



# **SINOTOP HOLDINGS BERHAD**

**(114842-H)**

*(Incorporated In Malaysia)*

## **QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2019**

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## INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

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

	3 MONTHS		CUMULATIVE 9 MONTHS	
	CURRENT PERIOD QUARTER	PRECEDING FINANCIAL YEAR CORRESPONDING QUARTER	CURRENT FINANCIAL YEAR PERIOD TO-DATE	PRECEDING FINANCIAL YEAR CORRESPONDING QUARTER
	ENDED 31/3/2019		ENDED 31/3/2019	
	RM'000 Unaudited	RM'000	RM'000 Unaudited	RM'000
Revenue	36,254	-	94,722	-
Cost of sales	(33,836)	-	(86,899)	-
<b>Gross profit</b>	<b>2,418</b>	-	<b>7,823</b>	-
Other operating income	1,836	-	2,742	-
Distribution and marketing expenses	(676)	-	(1,687)	-
Administrative expenses	(2,222)	-	(6,632)	-
Other operating expenses	(798)	-	(833)	-
<b>Profit from operations</b>	<b>558</b>	-	<b>1,413</b>	-
Share of profit in a joint venture	179	-	673	-
<b>Profit before taxation</b>	<b>737</b>	-	<b>2,086</b>	-
Taxation	(545)	-	(1,130)	-
<b>Profit after taxation for the financial period</b>	<b>192</b>	-	<b>956</b>	-
Other comprehensive income <i>Items that May be Reclassified Subsequently to Profit or Loss</i>				
Foreign currency translation differences	1,515	-	(1,025)	-
<b>Total comprehensive income for the period</b>	<b>1,707</b>	-	<b>(69)</b>	-
Profit attributable to:				
Equity holders of the parent	192	-	956	-
Minority interest	-	-	-	-
	<b>192</b>	-	<b>956</b>	-
Total comprehensive income attributable to:				
Equity holders of the parent	1,707	-	(69)	-
Minority interest	-	-	-	-
	<b>1,707</b>	-	<b>(69)</b>	-
Earnings per share (sen) :				
- Basic	0.05	-	0.24	-
- Diluted	N/A	N/A	N/A	N/A

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.

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 THIRD QUARTER ENDED 31 MARCH 2019**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>AS AT 31/3/2019 RM'000 UNAUDITED</b>	<b>AS AT 30/6/2018 RM'000 AUDITED</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in a joint venture	6,666	6,020
Property, plant and equipment	78,051	42,332
Investment property	4,047	4,068
Land use rights	6,345	6,378
	<b>95,109</b>	<b>58,798</b>
<b>Current Assets</b>		
Land use rights	41	170
Inventories	12,222	13,309
Trade and other receivables	47,910	59,712
Other investment	54,621	
Fixed deposits with licensed banks	2,848	37,863
Cash and bank balances	18,401	24,163
	<b>136,043</b>	<b>135,217</b>
<b>Total assets</b>	<b>231,152</b>	<b>194,015</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	118,470	118,470
Statutory reserve	15,946	15,697
Foreign currency translation reserve	41,563	42,588
Retained profits	6,203	5,496
<b>Total equity</b>	<b>182,182</b>	<b>182,251</b>
<b>Current Liabilities</b>		
Trade and other payables	47,974	11,309
Income tax payable	996	455
<b>Total current liabilities</b>	<b>48,970</b>	<b>11,764</b>
<b>Total liabilities</b>	<b>48,970</b>	<b>11,764</b>
<b>Total equity and liabilities</b>	<b>231,152</b>	<b>194,015</b>
<b>Net assets ("NA") per share (RM)</b>	<b>0.46</b>	<b>0.46</b>

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

## INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

## 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	-	-	-	(1,025)	956		(69)
Transfer to statutory reserve	-	-	249	-	(249)		-
Balance at 31 March 2019 (unaudited)	118,470	-	15,946	41,563	6,203		182,182

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 THIRD QUARTER ENDED 31 MARCH 2019**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	AS AT CURRENT QUARTER ENDED 31/3/2019  RM'000 UNAUDITED	AS AT PRECEDING 18-MONTH FINANCIAL PERIOD ENDED 30/6/2018  RM'000 AUDITED
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	2,086	2,590
Adjustments for :-		
Allowance for impairment losses on trade receivables	1,153	2,330
Amortisation of land use right	127	262
Depreciation	2,656	7,101
Inventory written off	-	43
Loss on disposal of plant and machinery	-	2,676
Share of results of a joint venture	(673)	593
Unrealised gain on foreign exchange	-	4
Write-back of allowance for impairment losses on trade receivables	-	(1,493)
Interest income	(599)	(2,642)
Changes in working capital		
- Inventories	1,087	2,621
- Trade receivables and other receivables	11,802	7,120
- Trade and other payables	33,665	1,454
Cash from operations	51,304	22,659
Income tax paid	(589)	(2,814)
Income tax refund	-	-
Net cash generated from operating activities	50,715	19,845
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(37,763)	(11,873)
Additional investment in a joint venture	-	(2,264)
Placement in other investment	(18,207)	(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
Bidding bond received from disposal of assets	3,000	-
Interest received	599	2,642
Net cash generated from investing activities	(52,371)	(20,674)
<b>FINANCING ACTIVITY</b>		
Capital repayment to shareholders	-	(29,814)
Net cash for financing activity	-	(29,814)
Net increase in cash and cash equivalents	(1,656)	(30,643)
Foreign exchange translation differences	(13,458)	(3,718)
Cash and cash equivalents at beginning of the year	36,363	70,724
Cash and cash equivalents at end of the period	21,249	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 THIRD QUARTER ENDED 31 MARCH 2019**

**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 :-

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
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 THIRD QUARTER ENDED 31 MARCH 2019

### 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.

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.

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

**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 have 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 THIRD QUARTER ENDED 31 MARCH 2019

## 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 March 2019.

### 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 (9 Months)	
	Current Period	Preceding	Current	Preceding
	Quarter	Financial Year	Financial	Financial Year
	Ended	Corresponding	Period	Corresponding
		Quarter #	To-Date	Quarter #
	31/3/2019		Ended	
	RM'000	RM'000	31/3/2019	RM'000
			RM'000	
<b>Revenue</b>				
Fabric production	29,070	-	87,538	-
Project management services and infrastructure construction	7,184	-	7,184	-
<b>Total</b>	<b>36,254</b>	<b>-</b>	<b>94,722</b>	<b>-</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

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 (9 Months)	
	Current Quarter	Preceding	Current	Preceding
	Ended	Financial Year	Financial Period	Financial Year
		Corresponding	To Date	Corresponding
	31/3/2019	Quarter #	Ended	Quarter #
	RM'000	RM'000	31/3/2019	RM'000
<b>Revenue</b>				
China	29,070	-	87,538	-
Malaysia	7,184	-	7,184	-
Other overseas countries	-	-	-	-
<b>Total</b>	<b>36,254</b>	<b>-</b>	<b>94,722</b>	<b>-</b>

*#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 THIRD QUARTER ENDED 31 MARCH 2019

### 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 31/3/2019	As at Financial Period Ended 30/6/2018
Condensed consolidated statement of comprehensive income		
Based on average rate for the quarter / financial period RMB1.00 to RM	0.6033	0.6290
Condensed consolidated statement of financial position		
Based on closing rate for the quarter / financial period RMB1.00 to RM	0.6069	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.

**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.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

## 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

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

	Current Quarter Ended 31/3/2019 RM '000	Immediate Preceding Quarter Ended 31/12/2018 RM '000	Changes	
			RM'000	Percentage
Revenue	36,254	29,163	7,091	24%
Profit/(loss) from operations	558	(605)	1,163	192%
Profit/(loss) before interest and tax *	737	(560)	1,297	232%
Profit/(loss) before tax	737	(560)	1,297	232%
Profit/(loss) after tax	192	(744)	936	126%
Profit/(loss) attributable to ordinary equity holders of the parent	192	(744)	936	126%

*\*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. The Management is observing the development in the trade war mentioned and also trade sanction in the Middle East.

##### b) PROJECT MANAGEMENT AND INFRASTRUCTURE CONSTRUCTION SEGMENT

Turnover recognized from the project management and infrastructure construction segment for the current reporting quarter was contributed by projects that the Group secured, i.e. one contract each for project management and infrastructure construction, respectively.

**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)**

**(ii) OPERATING PROFIT**

Results from operations of the Group for the current reporting quarter is a profit compared to loss reported in the immediate preceding quarter, due primarily to higher other income derived.

**(iii) PROFIT BEFORE INTEREST AND TAX & PROFIT BEFORE TAX**

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

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

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

**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 has exerted tremendous pressure on the group's overall sales. In addition, the slow 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 highly dependent on trend and fashion.

The China government imposes more stringent requirements, including the type of fuel allowed in production processes 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.

During the current reporting quarter, this segment managed to secure two new contracts, i.e. one contract each for project management and infrastructure construction, respectively.

**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 March 2019.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

## PART B :-

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

#### B5. TAXATION

	Individual Quarter		Cumulative Quarters	
	Current Quarter Ended	Preceding Financial Year Corresponding Quarter #	Current Quarter To- Date Ended	Preceding Financial Year #
	31/3/2019		31/3/2019	
	RM'000	RM'000	RM'000	RM'000
Tax on profit	545	-	1,130	-
In respect of :-				
- Top Textile (Suzhou) Co., Ltd	545	-	1,116	-
- Gorgeous Goldhill Sdn. Bhd.	-	-	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 Sze Ching ("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 up to 1 March 2019 to enter into the Definitive Agreement. Subsequently, on 1 March 2019, the Company announced that the Company and DJ have mutually agreed to a further extension of time for a period of 31 days up to 1 April 2019 to enter into the Definitive Agreement.

On 1 April 2019, the Company announced that the Term Sheet has expired on even date.



**PART B :-**

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

**B6. CORPORATE PROPOSALS (CONT'D)**

**ii) PROPOSED 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**").

On 2 May 2019, the Company announced that it had entered into a conditional sale and purchase agreement with Gifted Investments Limited ("**GIL**") for the proposed disposal of the entire equity interest in Be Top to GIL pursuant to the Proposed Disposal at a total cash consideration of RM70 million including assumption of liabilities by GIL, and that the Company had also proposed to undertake the following:

- a) proposed reduction of Sinotop's share capital pursuant to Section 117 of the Companies Act 2016 ("**Act**") after the completion of the Proposed Disposal ("**Proposed Capital Reduction**"); and
- b) proposed consolidation of every 7 existing ordinary shares in Sinotop ("**Sinotop Share(s)**") into 2 new Sinotop Shares held on an entitlement date to be determined later after the completion of the Proposed Capital Reduction ("**Proposed Share Consolidation**").

**iii) PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ACSB**

On 1 April 2019, the Company announced that it had accepted a letter of offer dated 28 March 2019 issued by DJ for the proposed acquisition by Sinotop of the entire equity interest in ACSB from DJ for an indicative total purchase consideration of RM96.00 million ("**Proposed Acquisition**").

On 23 April 2019, the Company announced that it had entered into a conditional share sale agreement with DJ in relation to the Proposed Acquisition to be satisfied via a combination of cash consideration of RM14.40 million, the issuance of 28,518,519 new Sinotop Shares and 273,703,704 new irredeemable convertible preference shares in Sinotop ("**ICPS**") at an issue price of RM0.27 per Sinotop Share / ICPS. In addition, the Company also proposed to undertake amendments to the its Constitution to facilitate the issuance of the ICPS as part consideration for the Proposed Acquisition ("**Proposed Amendments**").

As at the date of this report, the Proposed Disposal, Proposed Capital Reduction, Proposed Share Consolidation, Proposed Acquisition and Proposed Amendments (collectively, the "**Proposals**") are ongoing. The Company shall make any relevant announcement(s) pertaining to the Proposals in due course.

**B7. BORROWINGS**

There was no outstanding borrowing as at 31 March 2019.

**B8. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There is no off balance sheet financial instrument as at the date of this announcement.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

## PART B :-

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

#### 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 quarter ended 31 March 2019.

#### 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").

On 28 February 2019, Sinotop had announced that Bursa Securities, vide a decision letter dated 22 February 2019, had rejected the Company's application for further extension of time to comply with the public shareholding spread requirements pursuant to Paragraph 8.02(1) of the Listing Requirements ("Public Spread Requirements"). The Company is required to meet the Public Spread Requirements by 11 September 2019.

Based on the Record of Depositors as at 29 May 2019, the public shareholding spread of the Company was 20.81%.

The Company endeavours to continue working on its rectification plans to address the shortfall in the Public Spread Requirements. The Board believes that upon successful completion of the Proposals, investors will have a clearer perception on the outlook and prospects of Sinotop. The Company is hopeful that this will incentivize investors to invest in the Company which may help the Company to meet its Public Spread Requirements.

#### B12. EARNINGS PER SHARE

	Current Year Quarter Ended 31/3/2019 RM '000 Unaudited	Preceding Financial Period (18 Months) Ended 30/6/2018 RM '000 Audited
a) Basic earnings per share		
Net profit attributable to equity holders of the Company	192	122
Weighted average number of ordinary shares ('000)	394,899	652,379
Basic earnings per share (sen)	0.05	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.

