



SINOTOP HOLDINGS BERHAD

(114842-H)

(Incorporated In Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

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INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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

	3 MONTHS		CUMULATIVE 6 MONTHS	
	CURRENT PERIOD QUARTER ENDED 31/12/2018	PRECEDING FINANCIAL YEAR CORRESPONDING QUARTER	CURRENT FINANCIAL PERIOD TO-DATE ENDED 31/12/2018	PRECEDING FINANCIAL YEAR CORRESPONDING QUARTER
	RM'000 Unaudited	RM'000	RM'000 Unaudited	RM'000
Revenue	29,163	-	58,468	-
Cost of sales	(27,156)	-	(53,063)	-
Gross profit	2,007	-	5,405	-
Other operating income	629	-	906	-
Distribution and marketing expenses	(513)	-	(1,011)	-
Administrative expenses	(2,693)	-	(4,410)	-
Other operating expenses	(35)	-	(35)	-
(Loss)/profit from operations	(605)	-	855	-
Share of profit in a joint venture	45	-	494	-
(Loss)/profit before taxation	(560)	-	1,349	-
Taxation	(184)	-	(585)	-
(Loss)/profit after taxation for the financial period	(744)	-	764	-
Other comprehensive income <i>Items that May be Reclassified Subsequently to Profit or Loss</i>				
Foreign currency translation differences	(251)	-	(2,573)	-
Total comprehensive expense for the period	(995)	-	(1,809)	-
(Loss)/profit attributable to:				
Equity holders of the parent	(744)	-	764	-
Minority interest	-	-	-	-
	(744)	-	764	-
Total comprehensive expense attributable to:				
Equity holders of the parent	(995)	-	(1,809)	-
Minority interest	-	-	-	-
	(995)	-	(1,809)	-
(Loss)/earnings per share (sen) :				
- Basic	(0.19)	-	0.19	-
- Diluted	N/A	N/A	N/A	N/A

Note 1)

The Company changed its financial year end from 31 December to 30 June as announced to Bursa Malaysia Securities Berhad on 29 December 2017, accordingly, there were no comparative figures that correspond to the current quarter and the current year cumulative quarter as this is the first set of financial statements for the financial year end of 30 June.

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/12/2018 RM'000 UNAUDITED	AS AT 30/6/2018 RM'000 AUDITED
ASSETS		
Non-current assets		
Investment in a joint venture	6,433	6,020
Property, plant and equipment	73,705	42,332
Investment property	4,013	4,068
Land use rights	6,291	6,378
	90,442	58,798
Current Assets		
Land use rights	83	170
Inventories	14,875	13,309
Trade and other receivables	42,183	59,712
Other investment	24,068	
Fixed deposits with licensed banks	361	37,863
Cash and bank balances	44,970	24,163
	126,540	135,217
Total assets	216,982	194,015
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	118,470	118,470
Statutory reserve	15,914	15,697
Foreign currency translation reserve	40,015	42,588
Retained profits	6,043	5,496
Total equity	180,442	182,251
Current Liabilities		
Trade and other payables	36,233	11,309
Income tax payable	307	455
Total current liabilities	36,540	11,764
Total liabilities	36,540	11,764
Total equity and liabilities	216,982	194,015
Net assets ("NA") per share (RM)	0.46	0.46

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

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	< ----- Non distributable ----- >				Distributable		Total Equity RM '000
	Share Capital RM '000	Reverse Acquisition Reserve RM '000	Statutory Reserve RM '000	Foreign Currency Translation Reserve RM '000	Unappropriated Profits RM '000		
Balance at 1 July 2018 (audited)	118,470	-	15,697	42,588	5,496		182,251
Total comprehensive income for the financial year	-	-	-	(2,573)	764		(1,809)
Transfer to statutory reserve	-	-	217	-	(217)		-
Balance at 31 December 2018 (unaudited)	118,470	-	15,914	40,015	6,043		180,442

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

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	AS AT CURRENT QUARTER ENDED 31/12/2018	AS AT PRECEDING 18-MONTH FINANCIAL PERIOD ENDED 30/6/2018
	RM'000 UNAUDITED	RM'000 AUDITED
OPERATING ACTIVITIES		
Profit before taxation	1,349	2,590
Adjustments for :-		
Allowance for impairment losses on trade receivables	674	2,330
Amortisation of land use right	84	262
Depreciation	1,676	7,101
Inventory written off	-	43
Loss on disposal of plant and machinery	-	2,676
Share of results of a joint venture	(494)	593
Unrealised gain on foreign exchange	-	4
Write-back of allowance for impairment losses on trade receivables	-	(1,493)
Non-operating items - interest income	(552)	(2,642)
Changes in working capital - Inventories	(1,566)	2,621
- Trade receivables and other receivables	17,529	7,120
- Trade and other payables	24,924	1,454
Cash from operations	43,624	22,659
Income tax paid	(733)	(2,814)
Income tax refund	-	-
Net cash generated from operating activities	42,891	19,845
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,627)	(11,873)
Additional investment in a joint venture	-	(2,264)
Redemption/(placement) of other investment	13,280	(25,663)
Proceeds from disposal of plant and machinery	-	515
Proceeds from disposal of unquoted investment	-	14,503
Refund from an investment property/purchase of an investment property	-	1,466
Interest received	552	2,642
Net cash generated from investing activities	5,205	(20,674)
FINANCING ACTIVITY		
Capital repayment to shareholders	-	(29,814)
Net cash for financing activity	-	(29,814)
Net increase in cash and cash equivalents	48,096	(30,643)
Foreign exchange translation differences	(39,489)	(3,718)
Cash and cash equivalents at beginning of the year	36,363	70,724
Cash and cash equivalents at end of the period	44,970	36,363

Note :

() Denotes cash outflow

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



SINOTOP HOLDINGS BERHAD (114842-H)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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 18-month financial period ended 30 June 2018. 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 financial period ended 30 June 2018.

A2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in these interim financial statements are consistent with those of the audited financial statements for the period ended 30 June 2018. During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

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

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 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.

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 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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

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 :- (cont'd)

Amendments to MFRS 10 : Consolidated Financial Statements and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 128 : Long Term interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 3 : Annual Improvement to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 11 : Annual Improvement to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 112 : Annual Improvement to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 123 : Annual Improvement to MFRS Standards 2015-2017 Cycle	1 January 2019

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.

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. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

A3. AUDITORS' REPORT

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

A4. SEASONAL OR CYCLICAL FACTORS

i) FABRIC PRODUCTION SEGMENT

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, i.e. export-oriented garment manufacturers. As such, sales of the Group's fabric products are affected by factors such as change in fashion trends, consumer taste and surge in demand ahead of festive seasons. Economic outlook inevitably will also has a significant impact on the demand of fabric finished products, and hence on the demand of fabrics.

Exchange rates fluctuation and the generally higher production costs (primarily arisen from higher wages, costs relating to compliance to environmental protection rules and utilities costs) do impact the financial performance of fabric production.

Consumer sentiment is another important factor that impacts earnings of the fabric production segment, given their spending pattern differs at different stages in the economic cycle, which affects the demand for fashion products and consequently the demand over the Group's fabric products.

ii) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT

Business operations of the Group's project management services and infrastructure construction segment is not significantly affected by seasonal or cyclical factors.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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

A5. UNUSUAL ITEMS

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence in respect of the financial period-to-date.

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 quarter ended 31 December 2018.

A9. SEGMENTAL INFORMATION

The Group has two operating business segments, namely the fabric production segment and project management services and infrastructure construction segment. Accordingly, segmental information of the Group is presented from the perspectives of the Group's major operating business segments in addition to geographical areas. However, as substantial amount of the Group's assets and liabilities are located in PRC, hence, there is no separate geographical segment for assets and liabilities being presented.

(i) BY BUSINESS SEGMENTS

	Individual Quarter		Cumulative Quarters (6 Months)	
	Current Period Quarter Ended	Preceding Financial Year Corresponding Quarter #	Current Financial Period To-Date Ended	Preceding Financial Year Corresponding Quarter #
	31/12/2018 RM'000	RM'000	31/12/2018 RM'000	RM'000
Revenue				
Fabric production	29,163	-	58,468	-
Project management services and infrastructure construction	-	-	-	-
Total	29,163	-	58,468	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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

A9. SEGMENTAL INFORMATION (CONT'D)

(ii) BY GEOGRAPHICAL AREA

Revenue by geographical segment is based on the geographical location of the Group's customers.

	Individual Quarter		Cumulative Quarters (6 Months)	
	Current Quarter	Preceding	Current	Preceding
	Ended	Financial Year	Financial Period	Financial Year
		Corresponding	To Date	Corresponding
	31/12/2018	Quarter #	Ended	Quarter #
	RM'000	RM'000	31/12/2018	RM'000
			RM'000	
Revenue				
China	29,163	-	58,468	-
Malaysia	-	-	-	-
Other overseas countries	-	-	-	-
Total	29,163	-	58,468	-

#The Company changed its financial year end from 31 December to 30 June, as announced on 29 December 2017. As the current financial year is the first year for financial statements prepared after the change of financial year end, accordingly, there were no comparative figures (of results in the preceding financial year) that correspond to the current reporting quarter and cumulative quarters in the current financial year ending on 30 June 2019.

The Group's revenue, based on customers' locations, was derived mainly from the PRC and other overseas countries for the fabric production segment whilst revenue of the project management services and infrastructure construction segment was derived solely from Malaysia.

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Not applicable

A11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There was no post balance sheet event.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

A13. CHANGES IN CONTINGENT LIABILITIES / ASSETS

- (i) There is no contingent liability as at the date of this announcement.
- (ii) There was no change in contingent assets since the last annual financial statements.

A14. CAPITAL COMMITMENTS

The Group's capital commitment in relation to a capital work-in-progress in China as at the end of the immediate preceding quarter has been completed. There has not been any other capital commitment as at end of the current reporting quarter.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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

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 Current Year Quarter Ended 31/12/2018	As at Financial Period Ended 30/6/2018
Condensed consolidated statement of comprehensive income		
Based on closing rates for the quarter / financial period RMB1.00 to RM	0.6017	0.6290
Condensed consolidated statement of financial position		
Based on closing rates for the quarter / financial period RMB1.00 to RM	0.6006	0.6100

A16. SIGNIFICANT RELATED PARTY TRANSACTION

(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.

(b) Related Party Transactions

There was no significant related party transaction during the current reporting quarter.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

PART B :-

EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B)

B1. REVIEW OF PERFORMANCE FOR THE CURRENT YEAR QUARTER AND CORRESPONDING QUARTER IN THE PRECEDING FINANCIAL YEAR AND YEAR-TO-DATE PERFORMANCE IN THE CURRENT AND PRECEDING FINANCIAL YEARS

The Company changed its financial year end from 31 December to 30 June, as announced on 29 December 2017. As the current financial year is the first year for financial statements prepared after the change of financial year end, accordingly, there were no comparative figures (of results in the preceding financial year) that correspond to the current reporting quarter and cumulative quarters in the current financial year ending on 30 June 2019.

In view of and with reference to the above, there shall be no review of performance on the following comparison basis:

- i) current year quarter vs corresponding quarter in the preceding financial year; and
- ii) year-to-date performance in the current and preceding financial years.

B2. MATERIAL CHANGES IN THE CURRENT REPORTING QUARTER COMPARED TO THE IMMEDIATE PRECEDING QUARTER

A summary of financial performance of the Group is as tabulated below :-

	Current Quarter Ended 31/12/2018 RM '000	Immediate Preceding Quarter Ended 30/9/2018 RM '000	Changes	
			RM'000	Percentage
Revenue	29,163	29,305	-142	-0.48%
(Loss)/profit from operations	(605)	1,460	-2,065	-141%
(Loss)/profit before interest and tax *	(560)	1,909	-2,469	-129%
(Loss)/profit before tax	(560)	1,909	-2,469	-129%
(Loss)/profit after tax	(744)	1,508	-2,252	-149%
(Loss)/profit attributable to ordinary equity holders of the parent	(744)	1,508	-2,252	-149%

*The Group did not have borrowing from any financial institutions.

(i) REVENUE

a) FABRIC PRODUCTION SEGMENT

Sales revenue of fabric remain at a similar level compared to the immediate reporting quarter, as a result of drop in demand on the back of trade war tension between the United States of America and China. Export sales had slowed down in pace. The Management is observing the development in the trade war mentioned and also trade sanction in the Middle East.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

PART B :-

EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)

B2. MATERIAL CHANGES IN THE CURRENT REPORTING QUARTER COMPARED TO THE IMMEDIATE PRECEDING QUARTER (CONT'D)

(i) REVENUE (CONT'D)

b) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT

In the current quarter, no contract revenue was recognized in respect of the Group's project management services and infrastructure construction segment as the infrastructure construction and project management contracts were completed in previous quarter.

(ii) OPERATING LOSS

Results from operations of the Group for the current reporting quarter is a loss compared to profit reported in the immediate preceding quarter, due primarily to factor mentioned below :-

- Increase in workers' wages, utilities and fuel costs

(iii) LOSS BEFORE INTEREST AND TAX & LOSS BEFORE TAX

Loss before interest and tax and loss before tax are recorded in the current quarter for the reasons detailed in B2 (ii) above, coupled with a lower share of profit in the Group's joint venture investment in HL Painting Co. for the current quarter.

(iv) LOSS AFTER TAX & LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Loss after tax and loss attributable to ordinary equity holders of the parent of the Group is recorded as compared to profit in the immediate preceding quarter for reasons detailed in B2 (ii) and (iii) above.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

PART B :-

EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)

B3. PROSPECTS

a) FABRIC PRODUCTION SEGMENT

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

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

b) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT

Since the diversification of business into the project management and infrastructure construction related businesses, there had been positive contribution of earnings to the Group from this business segment. The Group's effort to source for new contracts and business opportunities is ongoing in order to sustain the continuity and growth of this business segment.

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

The Group has not provided any profit forecast or profit guarantee during the quarter ended 31 December 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

PART B :-

EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)

B5. TAXATION

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/12/2018 RM'000	Preceding Financial Year Corresponding Quarter # RM'000	Current Quarter To- Date Ended 31/12/2018 RM'000	Preceding Financial Year # RM'000
Tax on profit	184	-	585	-
In respect of :-				
- Top Textile (Suzhou) Co., Ltd	181	-	571	-
- Gorgeous Goldhill Sdn. Bhd.	3	-	14	-

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

- the corporate income tax rate of a subsidiary in the People's Republic of China is 25%.
- the subsidiary incorporated in The British Virgin Islands is not subject to any corporate tax; and
- the Company and its wholly-owned subsidiary incorporated in Malaysia are subject to a statutory tax rate at 24%. Nevertheless, the Company is in a tax loss position.

#The Company changed its financial year end from 31 December to 30 June, as announced on 29 December 2017. As the current financial year is the first year for financial statements prepared after the change of financial year end, accordingly, there were no comparative figures (of results in the preceding financial year) that correspond to the current reporting quarter and cumulative quarters in the current financial year ending on 30 June 2019.

B6. CORPORATE PROPOSALS

i) PROPOSED ACQUISITION OF AT LEAST 60% OR UP TO THE ENTIRE EQUITY INTEREST IN ASIANMAX CORPORATION SDN BHD ("ACSB")

On 20 April 2018, the Company announced that it had entered into a binding term sheet ("Term Sheet") with Dato' Justin Soo ("DJ") to explore and negotiate further on the proposed acquisition by Sinotop of at least 60% equity interest and/or up to the entire equity interest in ACSB from DJ and/or such other shareholder(s) of ACSB to be procured by DJ (collectively, "Vendors"). The Term Sheet will be subject to the signing of a definitive share sale agreement ("Definitive Agreement") to be entered into between the Company and the Vendors.

On 15 January 2019, the Company announced that the Company and DJ have mutually agreed to an extension of time for a period of 45 days commencing from 16 January 2019 until 1 March 2019 to enter into the Definitive Agreement for the Proposed Acquisition.

ii) DISPOSAL OF SINOTOP'S FOREIGN ASSETS FOR CASH VIA AN OPEN TENDER EXERCISE

On 12 December 2018, the Company had announced on the proposed disposal of its foreign assets comprising the Company's investments in its wholly-owned subsidiary, Be Top Group Limited ("Be Top") and/or Top Textile (Suzhou) Co., Ltd., which in turn is a wholly-owned subsidiary of Be Top for cash via an open tender exercise ("Proposed Disposal").

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

PART B :-

EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)

B6. CORPORATE PROPOSALS (CONT'D)

ii) DISPOSAL OF SINOTOP'S FOREIGN ASSETS FOR CASH VIA AN OPEN TENDER EXERCISE (CONT'D)

The Proposed Disposal is on-going. The Company will make the relevant announcement on the Proposed Disposal in due course.

B7. BORROWINGS

There was no outstanding borrowing as at 31 December 2018.

B8. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There is no off balance sheet financial instrument 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 31 December 2018.

B11. NON-COMPLIANCE TO THE PUBLIC SHAREHOLDING SPREAD REQUIREMENT

On 27 February 2017, the Company announced that it is not in compliance with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

Based on the Record of Depositors as at 15 February 2019, the public shareholding spread of the Company was 20.79%.

The Company had on 28 December 2018, 22 January 2019 and 12 February 2019 submitted applications to seek the approval of Bursa Malaysia Securities Berhad ("Bursa Securities") for a further extension of six (6) months to 30 June 2019 to comply with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities ("MMLR") ("Public Spread Requirement").

In a decision letter dated 22 February 2019, Bursa Securities has rejected the Company's application for a further extension of six (6) months to comply with the Public Spread Requirement. Accordingly, the Company has made an announcement on the rejection for further extension of time on 26 February 2019.

The Company will continue to work on its rectification plan to address the shortfall in the Public Spread Requirement.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

PART B :-

EXPLANATORY NOTES PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (PART A OF APPENDIX 9B) (CONT'D)

B12. EARNINGS PER SHARE

	Current Year Quarter	Preceding Financial Period (18 Months)
	Ended 31/12/2018 RM '000	Ended 30/6/2018 RM '000
	Unaudited	Audited
a) Basic (expense)/earnings per share		
Net (loss)/profit attributable to equity holders of the Company	(744)	122
Weighted average number of ordinary shares ('000)	394,899	652,379
Basic (expense)/earnings per share (sen)	(0.19)	0.02

b) Diluted earnings per share

The Group has no potential dilutive ordinary shares outstanding at the end of the reporting period, therefore, diluted earnings per share is not applicable to the Group.