	5,883	6,173
Other Investments	10,784	10,235	3,398
	68,379	67,295	67,616
Current Assets			
Land use rights	144	136	140
Short-term investment	-	7,364	-
Inventories	17,945	11,759	13,233
Trade and other receivables	74,111	71,154	74,703
Cash and cash equivalents	40,610	30,859	34,389
	132,810	121,272	122,465
Total assets	201,189	188,567	190,081
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital	394,899	394,899	394,899
Statutory reserve	14,610	14,420	13,822
Reverse take over reserve	(328,124)	(328,124)	(328,124)
Foreign currency translation reserve	12,403	3,585	7,570
Retained profits	77,556	76,289	72,054
Total equity	171,344	161,069	160,221
Non-current liabilities			
Interest-bearing liabilities	7,758	7,364	-
Total non-current liabilities	7,758	7,364	-
Current Liabilities			
Trade and other payables	14,827	12,254	9,818
Interest-bearing liabilities	7,758	7,364	19,784
Income tax payable	(498)	516	258
Total current liabilities	22,087	20,134	29,860
Total liabilities	29,845	27,498	29,860
Total equity and liabilities	201,189	188,567	190,081
Net assets per share (RM)	0.09	0.08	0.08

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	SECOND QUARTER ENDED 30/6/2013 RM'000 UNAUDITED	PRECEDING FINANCIAL YEAR ENDED 31/12/2012 RM'000 AUDITED
OPERATING ACTIVITIES		
Profit before taxation	2,086	5,894
Adjustments for :-		
Depreciation	2,693	5,952
Amortisation of land use right	139	136
Allowance for impairment losses	-	859
Impairment loss on unquoted investment	-	-
Gain on disposal of plant and equipment	-	(27)
Write-back of allowance for impairment losses on trade receivables	-	(1,281)
Non-operating items		
- interest expenses	180	726
- interest income	(241)	(126)
Changes in working capital		
- Inventories	(6,768)	1,141
- Trade receivables and other receivables	(5,673)	3,551
- Trade and other payables	645	2,639
Cash generated from operations	<u>(6,939)</u>	<u>19,464</u>
Interest paid on borrowing	(180)	(726)
Tax paid	(1,608)	(829)
Net cash generated from operating activities	<u>(8,727)</u>	<u>17,909</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(67)	(566)
Interest received	241	126
Proceeds from disposal of property, plant and equipment	-	49
Redemption of short-term investment	6,815	(14,236)
Net cash used in investing activities	<u>6,989</u>	<u>(14,627)</u>
FINANCING ACTIVITIES		
Net (repayment)/drawdown of bank loans	-	(4,549)
Net cash generated from financing activities	<u>-</u>	<u>(4,549)</u>
Increase in cash and cash equivalents	(1,738)	(1,267)
Foreign exchange translation differences	11,489	(2,262)
Cash and cash equivalents at beginning of the year	30,859	34,388
Cash and cash equivalents at end of the period	<u>40,610</u>	<u>30,859</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 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Non distributable				Foreign currency translation reserves	Distributable Unappropriated Profits	Total Equity
	Share Capital	Reverse take-over reserve	Statutory reserve				
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Balance at 1/1/2012 (restated)	394,899	(328,124)	13,822	7,570	72,054	160,221	
Total comprehensive income/(expenses) for the financial year	-	-	-	(3,985)	4,833	848	
Transfer to statutory reserve	-	-	598	-	(598)	-	
Balance at 31/12/2012 (restated)	394,899	(328,124)	14,420	3,585	76,289	161,069	

	Non distributable				Foreign currency translation reserves	Distributable Unappropriated Profits	Total Equity
	Share Capital	Reverse take-over reserve	Statutory reserve				
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Balance at 1/1/2013	394,899	(328,124)	14,420	3,585	76,289	161,069	
Total comprehensive income/(expenses) for the financial year	-	-	-	8,818	1,457	10,275	
Transfer to statutory reserve	-	-	190	-	(190)	-	
Balance at 30/6/2013 (Unaudited)	394,899	(328,124)	14,610	12,403	77,556	171,344	

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



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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2013
PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

A1. BASIS OF PREPARATION

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting, and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

These explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

A2. SIGNIFICANT ACCOUNTING POLICIES

During the financial period, the Group has adopted the following standards, amendments and IC interpretations issued by the Malaysian Accounting Standards Board:

MFRSs and IC Interpretations (Including The Consequential Amendments)		Effective Date
Amendments to MFRS 1	: Annual Improvements 2009-2011 Cycle	1 Jan 2013
Amendments to MFRS10	: Consolidated Financial Statements	1 Jan 2013
Amendments to MFRS12	: Disclosure of Interests in Other Entities	1 Jan 2013
Amendments to MFRS101	: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS101	: Annual Improvements 2009-2011 Cycle	1 Jan 2013
MFRS 10	: Consolidated Financial Statements	1 Jan 2013
MFRS 12	: Disclosure of Interests in Other Entities	1 Jan 2013
MFRS 13	: Fair Value Measurement	1 Jan 2013
MFRS 119	: Employee Benefits (IAS 19 as amended by IASB in May 2011)	1 Jan 2013
MFRS 127	: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 Jan 2013
MFRS 128	: Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013

The adoption of the above MFRSs, IC Interpretation and Amendments to MFRSs did not have any significant financial impact to the Group.

A3. AUDITORS' REPORT

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



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A4. SEASONAL OR CYCLICAL FACTORS

The Group's sales of fabric products are subject to a certain degree of seasonality effect, as many of its customers are downstream players, ie mainly export-oriented garment manufacturers. Sales of the Group's fabric products are affected by factors such as change in fashion trends, consumer taste and surge in demand ahead of festive seasons.

In addition, the lingering effect of global economy crisis is still affecting the Group's financial performance that has caused contraction of demand over apparels and clothing products from the Group's customers compared to times before eruption of the European Debt Crisis. Consumer sentiment is also an important factor in the sense that they might adopt a more cautious stance while planning their spending.

Nonetheless, the Board sees improvement in the Group's financial performance. The Group is able to ride on its competitive advantage to secure more sales in the export segment, as seen by the increase in export sales.

A5. EXCEPTIONAL ITEMS

Not applicable.

A6. CHANGES IN ESTIMATES

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

A7. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

A8. DIVIDEND

There were no dividends paid for the financial period ended 30 June 2013.

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 Ended 30/6/2013 RM'000	Preceding Year Corresponding Quarter Ended 30/6/2012 RM'000	Current Year To Date Ended 30/6/2013 RM'000	Preceding Year Corresponding Period Ended 30/6/2012 RM'000
Revenue				
Domestic Sales	30,134	39,040	57,641	63,103
Overseas Sales	11,436	3,402	14,628	6,145
Total	41,570	42,442	72,269	69,248



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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.

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	3,706

A15. FOREIGN CURRENCY TRANSLATION

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

	As at Quarter Ended 30/6/2013	As at Financial Year Ended 31/12/2012
Condensed consolidated statement of comprehensive income Based on average rates for the financial period/year RMB1.00 to RM	0.5007	0.4892
Condensed consolidated statement of financial position Based on closing rates for the financial period/year RMB1.00 to RM	0.5172	0.4909

A16. SIGNIFICANT RELATED PARTY TRANSACTION

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



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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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

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

REVENUE

During the current quarter, being the second quarter of the financial year ending 31 December 2013, the Group recorded revenue of RM41.6 million, generated from the manufacturing and sales of customized woven loom-state fabrics made from cotton, synthetic and mixed yarn.

Sales revenue however decreased by RM0.87 million compared to the corresponding quarter in the preceding financial year due to lower domestic market sales registered in the current quarter. Domestic market sales dropped by RM8.91 million in the current quarter as opposed to RM39.04 million recorded in the second quarter of financial year 2012. However, the effect of decrease in the domestic sales was offset by an increase in the export sales registered in the current quarter. The current quarter export sales increased by RM8.03 million to RM11.44 million compared to the corresponding quarter in financial year 2012. Better performance in the export sales had indeed offset approximately 90% of the effect of drop in the domestic sales in the current quarter.

Increase in the export sales in the current quarter is due to higher demand over the Group's fabric products from the overseas market.

PROFIT AFTER TAXATION

The Group recorded profit after taxation of RM1.42 million for the current quarter.

The profit after taxation for the current quarter increased by RM0.488 million compared to the corresponding quarter for the financial year ended 31 December 2012. This is primarily due to improved operating efficiency achieved in the current quarter (lower operating expenses incurred in the current quarter).

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

The Group registered a profit before taxation of RM1.95 million compared to the profit before tax of RM139,000 recorded in the immediate preceding quarter. Higher sales revenue, coupled with lower operating expenses and finance costs contributed to the increase in the pre-tax profit of the current quarter compared to the immediate preceding quarter.

B3. PROSPECTS

The Group is positive towards the improved sales revenue and profit after tax achieved in the current quarter compared to the immediate preceding quarter ended 31 March 2013. It will continue to strive for higher operating efficiency to improve the profit margin, albeit facing challenges of the generally up-trending wages and utilities cost in the current operating environment.

However, uncertainty over the recovery of global economy, coupled with higher operating costs, especially wages and utilities, are factors affecting the Group's financial performance.



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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 2013.

B5. TAXATION

	Individual Quarter	Preceding Year	Cumulative	Preceding
	Current Quarter	Corresponding	Current Year	Financial
	Ended	Quarter	To Date	Year
	30 June 2013	Ended	Ended	Ended
	30 June 2013	30 June 2012	30 June 2013	31 December
	RM'000	RM'000	RM'000	2012
	RM'000	RM'000	RM'000	RM'000
Tax on profit for the year	531	87	629	1,061

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") is 25%.
- (b) the subsidiary incorporated in The British Virgin Islands ("BVI") is not subject to any corporate tax; and BeTop.
- (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 and RM19.174 million remain utilised.

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.

As at 30 June 2013, the Group has utilized RM17.081 million as working capital and RM2.093 million remained unutilized.

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



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B7. BORROWINGS

The Group's bank borrowings as at 30 June 2013 were as follows:-

	As at Financial Period Ended 30/6/2013 RM '000	As at Financial Year Ended 31/12/2012 RM '000
Interest-bearing liabilities (denominated in RMB):		
-Secured	15,516	14,728
-Unsecured	-	-
	15,516	14,728

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 2013.

B11. EARNINGS PER SHARE

	Current year quarter ended 30/6/2013 RM '000	Preceding financial year ended 31/12/2012 RM '000
a) Basic earnings per share		
Net profit/(loss) attributable to equity holders of the Company	1,416	4,833
Weighted average number of ordinary shares ('000)	1,974,496	1,974,496
Basic earnings per share (sen)	<u>0.07</u>	<u>0.24</u>

b) Diluted earnings per share

The Company does not have any diluted earnings per share.



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B12. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 30 June 2013, into realised and unrealised profits is as follows:-

	As at Second Quarter Ended 30/6/2013 RM '000	As at Financial Year Ended 31/12/2012 RM '000
- Realised	(152,092)	(153,359)
- Unrealised	-	-
Less: Consolidation adjustments	<u>229,648</u>	<u>229,648</u>
Total retained earnings as per condensed consolidated statement of changes in equity	<u>77,556</u>	<u>76,289</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 2013 RM'000	Cumulative Quarters Ended 31 December 2012 RM'000
Amortisation of land use rights	70	136
Depreciation of property, plant and equipment	2,693	5,952
Interest expense	180	726
Interest income	(241)	(126)
Gain on disposal of property, plant and equipment	-	27
Writeback of allowance for impairment losses on trade receivables	-	(1,281)