



SINOTOP HOLDINGS BERHAD

(114842-H)

(Incorporated In Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2015

CONTENTS

1. Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
2. Unaudited Condensed Consolidated Statement of Financial Position
3. Unaudited Condensed Consolidated Statement of Cash Flows
4. Unaudited Condensed Consolidated Statements of Changes in Equity
5. Explanatory Notes
 - (i) Part A – Explanatory Notes Pursuant to MFRS134
 - (ii) Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE

	3 MONTHS		CUMULATIVE 6 MONTHS	
	CURRENT YEAR QUARTER ENDED 30/6/2015 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30/6/2014 RM'000 (Audited)	CURRENT YEAR TO DATE ENDED 30/6/2015 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30/6/2014 RM'000 (Audited)
Revenue	38,273	43,028	73,664	71,986
Operating expenses	(38,486)	(41,804)	(73,085)	(69,293)
Other operating income	193	254	549	553
Profit from operations	(20)	1,478	1,128	3,246
Finance costs	(2)	2	(6)	(3)
Profit before taxation	(22)	1,480	1,122	3,243
Taxation	(44)	(401)	(410)	(829)
(Loss)/Profit for the financial period	(66)	1,079	712	2,414
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	3,711	(2,709)	16,107	(8,542)
Total comprehensive income for the period	3,645	(1,630)	16,819	(6,128)
(Loss)/Profit attributable to:				
Equity holders of the parent	(66)	1,079	712	2,414
Minority interest	-	-	-	-
	(66)	1,079	712	2,414
Total comprehensive income attributable to:				
Equity holders of the parent	3,645	(1,630)	16,819	(6,128)
Minority interest	-	-	-	-
	3,645	(1,630)	16,819	(6,128)
(Loss)/Earnings per share (sen) :				
- Basic	-	0.05	0.04	0.12
- 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 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/6/2015 RM'000 UNAUDITED	AS AT 31/12/2014 RM'000 AUDITED
ASSETS		
Non-current assets		
Property, Plant and Equipment	49,362	52,597
Land use rights	6,970	6,442
Other Investments	14,063	12,998
	70,395	72,037
Current Assets		
Land use rights	84	157
Inventories	20,859	17,976
Trade and other receivables	85,412	92,274
Cash and cash equivalents	36,598	20,866
Tax Recoverable	344	30
	143,297	131,303
Total assets	213,692	203,340
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	394,899	394,899
Statutory reserve	15,184	15,061
Reverse take over reserve	(328,124)	(328,124)
Foreign currency translation reserve	41,550	25,443
Retained profits	83,992	83,403
Total equity	207,501	190,682
Current Liabilities		
Trade and other payables	6,191	12,447
Income tax payable	-	211
Total current liabilities	6,191	12,658
Total liabilities	6,191	12,658
Total equity and liabilities	213,692	203,340
Net assets per share (RM)	0.11	0.10

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

SINOTOP HOLDINGS BERHAD CO. NO. 114842-H

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	< ----- Non distributable ----- >				Distributable Unappropriated Profits	Total Equity
	Share Capital	Reverse take-over reserve	Statutory reserve	Foreign currency translation reserves		
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Balance at 1/1/2015	394,899	(328,124)	15,061	25,443	83,403	190,682
Total comprehensive income for the financial year	-	-	-	16,107	712	16,819
Transfer to statutory reserve	-	-	123	-	(123)	-
Balance at 30/6/2015 (Unaudited)	394,899	(328,124)	15,184	41,550	83,992	207,501

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

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	AS AT CURRENT FINANCIAL PERIOD ENDED 30/6/2015	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2014
	RM'000 UNAUDITED	RM'000 AUDITED
OPERATING ACTIVITIES		
Profit before taxation	1,122	4,087
Adjustments for :-		
Depreciation	3,306	5,941
Amortisation of land use right	82	148
Allowance for impairment losses in trade receivables	-	825
Unrealised loss on foreign exchange	-	-
Write-back of allowance for impairment losses on trade receivables	-	(398)
Non-operating items		
- interest expenses	-	-
- interest income	(267)	(194)
Changes in working capital		
- Inventories	(2,883)	(2,903)
- Trade receivables and other receivables	6,862	(6,811)
- Trade and other payables	(6,256)	1,352
Cash generated from operations	<u>1,966</u>	<u>2,047</u>
Interest paid on borrowing	-	-
Tax paid	(935)	(1,665)
Net cash generated from operating activities	<u>1,031</u>	<u>382</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(566)
Interest received	267	194
Proceeds from disposal of property, plant and equipment	-	-
Refund of other investment	-	-
Net cash used in investing activities	<u>267</u>	<u>(372)</u>
FINANCING ACTIVITIES		
Net (repayment)/drawdown of bank loans	-	-
Net cash generated from financing activities	<u>-</u>	<u>-</u>
Increase in cash and cash equivalents	1,298	10
Foreign exchange translation differences	14,434	1,297
Cash and cash equivalents at beginning of the year	20,866	19,559
Cash and cash equivalents at end of the period	<u>36,598</u>	<u>20,866</u>

Note :

() Denotes cash outflow

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



SINOTOP HOLDINGS BERHAD (114842-H)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 2014.

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 2014.

A2. SIGNIFICANT ACCOUNTING POLICIES

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

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

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

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

IC Interpretation 21 Levies

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.



SINOTOP HOLDINGS BERHAD (114842-H)

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
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 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2010 – 2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2014 Cycle	1 July 2014
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The above accounting standards and/or interpretations (including the consequential amendments) are not relevant to the Group’s operations except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking ‘expected loss’ impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group’s investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. There will be no material financial impact on the financial statements of the Group upon its initial application.

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.



SINOTOP HOLDINGS BERHAD (114842-H)

A3. AUDITORS' REPORT

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

A4. SEASONAL OR CYCLICAL FACTORS

The Group's sales of fabric products are subject to seasonality effect by virtue of fabrics being a primary input material of fashion and some household products. The majority of the Group's customers are downstream players, ie export-oriented garment manufacturers. As such, sales of the Group's fabric products are affected by factors such as change in fashion trends, consumer taste and surge in demand ahead of festive seasons. Economic outlook inevitably has a significant impact on the demand of fabric finished products, and hence on the demand of fabrics.

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

Nonetheless, being a relatively established player in the fabric manufacturing industry, the Group is able to ride on its competitive advantages to secure more sales in the export segment, as well as exploring new segments in the domestic market.

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 2015.



SINOTOP HOLDINGS BERHAD (114842-H)

A9. SEGMENTAL INFORMATION

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

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

Geographical Segments

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

	Individual Quarter		Cumulative Months	
	Current Quarter Ended 30/6/2015 RM'000	Preceding Year Corresponding Quarter Ended 30/6/2014 RM'000	Current Year To Date Ended 30/6/2015 RM'000	Preceding Year Corresponding Period Ended 30/6/2014 RM'000
Revenue				
Domestic Sales	34,802	31,814	68,599	56,589
Overseas Sales	3,471	11,214	5,065	15,397
Total	38,273	43,028	73,664	71,986

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

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Not applicable

A11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

A13. CHANGES IN CONTINGENT LIABILITIES / ASSETS

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

A14. CAPITAL COMMITMENTS

	RM '000
Approved and contracted for :	
Purchase of property, plant and equipment	1,372



SINOTOP HOLDINGS BERHAD (114842-H)

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 30/6/2015	As at Financial Year Ended 31/12/2014
Condensed consolidated statement of comprehensive income Based on average rates for the financial period/year RMB1.00 to RM	0.5882	0.5312
Condensed consolidated statement of financial position Based on closing rates for the financial period/year RMB1.00 to RM	0.6099	0.5637

A16. SIGNIFICANT RELATED PARTY TRANSACTION

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



SINOTOP HOLDINGS BERHAD (114842-H)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 2015, the Group recorded revenue of RM38.3 million, generated from the manufacturing and sales of customized woven loom-state fabrics made from cotton, synthetic and mixed yarn.

Total sales revenue decreased by RM4.7 million compared to the corresponding quarter in the preceding financial year. On segmental basis, the Group's export sales decreased by approximately RM7.7 million in the current quarter compared to the corresponding quarter in the previous financial year, with domestic sales increased by RM3 million. The fluctuation in export sales revenue is a normal observation in the ordinary course of the Group's business and does not indicate any significant change in the sales and marketing direction of the Group.

The lower export sales revenue registered in the current quarter compared to the preceding year corresponding quarter is due mainly to fluctuation in demand in the normal course of business.

PROFIT AFTER TAXATION

The Group recorded loss after taxation of RM66,000 for the current quarter, representing a decrease of approximately RM1.1 million compared to profit after taxation of RM1.08 million registered in the corresponding quarter for the financial year ended 31 December 2014. This is due to increase in the production overhead (wages and electricity costs) and operating expenses incurred in the current year quarter compared to those in the corresponding quarter of the previous financial year, as well as lower selling price of the Group's products.

A compulsory switch from the use of coal to LPG (Liquefied Petroleum Gas) imposed by China government, on grounds of environment preservation, has increased the production overhead significantly.

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

The Group registered a loss before taxation of RM22,000 in the current quarter compared to profit before tax of RM1.1 million recorded in the immediate preceding quarter. The decrease of RM1.17 million in profit before taxation registered in the current quarter compared to the immediate preceding quarter was due to higher production costs (wages and electricity) and operating expenses, particularly on the cost of generating steam using LPG instead of coal, for use in the production process, coupled with lower selling price of the Group's products.

B3. PROSPECTS

The Group will continue to strive for improvement in productivity, to counter challenges posed by the up-trending wages and other manufacturing overheads (eg energy and electricity cost). In addition, the Group has also been exercising prudent costs control measures to preserve profit margin.

However, uncertainty over the recovery pace of global economy and the development of China gross domestic product growth in the coming years, economic policies, coupled with higher manufacturing overheads, especially wages and utilities, are still affecting the Group's financial performance, particularly when the Group is operating in the fast-moving consumer goods segment which its demand is largely dependent on trend and fashion.



SINOTOP HOLDINGS BERHAD (114842-H)

This year, the China government is going to impose more stringent requirements on the back of environment preservation. Moving forward, the Group anticipates higher fuel costs resulted from the compulsory switch from coal to liquefied natural gas used in its production process.

Nonetheless, Executive Directors of the Group will definitely be working out alternatives to source cheaper natural gas supplies in order to mitigate the impact of costs on the Group's earnings.

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 2015.

B5. TAXATION

	Individual Quarter		Cumulative Quarters	
	Current Quarter Ended 30/6/2015 RM'000	Preceding Year Corresponding Quarter Ended 30/6/2014 RM'000	Current Year To Date Ended 30/6/2015 RM'000	Preceding Financial Year Ended 30/6/2014 RM'000
Tax on profit for the year	44	401	410	829

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 is in a tax loss position.

B6. BORROWINGS

The Group has fully repaid its bank borrowings in the financial year ended 31 December 2013. There was no outstanding borrowing at 30 June 2015.

B7. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B8. CHANGES IN MATERIAL LITIGATION

The Group does not have any material litigation.

B9. PROPOSED DIVIDEND

The Board does not recommend the payment of any dividend for the financial period ended 30 June 2015.



SINOTOP HOLDINGS BERHAD (114842-H)

B10. EARNINGS PER SHARE

	Current year quarter ended 30/6/2015 RM '000	Preceding financial year ended 31/12/2014 RM '000
a) Basic earnings per share		
Net (loss)/profit attributable to equity holders of the Company	(66)	2,749
Weighted average number of ordinary shares ('000)	1,974,496	1,974,496
Basic (loss)/earnings per share (sen)	<u>-</u>	<u>0.14</u>
b) Diluted earnings per share		
The Company does not have any diluted earnings per share.		

B11. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 30 June 2015, into realised and unrealised profits is as follows:-

	As at Quarter Ended 30/6/2015 RM '000	As at Financial Year Ended 31/12/2014 RM '000
- Realised	(145,367)	(146,245)
- Unrealised	-	-
Less: Consolidation adjustments	<u>229,359</u>	<u>229,359</u>
Total retained earnings as per condensed consolidated statement of changes in equity	<u>83,992</u>	<u>83,403</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.



SINOTOP HOLDINGS BERHAD (114842-H)

B12. PROFIT BEFORE TAXATION

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

	Current Year Quarter Ended 30/6/2015 RM'000	Cumulative Quarters Ended 31/12/2014 RM'000
Amortisation of land use rights	82	148
Depreciation of property, plant and equipment	3,306	5,941
Interest income	(267)	(194)
Writeback of allowance for impairment losses on trade receivables	-	(398)
Allowance for impairment losses on trade receivables	-	825