

# 2019

ANNUAL REPORT

**SINOTOP**  
顶峰控股

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**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
Company No: 198401002327 (114842-H)

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### PAN DING

Group Managing Director / Executive Director

#### PAN DONG

Executive Director

#### DATO' JUSTIN SOO SZE CHING

Executive Director

#### DATUK DR. NG BEE KEN

Independent Non-Executive Chairman

#### LOW YAN SEONG

Independent Non-Executive Director

#### WAN KAMARUL ZAMAN BIN WAN YAACOB

Independent Non-Executive Director

### AUDIT COMMITTEE

#### CHAIRMAN

Datuk Dr. Ng Bee Ken

#### MEMBERS

Low Yan Seong

Wan Kamarul Zaman Bin Wan Yaacob

### REMUNERATION COMMITTEE

#### CHAIRMAN

Wan Kamarul Zaman Bin Wan Yaacob

#### MEMBERS

Datuk Dr. Ng Bee Ken

Low Yan Seong

### NOMINATING COMMITTEE

#### CHAIRMAN

Low Yan Seong

#### MEMBER

Datuk Dr. Ng Bee Ken

### COMPANY SECRETARIES

Kang Shew Meng (MAICSA 0778565)

Seow Fei San (MAICSA 7009732)

### AUDITORS

Crowe Malaysia PLT

Chartered Accountants

Level 16, Tower C, Megan Avenue II

12 Jalan Yap Kwan Seng

50450 Kuala Lumpur

### SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.

Lot 10, The Highway Centre

Jalan 51/205

46050 Petaling Jaya Tel : 603 7784 3922

Selangor Darul Ehsan Fax : 603 7784 1988

### REGISTERED OFFICE

802, 8<sup>th</sup> Floor, Block C

Kelana Square

17 Jalan SS7/26

47301 Petaling Jaya Tel : 603 7803 1126

Selangor Darul Ehsan Fax : 603 7806 1387

### PRINCIPAL BANKERS

AmFunds Management Berhad

Malayan Banking Berhad

### STOCK EXCHANGE LISTING

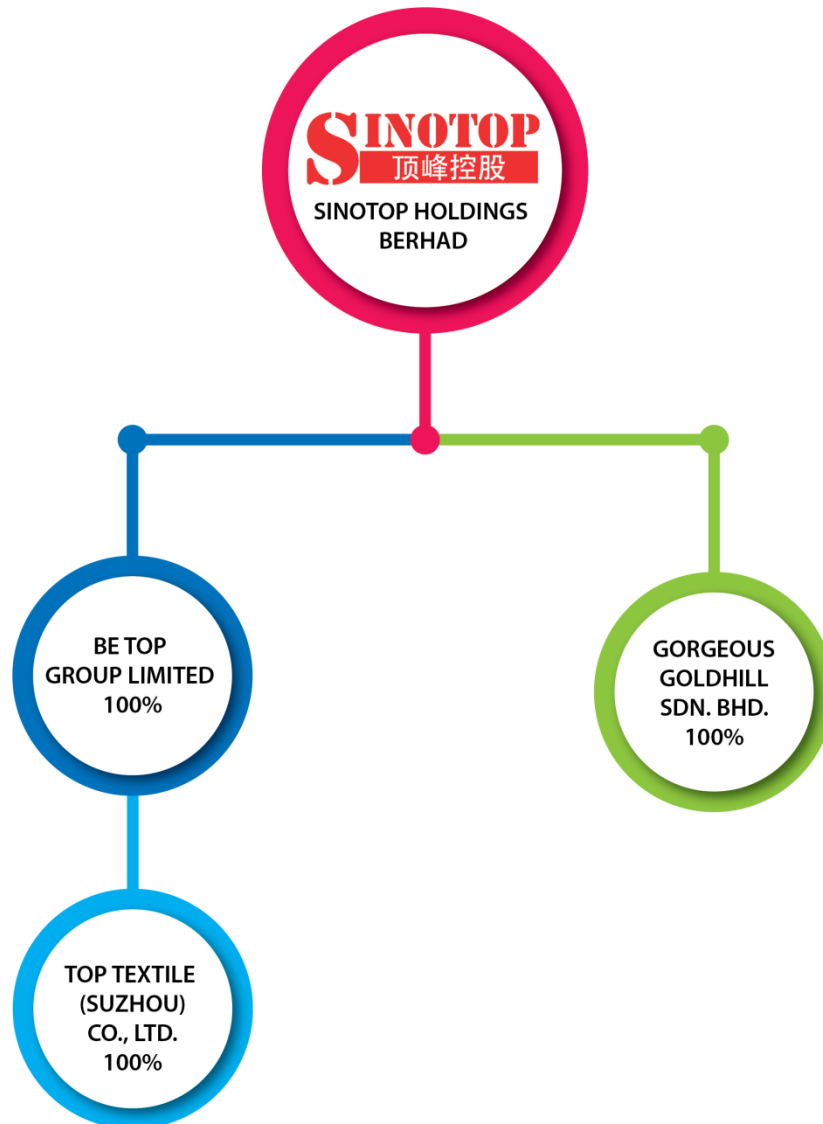
Main Market of Bursa Malaysia Securities Berhad

### WEBSITE

[www.sinotop.com.my](http://www.sinotop.com.my)

**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
Company No: 198401002327 (114842-H)

## CORPORATE STRUCTURE



**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
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## PROFILE OF THE BOARD OF DIRECTORS

### **DATUK DR. NG BEE KEN** 拿督黄美锦博士

Independent Non-Executive Chairman

Male, 64 years old

Malaysian

Datuk Dr. Ng Bee Ken ("**Datuk Dr. Ng**") was appointed to the Board on 27 January 2006. Datuk Dr. Ng is the Chairman of the Board of Directors and the Audit Committee. He is also a member of both the Nominating Committee and the Remuneration Committee.

Datuk Dr. Ng holds a Bachelor of Law (Honours) from the University of Wales, Cardiff, Wales and a Master of Laws from King's College, University of London. He is also a Barrister-at-Law of Lincoln's Inn, London, an Advocate & Solicitor of the High Court of Malaya and a Certified Mediator of the Malaysian Mediation Centre. He has been practicing as a lawyer since 1987 and is presently the Managing Partner of a law firm.

Datuk Dr. Ng also holds Doctor of Divinity, a Master of Science (Corporate Communication) from Universiti Putra Malaysia and is an Associate of the Association of Costs and Executive Accountants, England.

Datuk Dr. Ng also sits on the Board of Widetech (Malaysia) Berhad, Talam Transform Berhad, OpenSys (M) Berhad and Yong Tai Berhad. He is also the local representative Independent Non-Executive Director of Glencore Recycling Inc. (Malaysia) Sdn. Bhd., whose parent company is listed in London, Hong Kong and Johannesburg. Glencore is one of the world largest global diversified natural resource companies and a major producer and marketer of more than 90 commodities.

Datuk Dr. Ng attended seven (7) out of eight (8) Board Meetings held in the financial year ended 30 June 2019.

### **PAN DING** 潘鼎

Group Managing Director / Executive Director

Male, 54 years old

Citizen of the People's Republic of China ("**China**")

Mr. Pan Ding was appointed to the Board on 3 June 2010. He graduated with a Diploma in Mechanical Manufacturing and Machinery Engineering from Suzhou Vocational University. He is the co-founder of Be Top Group Limited and its wholly-owned subsidiary company, Top Textile (Suzhou) Co., Ltd. ("**Be Top**"), a fabric production company based in China. He has over twenty years of experience in the fabric industry and is currently responsible for the formulation and execution of the overall business strategies of Be Top.

He is the brother of Mr. Pan Dong, an Executive Director of the Company.

Mr. Pan Ding attended seven (7) out of eight (8) Board meetings held in the financial year ended 30 June 2019.

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**PAN DONG 潘東**

Executive Director  
Male, 49 years old  
Citizen of the People's Republic of China ("China")

Mr. Pan Dong was appointed to the Board on 3 June 2010 and is the co-founder of Be Top. He graduated with a Diploma in Economics Management from the Continuing Education Institute of Suzhou University. Prior to the formation of Be Top, Mr. Pan Dong has close to twenty years of experience in the fabric production industry in China. He is currently overseeing the Group's production operations, marketing, quality control, public relations and technology.

He is the brother of Mr. Pan Ding, the Group Managing Director of the Company.

Mr. Pan Dong attended five (5) out of eight (8) Board meetings held in the financial year ended 30 June 2019.

**DATO' JUSTIN SOO SZE CHING 拿督苏仕振**

Executive Director  
Male, 43 years old  
Malaysian

Dato' Justin Soo Sze Ching ("DJ") was appointed to the Board on 28 October 2016. He holds a Bachelor of Engineering in Civil Engineering from Swinburne University of Technology. DJ is a Civil Engineer by profession and a member of Institute of Engineers Malaysia.

DJ began his construction career as a civil engineer with various construction companies with over 15 years of varied corporate and management experience. He has in depth exposure in the construction industry. Currently, he is managing a few companies with interest in construction which has more than few hundred million worth of projects comprising building and infrastructure works.

Other than managing construction companies, DJ also involves in property investments and property development on joint venture basis. He is a director of Dexview Sdn. Bhd., a subsidiary of Symphony Life Bhd., which is listed on the Main Market of Bursa Malaysia Securities Berhad.

DJ attended six (6) out of eight (8) Board meetings held in the financial year ended 30 June 2019.

**LOW YAN SEONG 刘延祥**

Independent Non-Executive Director  
Male, 47 years old  
Malaysian

Mr. Low Yan Seong ("Mr. Low") was appointed to the Board on 28 June 2010. He is the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Mr. Low qualified as a Fellow of the Association of Chartered Certified Accountants (FCCA) in June 2005. He has extensive experience in financial management and reporting, financial due diligence and investors relations in various industries. Mr. Low began his professional career with an international accounting firm in Malaysia and held a position with Deloitte & Touche ("Deloitte") Singapore office since 1998. He joined Deloitte's Beijing office in 2004 and subsequently joined a public listed company in Singapore as Chief Financial Officer, before assuming positions in various appointments in The People's Republic of China. He was the Chief Financial Officer of China Green Material Technologies, Inc. until October 2012. He then joined a corporate advisory firm, Capital360 Investment Management Center as Partner.

Mr. Low attended all eight (8) Board meetings held in the financial year ended 30 June 2019.

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**WAN KAMARUL ZAMAN BIN WAN YAACOB**

Independent Non-Executive Director  
Male, 64 years old  
Malaysian

Encik Wan Kamarul Zaman Bin Wan Yaacob ("**Encik Wan**") was appointed to the Board on 28 June 2010. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

En. Wan holds a LLB (Hons) Degree from the University of London and CLP (Malaya) as well as an M.Sc (A.Econs) and B.Sc. Degree from Louisiana State University, USA.

He was a banker for more than 20 years and has worked with several financial institutions in Malaysia. During his tenure in the financial services industry, he was involved in corporate finance and advisory work, corporate banking and loan syndication, treasury as well as the corporate bonds/sukuks and the private debt securities market. After leaving the financial services industry, he joined a legal firm, Messrs Abu Talib Shahrom, as Partner.

Encik Wan attended all eight (8) Board meetings held in the financial year ended 30 June 2019.

**Notes:**

- None of the Directors have been convicted for any offences other than traffic offences within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.
- Save as disclosed above, none of the Directors have any family relationship with any Director and/or substantial shareholder of the Company.
- None of the Directors have any conflict of interest with the Company.
- Save as disclosed above, none of the Directors sit on the Board of any other public companies and listed issuers.



**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
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## PROFILE OF KEY SENIOR MANAGEMENT

### **PAN DING 潘鼎**

Group Managing Director / Executive Director  
Male, 54 years old  
Citizen of The People's Republic of China ("**China**")

Mr. Pan Ding was appointed to the Board of Top Textile (Suzhou) Co., Ltd. ("**Top Textile**") on 13 March 2006 and hold office in Top Textile since then until to date.

He graduated with a Diploma in Mechanical Manufacturing and Machinery Engineering from Suzhou Vocational University. He is the co-founder of Be Top Group Limited, the holding company of Top Textile (Suzhou) Co., Ltd. ("**Be Top**"). Top Textile is a fabric production company based in China. He has over twenty years of experience in the fabric production industry and is currently responsible for the formulation and execution of the overall business strategies of Be Top.

He is the brother of Mr. Pan Dong, a Director of Top Textile.

### **PAN DONG 潘東**

Executive Director  
Male, 49 years old  
Citizen of The People's Republic of China ("**China**")

Mr. Pan Dong was appointed to the Board of Top Textile (Suzhou) Co., Ltd. ("**Top Textile**") on 13 March 2006 and hold office in Top Textile since then until to date.

Mr. Pan Dong graduated with a Diploma in Economics Management from the Continuing Education Institute of Suzhou University. He is the co-founder of Be Top Group. Prior to the formation of Be Top, Mr. Pan Dong has close to twenty years of experience in the fabric production industry in China. He is currently overseeing Be Top Group's production operations, marketing, quality control, public relations and technology, leveraging on his experience in the industry.

He is the brother of Mr. Pan Ding, a Director of Top Textile.

### **DATO' JUSTIN SOO SZE CHING 拿督苏仕振**

Executive Director  
Male, 43 years old  
Malaysian

Dato' Justin Soo Sze Ching ("**DJ**") was appointed to the Board of Directors of Sinotop Group's wholly-owned subsidiary, Gorgeous Goldhill Sdn. Bhd. ("**GGSB**") on 26 November 2016 and hold office since then until to date.

DJ holds a Bachelor of Engineering in Civil Engineering from Swinburne University of Technology. He is a Civil Engineer by profession and a member of Institute of Engineers Malaysia.

DJ began his construction career as a civil engineer with various construction companies with over 15 years of varied corporate and management experience. He has wide exposure in the construction industry. Currently, he is managing a few companies with interest in construction which has more than few hundred million worth of projects comprising building and infrastructure works.

#### **Notes:**

- None of the key senior management has been convicted for any offences other than traffic offences within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.
- Save as disclosed above, none of the key senior management has any family relationship with any Director and/or substantial shareholder of the Company.
- None of the key senior management has any conflict of interest with the Company.



**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
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## CHAIRMAN'S STATEMENT

Dear valued shareholders,

On behalf of the Board of Directors ("**Board**") of Sinotop Holdings Berhad ("**Sinotop**"), I am pleased to present to you the Annual Report and Audited Financial Statements of Sinotop and its subsidiaries ("**Group**") for the financial year ended 30 June 2019.

The past financial year was indeed an eventful year whereby the Group had proposed two corporate exercises for the sake of transformation of the Group's business landscape.

### REVIEW OF OPERATING ENVIRONMENT

The Group Managing Director, Mr Pan Ding will be briefing on updates on the Group's business performance and review of operating environment. Mr Pan is the director primarily responsible for formulating the overall strategic direction and plans for the Group.

### CORPORATE GOVERNANCE

On the corporate governance front, it remains as the Board's main agenda to conform to corporate governance best practices. The Board concurs that the nurture of culture and these best practices are to be internalized in the Group's policies and procedures for thorough compliance. In fact, good corporate governance without compromise is part of the core values of the Group's corporate culture.

### BOARD OVERSIGHT

The Group is currently steered by a Board of Directors which has dutifully carried out fiduciary oversight on the corporate matters that are currently progressing, with due consultation from the team of professionals who are members of the due diligence working group. The Board is being presented with progress updates from time to time on the relevant development.

### OTHER CORPORATE GOVERNANCE BEST PRACTICE

The Board practices segregation of duties and power, the roles of Chairman and Group Managing Director are being held by different individuals. Segregation of these top positions in the Group balances power and provides an effective check and balance mechanism within the Board when the respective members are carrying out their fiduciary duties. It is consistent to the Group's vow and determination to apply principles of good corporate governance.

### WORDS OF APPRECIATION

The Board continues its support and expresses gratitude towards the Executive Directors who had contributed efforts in managing the Group's business operations.

To all my fellow Board members, I thank you for all your unwavering support and immense contribution of ideas that throughout the year in guiding the Group. Lastly, I would like to express our sincere appreciation to all shareholders and stakeholders for their patience and faithful support.

Yours truly,  
Datuk Dr. Ng Bee Ken  
Independent Non-Executive Chairman

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## MANAGING DIRECTOR'S STATEMENT 董事经理献词



Dear esteemed shareholders  
尊敬的股东大家好

I am honoured to present the Managing Director's Statement to shareholders of Sinotop Holdings Berhad ("**Company**" or "**Sinotop**").

我很荣幸为顶峰控股集团有限公司（“**顶峰**”）的股东们再次发表董事经理献词，向各位股东汇报公司在过去一年的概况。

### 1. RESULTS BRIEFING

For the current reporting financial year, the operating sub-subsidiary of Sinotop, Top Textile (Suzhou) Co., Ltd., ("**Top Textile**") recorded sales revenue of RMB181 million (2018-18 months: RMB328 million equivalent to annualized revenue of RMB219 million) and loss after tax of RMB2.3 million (Profit after tax ("**PAT**") 2018-18 months: RMB848,000, equivalent to annualized PAT of RMB565,000).

#### 业绩汇报

截至 2019 年 6 月 30 日的财政年，顶峰旗下子公司中国托普纺织（苏州）有限公司（“**托普**”）的销售额为 1 亿 8100 万元人民币（2018 年 18 个月：3 亿 2800 万元人民币或年化 2 亿 1900 万元人民币），税后亏损则为 230 万元人民币（2018 年 18 个月：税后盈利 84.8 万元人民币或年化税后盈利 56.5 万元人民币）。

The results of Top Textile has been on a declining trend, due primarily to the following factors:-

#### (i) Low demand and profit margin for Top Textile's fabric products arising from stiff competition

In the textile industry, apparel companies which sell their products directly to consumers are able to influence the prices of its suppliers' products and services along the supply chain established by these apparel companies in order to keep their production and holding costs low. The competition for the apparel companies' businesses among the global fabric suppliers had forced suppliers such as Top Textile to reduce their production output and selling prices of their products and services which in turn has led to the reduction of revenue and profit margin.

#### 剧烈竞争造成市场需求及利润降低

在纺织行业，成衣公司有足够的影响力以致能够左右面料成本价以达到他们降低制衣成本的目的。在如此剧烈的竞争环境下，面料制造和供应商唯有以减产降价方式应对，导致销售和利润减低。

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## 1. RESULTS BRIEFING (CONT'D)

### (ii) Rising cost of labour

The one-child policy in China has been implemented for over 35 years and has inevitably skewed the age and demographic profiles of its population. Generation born under the one-child policy has shrunk the country's employable labour force. Nowadays, the younger generation in the working class is unwilling to work in factories or leave their hometowns to work in faraway places. Apart from the aforementioned, the country is facing an ageing population as well, which aggravates the increase in labour costs.

#### 劳动力成本上涨

中国之前所实施的一胎政策已经超过 35 年,也因此而无可避免地造成人口老化和性别差距失衡,导致年轻劳动力群体人口大幅度萎缩。当今就业群体因为家乡当地有所发展,普遍不太愿意离乡别井外出打工。除此,一胎政策也造成人口老化的问题,更是加剧了人力资源与其成本。

### (iii) Stringent regulatory requirements and high material costs

The compulsory switch from the use of coal to liquefied natural gas imposed by the government on grounds of environmental preservation has directly impacted the production overheads and profit margin of Top Textile. The rising operational costs has adversely impacted Top Textile's competitive edge.

#### 严格的政策和原材料价格高涨

政府规定纺织厂改用热电厂集中供蒸汽取代传统上更具经济效益但不环保的煤炭锅炉产蒸汽,此举直接影响了生产成本和利润幅度,并且削减了公司的竞争力。

## 2. PROPOSED CORPORATE EXERCISES BY SINOTOP

The Board had taken cognisance of the current trade-war between the United States of America ("USA") and China that although most of Top Textile's direct customers are companies originating from the latter, most of its customers export their products to overseas markets which include the USA. Hence, the uncertainty arising from the trade war between the USA and China would adversely impact the businesses of Top Textile's customers, which would in turn impact Top Textile's business.

#### 企业活动进展更新

董事局对于当前中美之间的贸易战也感忧虑,即便是托普的主要销售客户是国内厂商,然而这些厂商大部分经营出口业务,出口市场也包括美国,因此目前中美贸易战所处于的胶着状态对托普客户的业务肯定有着负面影响,也影响了托普的业务。

In view of the deteriorating financial performance of Top Textile's fabric production and sale business, eroding profit margin and stiff competition in the business environment, in December 2018, the Board has proposed to dispose Sinotop's investment in Be Top Group Limited ("Be Top") for cash via an open tender exercise ("Proposed Disposal"). The Proposed Disposal enables the Company to realise its capital invested in Be Top. Upon completion of the Proposed Disposal, project management services and infrastructure construction business will be the sole core business of Sinotop Group.

由于托普的面料生产业务收益一直处于下降趋势,加上行业里剧烈的竞争,因此董事局建议脱售 Be Top 集团有限公司 ("脱售项目");该脱售项目能实现顶峰集团之前在 Be Top 所投入的资金。待脱售项目完成后,工程管理和基本建设业务会是顶峰唯一的主营业务。

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## 2. PROPOSED CORPORATE EXERCISES BY SINOTOP (CONT'D)

The project management services and infrastructure construction business are helmed by Dato' Justin Soo Sze Ching ("DJ") who has vast experience and a good network of resources in the construction industry. In the current reporting financial year, the Group secured one new project management contract and two construction contracts respectively. Proceeds from the Proposed Disposal will allow the Group to allocate more resources to expand its project management services and infrastructure construction business to generate earnings for the Group.

集团的工程管理和基本建设业务是由行业经验和各项资源丰富的拿督苏仕振("DJ")所掌舵，今年总共签获3个项目，分别是一个工程管理和两个基本建设项目。脱售项目所获得的资金将被用于拓展工程管理和基本建设业务，以便加集团收益。

### 2.1 PROPOSED DISPOSAL OF BE TOP ("PROPOSED DISPOSAL")

On 2 May 2019, Sinotop entered into a conditional share sale agreement ("**Disposal SPA**") with Gifted Investments Limited ("**GIL**") to dispose its entire equity interest in Be Top for a total consideration of RM70 million ("**Disposal Consideration**"), including the assumption of liabilities by GIL.

In conjunction with the Proposed Disposal, Sinotop also proposed the following:-

- a) a proposed reduction of Sinotop's share capital pursuant to Section 117 of the Companies Act 2016 ("**Proposed Capital Reduction**"); and
- b) a proposes consolidation of every seven (7) ordinary shares in Sinotop into two shares after the completion of the Proposed Capital Reduction ("**Proposed Share Consolidation**").

顶峰于2019年5月2号与GIL签署了股权脱售协议（“**脱售协议**”），后者将会以7000万马币收购Be Top的所有股权，包括承担债务。同时，顶峰也建议在完成脱售项目后进行削资并且随后再进行股份合并。

On 2 October 2019, Sinotop and GIL have mutually agreed to extend the cutoff date of the Disposal SPA further for three (3) months to 2 January 2020 in order to facilitate the fulfillment of conditions precedent stipulated in the Disposal SPA, amongst all is to obtain shareholders' approval on the Proposed Disposal in an extraordinary general meeting to be convened.

在2019年10月2号，顶峰与GIL双方同意把脱售协议里GIL须符合先决条件的截止日期挪后到2020年1月2日；其中一个先决条件是需在特别股东大会里向股东们提呈脱售项目并获得股东们的支持。

### 2.2 PROPOSED ACQUISITION OF ASIANMAX CORPORATION SDN. BHD. ("PROPOSED ACQUISITION")

On 1 April 2019, Sinotop announced that it has accepted a letter of offer dated 28 March 2019 issued by DJ for the proposed acquisition of the entire equity interest in Asianmax Corporation Sdn. Bhd. ("**ACSB**") for an indicative purchase consideration of RM96 million ("**Proposed Acquisition**"). Eventually, Sinotop and DJ ("**Parties**") had on 23 April 2019 entered into a conditional share sale agreement ("**SSA**") in relation to the Proposed Acquisition. However, the prevailing market condition has entailed the Parties to mutually agreed to review, re-evaluate and renegotiate the terms and conditions of the proposed implementation manner of the Proposed Acquisition. Accordingly, the Parties had on 30 September 2019 mutually agreed to terminate the SSA ("**Termination**").

顶峰在2019年3月28号收到DJ的献议，让顶峰以9600万马币的价格收购ACSB的所有股权。双方于今年4月23号签署股权收购协议（“**收购协议**”），以上述收购价进行收购项目。然而，当前的市场情况令双方经友好协商后，一致同意对于收购项目重新检阅、评估及商讨各项条款。随后，双方于2019年9月30号正式达致协议，终止收购协议。

Notwithstanding to the Termination, the Parties have agreed to enter into good faith discussions and negotiations with a view towards agreeing on new/revised terms and conditions of the Proposed Acquisition, which shall be finalized and mutually agreed within a period of 6 months from 30 September 2019 and which may potentially include changes to the structure and components of the Proposed Acquisition.

即使双方已终止收购协议，但也同时同意在2019年9月30号起的6个月内重新进行下一轮的协商，在收购条款这方面或许会有变动。

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### 3. OUTLOOK

In view of the situation in the domestic and external operating and business environment, the Group endeavours to implement and complete the Proposed Disposal, Proposed Capital and Proposed Share Consolidation. Sinotop will continue to seek business opportunities that are in line with its strategic goal of strengthening the Group's project management services and infrastructure construction business. The Company will update shareholders and the investing public at large from time to time via public domain on development of the aforementioned corporate proposals. Lastly, I would like to express my sincere gratitude to our shareholders for your understanding and support.

#### 展望

鉴于各项内外运营环境条件，顶峰集团的目标是推进并完成脱售项目、削资和股份整合各项企划。未来顶峰会寻求合适并符合集团战略目标的业务；目前集团的战略目标是巩固其工程管理和基本建设业务。顶峰会通过公众平台向广大股东群体和投资者陆续更新项目的后续发展。最后，我对股东们的支持表示衷心的感谢！谢谢大家的理解和支持！

Pan Ding 潘鼎  
Group Managing Director 集团董事经理

**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
Company No: 198401002327 (114842-H)

## MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis is a review on the Company and the Group and shall be read in conjunction with the audited financial statements.

### BACKGROUND

Sinotop Holdings Berhad ("**Sinotop**" or "**Company**" or "**Group**") was incorporated on 15 February 1984. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). The Company has two wholly-owned subsidiaries, namely,

- a) Be Top Group Limited, an investment holding company that in turn holds the entire equity interest in Top Textile (Suzhou) Co., Ltd, a company that involves in the production and sale of loom-state fabrics in China; and
- b) Gorgeous Goldhill Sdn. Bhd., a company that principally involves in the business of project management services and infrastructure construction.

### PRINCIPAL BUSINESS OPERATIONS OF THE GROUP

The principal business operations of the Group are as follows:-

<b>Name of Company</b>	<b>Principal Business Activities</b>
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#### CONTINUING OPERATION

##### Subsidiary of the Company

Gorgeous Goldhill Sdn. Bhd.	Project management services and infrastructure construction
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#### DISCONTINUED OPEFRATION

Be Top Group Limited	Investment holding
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#### Subsidiary of Be Top Group Limited

Top Textile (Suzhou) Co., Ltd.	Investment holding, production of customized woven loom-state fabrics made from cotton, synthetic and mixed yarn
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The past financial year has been an eventful year, in which the Group has proposed to carry out two major corporate exercises.

Below are the sequence of events and progress updates pertaining to the two corporate exercises:-

### 1. PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN BE TOP GROUP LIMITED ("PROPOSED DISPOSAL")

- 1.1. On 12 December 2018, the Company announced that it proposed to dispose its foreign assets, comprises its investments in a wholly-owned subsidiary, namely Be Top Group Limited ("**Be Top**") and the wholly-owned subsidiary of Be Top, namely Top Textile (Suzhou) Co., Ltd. ("**Top Textile**") (collectively referred to as "**Foreign Assets**") for cash via an open tender exercise. Messrs Azri, Lee Swee Seng & Co was appointed as the tender administrator ("**Tender Administrator**").
- 1.2. As at 12 December 2018, the eventual manner of the proposed disposal of the Foreign Assets ("**Disposal Exercise**") was not known yet to the Company as the Disposal Exercise may be effected by way of disposal of equity interest in Top Textile and/or Be Top or by disposing the assets and liabilities of Top Textile and/or Be Top, depending on the prospective bidder(s) proposed mode of effecting the Disposal Exercise.
- 1.3. Eventually, the Tender Administrator received a binding offer from Gifted Investments Limited ("**GIL**") to acquire the entire equity interest of Be Top for RM70,000,000 only. The Board (save for the disposal interested directors who had abstained from any deliberations in respect of the Proposed Disposal) had agreed to accept the Binding Offer at the total consideration of RM70,000,000. For the sake of clarity, both Mr Pan Ding and Pan Dong are deemed as the disposal interested directors by virtue of their directorship and/or shareholding in GIL. Accordingly, on 2 May 2019, Sinotop and GIL had entered into a conditional share sale agreement ("**Disposal SPA**")

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**1. PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN BE TOP GROUP LIMITED (“PROPOSED DISPOSAL”) (CONT'D)**

- 1.4. In addition to the Proposed Disposal, Sinotop also proposed to carry out the following:-
- a) proposed reduction of the share capital pursuant to Section 117 of the Companies Act 2016 after the completion of the Proposed Disposal (“**Proposed Capital Reduction**”); and
  - b) proposed consolidation of every 7 existing ordinary shares of Sinotop into 2 new Sinotop Shares held on an entitlement date to be determined later after the completion of the Proposed Capital Reduction.
- 1.5. Sinotop and GIL had mutually agreed to extend the cutoff date of the Disposal SPA to 2 January 2020, in order to facilitate the fulfillment of conditions precedent stipulated in the Disposal SPA.

**2. PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASIANMAX CORPORATION SDN. BHD. (“PROPOSED ACQUISITION”)**

- 2.1. On 1 April 2019, the board of directors of Sinotop announced that the Company had on even date accepted a letter of offer dated 28 March 2019 issued by Dato’ Justin Soo Sze Ching (“**DJ**”) for the proposed acquisition by Sinotop of the entire equity interest in Asianmax Corporation Sdn. Bhd. (“**ACSB**”) comprising 750,000 ordinary shares in ACSB from DJ for an indicative total purchase consideration of RM96.0 million (“**Proposed Acquisition**”).
- 2.2. The Proposed Acquisition shall be satisfied via the following manner:-
- a) RM14.40 million in cash;
  - b) RM7.70 million via the issuance of 28,518,519 new ordinary shares in Sinotop (“**Consideration Share(s)**”) at an issue price of RM0.27 per Consideration Share; and
  - c) RM73.90 million via the issuance of 273,703,704 new irredeemable convertible preference shares (“**ICPS**”) at an issue price of RM0.27 per ICPS.
- 2.3. Eventually, Sinotop and DJ signed a conditional share sale agreement (“**Acquisition SPA**”) on 23 April 2019. On 23 August 2019, Sinotop and DJ had mutually agreed to extend the cutoff date for fulfillment of the conditions precedent in the Acquisition SPA from 24 August 2019 to 24 October 2019.

Notwithstanding to the foregoing, in view of the prevailing market condition, on 30 September 2019, Sinotop and DJ had mutually agreed to review, re-evaluate and renegotiate the terms and conditions upon which the Proposed Acquisition is proposed to be implemented. Accordingly, Sinotop and DJ have agreed to mutually terminate the SSA with effect from 30 September 2019 (“**Termination**”).

Notwithstanding to the Termination, Sinotop and DJ shall enter into good faith discussions and negotiations with a view towards agreeing on new/revised terms and conditions of the Proposed Acquisition, which shall be finalized and mutually agreed within a period of 6 months from 30 September 2019 and which may potentially include changes to the structure and components of the Proposed Acquisition.



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### 3. FINANCIAL PERFORMANCE REVIEW

#### REVENUE

The breakdown of the Group's revenue for financial year/period ended 30 June 2019 and 30 June 2018, respectively, is tabulated below:-

#### EXHIBIT 1

	REVENUE FINANCIAL YEAR/PERIOD ENDED			VARIANCE (CURRENT YEAR VS ANNUALIZED)	
	30.6.2019 RM'000	30.6.2018 (18 Months) RM'000	30.6.2018 (Annualized) RM'000	RM'000	%
<b>BY BUSINESS SEGMENT</b>					
<b><i>Discontinued operation</i></b>					
Fabric production	109,876	206,611	137,740	-27,864	-20
<b><i>Continuing operations</i></b>					
Project management services and infrastructure construction	16,202	10,883	7,255	8,947	123
Investment holding	34	12	8	26	325
	<b>126,112</b>	<b>217,506</b>	<b>145,003</b>	<b>-18,891</b>	

During the current financial year, the fabric production and sale segment has been classified as "discontinued operations" pursuant to the Proposed Disposal, in accordance with the provisions in MFRS 5.

The Group registered revenue of RM126 million compared to RM217 million in the preceding 18-month financial period ended 30 June 2018 (annualized RM145 million). The drop in the total revenue was due to RM27 million drop in sales revenue from the discontinued fabric production and sale segment, despite an increase in the revenue contributed by the project management services and infrastructure construction business.

### 4. LIQUIDITY POSITIONS REVIEW

From the perspective of financial position, the Group's liquidity remains healthy, cash and cash equivalents balances as at the end of financial year ended 30 June 2019 was RM16.7 million (18-month financial period ended 30 June 2018 : RM24.1 million) respectively.

### 5. CAPITAL EXPENDITURE REQUIREMENTS, CAPITAL STRUCTURE AND CAPITAL RESOURCES

#### i) Capital Expenditure Requirement

The Group's capital requirement is essentially nil as the project management services and infrastructure construction segment does not require investment in capital expenditure.

#### ii) Capital Structure

As at the date of this Annual Report, the Company has the following proposed amendments to its capital structure:-

- proposed reduction of the share capital pursuant to Section 117 of the Companies Act 2016 after the completion of the Proposed Disposal ("**Proposed Capital Reduction**"); and
- proposed consolidation of every 7 existing ordinary shares of Sinotop 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**").

The exact timing of implementation of the Proposed Capital Reduction and Proposed Share Consolidation will be dependent upon the completion of the Proposed Disposal.

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## 5. CAPITAL EXPENDITURE REQUIREMENTS, CAPITAL STRUCTURE AND CAPITAL RESOURCES (CONT'D)

### iii) Capital Resources

Capital resource of the Group is from internally-generated funds.

## 6. SIGNIFICANT FACTORS THAT AFFECT THE GROUP'S CONTINUING BUSINESS SEGMENT AND MITIGATION MEASURES

The continuing operating activities of the Group, i.e. its project management services and infrastructure construction are likely to be affected by the following risk factors:-

### i) Business risks

The project management services and infrastructure construction businesses are exposed to inherent business risks associated to the construction industry, amongst others, global and regional economic downturn that result in lesser construction project kick-offs, occurrence of *force majeure* events such as adverse weather conditions and natural disasters that may prolong the construction period. The Group seeks to mitigate these risks by close monitoring of these risk factors and careful planning.

### ii) Operational and competition risks

Prior to embarking on the project management services and infrastructure construction businesses, the Group was primarily operating its fabric production business in China (*now classified as discontinued business*), it was an entirely new business ventured into by the Group, and therefore there was a certain degree of operational and competition risks that exist. However, after more than two years venturing into this business segment, and under the leadership of DJ who has vast experiences, success record and network of resources in this industry, the operational risks has reduced significantly.

### iii) Dependence on key personnel

The Group depends solely on DJ and his team to manage the project management services and infrastructure construction business segment. Apart from retaining the key management personnel, the Group recognizes the need to procure and train more suitably qualified talents to manage the business in this segment.

## 7. COMMENTARY ON PROSPECT OF THE GROUP'S BUSINESS

### 7.1. Project management services and infrastructure construction segment

The Malaysian government is supportive of infrastructure construction with careful discretion. In general, the construction sector will be a major catalyst of other economic sectors as construction activities utilize approximately 96 products of other sectors whilst employing 9.3% of the national workforce. Hence the construction sector remains capable to assume its role as an expeditious and effective economic driver, particularly during times of economic slowdown.

However, there is a note of caution that under the administration of the current government, contracts are being proactively reviewed and hence more time will be needed to have a clearer visibility of the near to medium term outlook of the construction sector. Otherwise, on the back of the positive factors mentioned, the long term outlook of the segment has the potential of achieving reasonably healthy growth.

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## GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR/PERIOD ENDED		June 2019	June 2018*	Dec 2016	Dec 2015	Dec 2014
Revenue	(RM'000)		217,506	172,153	185,629	159,841
Continuing	(RM'000)	16,236				
Discontinued	(RM'000)	109,876				
(Loss)/Profit Before Taxation	(RM'000)		2,590	4,264	4,010	4,087
Continuing	(RM'000)	(1,011)				
Discontinued	(RM'000)	(71,410)				
(Loss)/Profit After Taxation - Attributable to equity holders of the Company	(RM'000)		122	2,033	2,083	2,749
Continuing	(RM'000)	(1,097)				
Discontinued	(RM'000)	(72,770)				
(Expense)/Earnings per share	(sen)		0.02	0.10	0.11	0.14
Continuing	(sen)	(0.28)				
Discontinued	(sen)	(18.43)				
Net asset	(RM'000)	106,134	182,251	223,474	226,801	190,682
Net asset per share	(sen)	26.88	46.15	11.32	11.49	9.66

## KEY RATIOS

Return on equity <sup>#</sup>	-69.60%	0.07%	0.91%	0.92%	1.44%
Return on assets <sup>@</sup>	-52.34%	0.06%	0.87%	0.87%	1.35%
Debt to equity <sup>^</sup>	n.a.	n.a.	n.a.	n.a.	n.a.

\* 18-month statistics pursuant to the change of financial year end from 31 December 2017 to 30 June 2018 and thereafter on 30 June in the ensuing years.

# Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Equity attributable to Equity Holders

@ Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Assets

^ Based on Total Borrowings expressed as a percentage of Total Equity attributable to Equity Holders

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## SUSTAINABILITY STATEMENT

### 1. PREFACE

The Sustainability Statement is drawn up in accordance with Sustainability Reporting Guide (2<sup>nd</sup> Edition) issued by Bursa Malaysia Securities Berhad ("**Bursa Securities**"). The Sustainability Statement is a narration on the Group's direction and management of material risks and opportunities in the aspects of economic, environmental and social.

- a) Bursa Malaysia Sustainability Reporting Guide;
- b) Corporate Governance Guide (Third Edition) released by Bursa Securities;
- c) Part A of Appendix 9C (paragraph 29); and
- d) Practice Note 9.

### 2. IDENTIFICATION OF KEY SUSTAINABILITY ASPECTS

The Group identified there (3) broad categories sustainability aspects, performed sustainability assessment and evaluated the impact of each issue:-

- a) Economic sustainability
- b) Environmental sustainability
- c) Social sustainability

### 3. KEY SUSTAINABILITY ASPECTS

Sustainability Aspect	Identified Issues
a) Economic sustainability	<ul style="list-style-type: none"> <li>▪ Expansion of the project management services and infrastructure construction business</li> <li>▪ Exploring opportunities in the acquisition/procurement of earnings accretive business for sustainability in earnings</li> </ul>
b) Environment sustainability	<ul style="list-style-type: none"> <li>▪ Minimize resource consumption</li> </ul>
c) Social sustainability	<ul style="list-style-type: none"> <li>▪ Work safety</li> <li>▪ Workers welfare schemes</li> </ul>

### 4. MEASURES AND STEPS TAKEN BY THE GROUP TO DEAL WITH THE IDENTIFIED ISSUES

The Group counter the challenges by taking the following measures:-

#### 4.1. ECONOMIC SUSTAINABILITY

Sustainability Issues	Measures taken to counter these issues
<b>PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION BUSINESS</b>	
Operated through a wholly-owned subsidiary, Gorgeous Goldhill Sdn. Bhd. helmed by Dato' Justin Soo Sze Ching (" <b>DJ</b> ")	
Procurement of new projects	<ul style="list-style-type: none"> <li>▪ The Group leverages on DJ's established reputation and vast network of resources in this industry, hence, the risk of being unable to replenish new projects is reduced significantly.</li> </ul>
Competition with other project management services and infrastructure construction companies	<ul style="list-style-type: none"> <li>▪ Support from DJ and leveraging on DJ's vast network of resources.</li> </ul>

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#### 4. MEASURES AND STEPS TAKEN BY THE GROUP TO DEAL WITH THE IDENTIFIED ISSUES (CONT'D)

##### 4.1 ECONOMIC SUSTAINABILITY (CONT'D)

Sustainability Issues	Measures taken to counter these issues
<b>PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION BUSINESS (CONT'D)</b> Operated through a wholly-owned subsidiary, Gorgeous Goldhill Sdn. Bhd. helmed by Dato' Justin Soo Sze Ching ("DJ") (cont'd)	
Disposal of subsidiary that is operating in a challenging business environment	<ul style="list-style-type: none"> <li>The Group has proposed to dispose its foreign subsidiary, Be Top Group Limited ("<b>Proposed Disposal</b>"), which in turn has a wholly-owned subsidiary which is in the business of production and sale of loom-state fabric made from cotton and various other synthetic yarns, to Gifted Investments Limited ("<b>GIL</b>"). Sinotop and GIL had entered a conditional share sale agreement ("<b>Disposal SPA</b>") on 2 May 2019.</li> <li>The proceeds from the Proposed Disposal is proposed to be used in the acquisition of earnings accretive business to enhance the financial performance of the Group.</li> </ul>

##### 4.2 ENVIRONMENT SUSTAINABILITY

Excessive usage / wastage of resources	<ul style="list-style-type: none"> <li>Control on usages of resources according to as planned and required</li> </ul>
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##### 4.3 SOCIAL SUSTAINABILITY

Sustainability Issues	Measures taken to counter these issues
Skilled & experienced staff	<ul style="list-style-type: none"> <li>Carefully employ and retain suitably qualified professionals in the project management and infrastructure construction businesses.</li> <li>Continual professional development programme for staff to enhance professional skills.</li> </ul>
Occupational safety	<ul style="list-style-type: none"> <li>Guidance on occupational safety as per the Best Practices on Occupational Safety and Health in Construction Industry 2019 issued by the Department of Occupational Safety and Health, Ministry of Human Resources.</li> </ul>

The Group has outlined a Corporate Social Responsibility ("**CSR**") Policy adopted by the Board, which are subject to review from time to time to adapt to the prevailing situation and keep up with current development. The CSR policy can be found at the Company's website at [www.sinotop.com.my](http://www.sinotop.com.my).

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## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**Board**") of Sinotop Holdings Berhad ("**Company**" or "**Sinotop**") continues to comply with requirements of good corporate governance practices which is a fundamental responsibility as a listed company. A well-preserved corporate governance environment is instrumental in preserving stakeholders' interests and enhancing shareholders' value. The Board is aware of and strives to incorporate values of recommended corporate governance practices in the Company and its subsidiaries ("**Group**").

Requirements as prescribed in the following guidelines in relation to corporate governance aspects are referred to in enhancing the existing corporate governance structure of the Group:-

- i) Corporate Governance Guide (Third Edition) ("**CG Guide**") issued by Bursa Malaysia Securities Berhad ("**Bursa Securities**") bearing the title Corporate Governance: Moving from Aspiration to Actualisation;
- ii) Malaysian Code on Corporate Governance ("**MCCG**") issued by Securities Commission Malaysia ("**SC**"); and
- iii) Corporate Governance Monitor issued by SC.

In addition to this Corporate Governance Overview Statement, the Company has also completed a Corporate Governance Report that has been submitted together with this Annual Report (collectively referred to as "**Reports**") on the website of Bursa Securities. The Reports are accessible on the investor relation page of the Company's website, [www.sinotop.com.my](http://www.sinotop.com.my).

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### 1. BOARD RESPONSIBILITIES

##### 1.1. PRINCIPAL FUNCTIONS AND RESPONSIBILITIES OF THE BOARD

- 1.1.1. The Board is responsible for the overall financial performance and delivery of results of the Group. The Board has fiduciary duties and duty to exercise reasonable care, skills and diligence to various stakeholders of the Company. The Board's principal functions and responsibilities are guided by principles set out in the Board Charter, of which the gist is as follows, amongst others;
- 1.1.2. Formulation of the Group's strategic goals, review and approval of strategic proposals/plans tabled to the Board, and ensure appropriate allocation of resources to implement and monitor the strategic plans approved for the Group. The Board sets the strategic directions and long-term targets of the Group, and it assumes the steering, supervision and monitoring roles over the strategic direction that the Group intends to head towards in long term;
- 1.1.3. Assess corporate exercises proposals presented to the Board;
- 1.1.4. Oversee the conduct and performance of the management in implementing the strategic proposals;
- 1.1.5. Oversee the management of the Group's business in terms of financial and operational performance to ensure the Group's businesses have been properly managed;
- 1.1.6. Approval of revision of business strategies in line with the prevailing internal and external environment;
- 1.1.7. Ensures integrity of the Group's financial information;
- 1.1.8. Identify key risks factors that have significant impact on the Group's operations and performance;
- 1.1.9. Establishment of a sound and effective risk management and internal control system to mitigate negative impact of the risks so identified;
- 1.1.10. Review of adequacy and the integrity of the Group's risk management & internal control and management information systems;
- 1.1.11. Assessment of business and/or investment opportunities to enhance the Group's financial performance;
- 1.1.12. Review of succession planning, including appointment of senior management; and
- 1.1.13. Develop and implement investor relations programme or shareholder communications policy.

The Company's Board Charter which was last reviewed by the Board on 25 October 2019 is accessible at the Company's website at [www.sinotop.com.my](http://www.sinotop.com.my).

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## 1.2 BOARD COMMITTEES

Board committees are established to assist the Board in the oversight of various aspects of the Company, including but not limited to financial, talent management of directors and senior management and remuneration of executive directors. There are three (3) Board Committees, which are Audit Committee (“**AC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”).

These Committees have been granted with full authority to investigate any matter within their scope of responsibility and to obtain satisfactory information as it may require from directors and/or employees of the Group. In the event where independent professional advice are needed to discharge their duties, the Committees are entitled to engage external professionals and/or consultants at the cost of the Group after due consultation with the Board.

The Committees shall discharge their duties within their respective terms of reference and recommend to the Board for approval. The functions, roles and responsibilities of the AC are presented in the Audit Committee Report while other Committees’ roles and responsibilities are detailed in this Statement.

### NOMINATING COMMITTEE

The NC is delegated with the responsibility of talent management for the Group. NC comprise solely of independent non-executive directors.

#### CHAIRMAN

Low Yan Seong

Independent Non-Executive Director

#### MEMBER

Datuk Dr. Ng Bee Ken

Independent Non-Executive Chairman

#### i) PRINCIPAL RESPONSIBILITIES OF NC

- a) Recommend the nomination of Board members and senior management;
- b) Consideration over candidates recommended by the Group Managing Director (“**Group MD**”) to be appointed as Board members or senior management;
- c) Recommend to the Board, directors to be elected as members of Board Committees;
- d) Identify, evaluate and recommend candidates for appointment as Company Secretary;
- e) Review annually the term of office and performance of the Audit Committee and each of its members;
- f) Assess annually the effectiveness of the Board as a whole, the Board committees and the contribution of each director and thereafter, table the results to the Board;
- g) Review annually the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board and thereafter, make recommendation to the Board;
- h) provide a documented, formal and transparent procedure for the appointment of Directors and Board Committee Members;
- i) recommend the nomination of a person or persons for directorship to be filled by shareholders or the Board;
- j) consider, in making its recommendations, candidates for directorships proposed by the Executive Directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;
- k) recommend to the Board, directors to be appointed to the Board Committees;
- l) bring to the Board's attention results of NC annual review and recommend the Board on the next course of actions;
- m) assess the performance of each director, the Board and Board Committees; and
- n) review the Group's keyman succession plan and report to the Board.



## ii) **NOMINATION POLICY**

The key role of the NC is to assist the Board to identify and assess suitability of candidates to be appointed as Board members.

A formal nomination policy has been drawn up by the Company to assist the NC in the nomination criteria and process. The Company's directors nomination policy set out essential criteria of candidates to fill up vacancy(ies) in board room, as well as process and procedures for directors nomination. The nomination policy can be found at the Company's website at [www.sinotop.com.my](http://www.sinotop.com.my).

In carrying out these duties, members of the NC have been identified as having respectable exposure in the corporate world, hence, they are well-versed with the essential qualities that any Board member must possess to maintain an effective Board.

## iii) **PROCESS AND PROCEDURE OF DIRECTOR/(S) NOMINATION**

### a) **Board assessment**

The Board assesses its composition and the adequacy of members' exposure / knowledge in meeting the stewardship needs and decides whether there is any need and urgency to expand its size.

### b) **Required Profile and List of Competencies of Candidates**

The NC will table the list of preferred attributes of Board members, such as profile, competencies, industry exposure, professional qualification and employment background for Board confirmation.

### c) **Commencement of Search**

The NC, through various channels, will commence the search for and invite suitable candidates to submit their resume. The channels that the NC can utilize include fellow Board members' / business associates' recommendation, trade association, professional bodies listing and professional headhunters.

### d) **Selection and Shortlisting**

The NC will select and shortlist candidates based on the attributes that the Board is seeking. Matters that will be considered other than core competencies would be possible conflict of interest, commitment of time and factors that may lead to compromise of independence in discharging the duties as directors of a public listed company.

### e) **Interview**

Interview will be arranged for the shortlisted candidates.

### f) **Verification of Background**

The NC will perform verification checking on the candidates' declared background and profile with references provided by the candidate.

### g) **Nomination of The Finalised Candidate and Board Approval**

NC will nominate the finalized candidate that best suits the position and recommend to the Board for approval.

### h) **Formal Appointment and Mandatory Accreditation Programme ("MAP")**

Formal appointment letter, registration with the Companies Commission of Malaysia as well as announcement to Bursa Securities will be made. All newly appointed directors of a listed company must attend the MAP within four months from the formal appointment date, pursuant to provisions in paragraph 15.08 of the Main Market Listing Requirements ("MMLR") and Practice Note 5 issued by Bursa Securities.

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#### iv) GENDER DIVERSITY IN BOARD ROOM

The Group supports recommendation in MCGG on gender diversity in Board composition and adopted a gender diversity policy. The Group will place emphasis on suitability of candidates for directorship and senior management posts, rather than purely selecting based on any specific gender preference, so as to consider the appointment of lady director(s) or senior management staff when there are suitable candidates. Nevertheless, the Group upholds the spirit of appointing directors to serve the Board based on merits and experience of the candidates without bias on race, age or gender. The same spirit applies when employing senior management staff of the Group.

#### v) SUMMARY OF ACTIVITIES OF THE NC

Below are activities of the NC during the financial year ended 30 June 2019:-

- a) review of the mix of skill and experience and other qualities of the Board;
- b) assessment of the effectiveness of the Board as a whole, the Board committees and the Directors;
- c) annual assessment of the independence and performance of Independent Directors; and
- d) discussion of the Company's Directors' retirement by rotation.

During the financial year, the NC has carried out an annual assessment on the independence of the independent directors. The criteria used in the assessment are based on requirements and definition in MMLR. Assessment has also been carried out on aspects as to whether the independent directors are able to express objective and independent views on issues raised for deliberation and decision-making at Board and Board Committee levels.

The NC has received confirmation letters from the independent directors confirming their independence and the exercise of independent judgment and that they have been able to act impartially in the best interest of the Company.

Based on the following points, the NC reported to the Board that to the best of its knowledge, all the independent directors were free from influence that could have affected their ability and willingness to exercise impartial professional judgment in deliberation of issues:-

- a) all independent directors fulfilled the definition of independent director as set out in MMLR;
- b) all the independent directors have given a written confirmation to the Board confirming their independence; and
- c) all independent directors had acted independently free from the management and had no business relationship with the Company, its subsidiaries and joint venture.

### 1.3 BOARD MEETINGS

Board meetings are avenue for Board members to gather and deliberate on strategic, compliance, risk management and internal control issues relating to the Group. The Board meets up at least once every quarter for these purposes, and to be updated on strategic plans from management. There were eight (8) Board meetings held during the financial year ended 30 June 2019.

The summary of attendance of each Director is as follows:-

Directors	Number of Meetings Attended
1. Datuk Dr. Ng Bee Ken	7/8
2. Pan Ding	7/8
3. Pan Dong	5/8
4. Dato' Justin Soo Sze Ching	6/8
5. Low Yan Seong	8/8
6. Wan Kamarul Zaman Bin Wan Yaacob	8/8

#### **1.3.1. FREQUENCY OF BOARD MEETINGS ACCESS TO AND SUPPLY OF INFORMATION BY BOARD MEMBERS**

The Board meets at least four (4) times a year to deliberate on strategic, control and risk management issues. Senior management of the Group, who are responsible in determining the strategic direction of the Group will table business plans (e.g. diversification) to the Board. The Board will then examine business plans tabled and evaluate these plans from perspective such as the congruence of goals (of strategic plans and the Group's), alignment of the Group's strategic direction vis-à-vis direction of business plans proposed by executive directors (who are managers of the Group's businesses).

#### **1.3.2. OTHER NON-ROUTINE BOARD MEETINGS**

Under exceptional situation, the Board meets at appropriate times when circumstances warrant the call for meetings. All Directors are furnished with board papers that contain information of the agenda to be tabled at Board or Board Committee meetings. The Board/meeting papers will provide information relating to issues to be deliberated by the directors.

#### **1.3.3. INVITEES TO BOARD MEETINGS**

The Board invites management staff and auditors, when necessary, to attend Board meetings furnish clarifications on issues that may be raised by the Directors on issues tabled to them. The Board has direct access to senior management staff to obtain complete.

### **1.4 BOARD INDEPENDENCE AND EFFECTIVENESS**

Board independence is essential in promoting Board effectiveness as an effective Board requires adequate check and balance mechanisms to assess strategic plans tabled by executive directors to the Board.

#### **1.4.1 BOARD INDEPENDENCE**

The roles of Independent Non-Executive Chairman and Group MD are held by separate individuals, with clear division of responsibilities and authorities. The Board is made up of three (3) executive and three (3) independent non-executive directors, respectively, to uphold its independence and effectiveness. Appointment of independent non-executive directors to the Board is a major check and balance mechanism in place to assess strategic directions of executive directors and to ensure effective functioning of the Board.

#### **1.4.2 BOARD EFFECTIVENESS**

The presence of independent non-executive directors on Board ensures effectiveness of the Board as a whole. Below is narration of ways that Board effectiveness is achieved:

##### **a) THROUGH THE PRESENCE OF INDEPENDENT DIRECTORS**

Independent directors play the following roles in fulfilling their responsibilities to achieve Board effectiveness:-

- i) evaluate and assess business strategies tabled to the Board;
- ii) advise the Board on issues from an objective angle; and
- iii) provide constructive feedback to the Board.

The Company's independent directors are professionals in their own right with respectable business exposures, which the Board values and acknowledges that it has benefited greatly from advices and feedback it receives.

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**b) LEADERSHIP ROLE OF THE INDEPENDENT NON-EXECUTIVE CHAIRMAN**

Chairman of the Group plays the primary role of leading the Board in discharging its fiduciary duties. The Chairman has a leadership role in the Board and Board meetings, therefore this position requires an individual with insights over the corporate matters as well as grasp over the industries the Group is operating in. Chairman of the Board ensures Board meeting agenda are carried through accordingly so that issues are updated to Board members, adequately deliberated and properly addressed to.

In addition to assuming a steering role in Board meetings, the Chairman also serves as the bridge between the Board and management of the Company or its subsidiaries, external advisors and the external auditors. During annual general meetings, Chairman of the Group will also assume the role of communication between shareholders and the Company.

**c) SEPERATION OF POWER**

Currently, Sinotop Board is led by a seasoned practicing lawyer with exposure in the corporate arena. The positions of the Independent Non-Executive Chairman and Group MD of the Group are held by two separate directors.

The segregation of the roles ensures balance of power and authority. The Independent Non-Executive Chairman is responsible for the orderly conduct of the Board while the Group MD is responsible in ensuring the effective and efficient running of the Group's business and daily operations, as well as implementation of the Board's decisions. Segregation of positions (the Independent Non-Executive Chairman vis-à-vis Group MD) complies with the recommended best practice in the MCGG.

**d) INDEPENDENCE OF NON-EXECUTIVE DIRECTORS**

The Independent Directors fulfill the criteria of independence as set out in the MMLR. The Board adopts a policy on annual assessment of independent directors and has undertaken an assessment of independence of the three (3) independent directors for the financial year ended 30 June 2019. The criteria used in assessing the independence of the independent directors are based on definition in MMLR, as well as whether they are able to provide objective and independent views on issues deliberated at Board and Board Committee levels. The Board has received written confirmation of independence from the respective independent directors.

**2. NON-EXECUTIVE DIRECTORS' TENURE OF SERVICE**

Under the MCGG, service tenure of an independent director which exceeds a cumulative term of nine (9) years ("Term") upon completion of term, the re-election of such an independent director is subject to the annual approval by shareholders.

MCGG provides that after the Term, the independent director may continue to serve on the Board subject to:

- a) the re-designation as a non-independent director; or
- b) approval granted by shareholders in a general meeting for the independent director to be re-elected/re-appointed and continue to serve on the Board.

MCGG also provides that if the Board continues to retain an independent director after the 12<sup>th</sup> year, the Board should seek annual shareholders' approval through a two-tier voting process.

**3. RE-APPOINTMENT OF INDEPENDENT DIRECTORS WHOSE TENURE OF SERVICE EXCEED NONE (9) YEARS**

As at the date of this annual report, all three (3) independent directors of the Company have served on the Board of Sinotop for more than nine (9) consecutive years. Their names are as follows:-

- a) Datuk Dr. Ng Bee Ken ("**Datuk Dr. Ng**"), the Independent Non-Executive Chairman who is also Chairman of the Audit Committee and a member of both Nominating and Remuneration Committees, was appointed to the Board on 27 January 2006 and has served the Company for a cumulative term of thirteen (13) years;
- b) Mr. Low Yan Seong, independent director, Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee, was appointed to the Board on 28 June 2010 and has served the Company for a cumulative term of nine (9) years; and
- c) Encik Wan Kamarul Zaman, independent director, Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee, was appointed to the Board on 28 June 2010 and has served the Company for a cumulative term of nine (9) years.

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The Board has reviewed and assessed the independence of all three (3) independent directors. The Board opined that their length of service does not in any way jeopardize the exercise of their independent judgement and capability to act in the best interest of the Company.

In view of the above, the Group is desirable for Datuk Dr. Ng, Mr. Low and Encik Wan to be retained as independent directors of the Company. The Company will seek shareholders' approval to support the Board's decision to retain them, based on the following justifications:

- a) they fulfil the criteria under the definition of Independent Director as stated in the MMLR;
- b) Datuk Dr. Ng's stewardship and the participation of Mr. Low and Encik Wan has brought an element of objectivity to the Board;
- c) all of them are seasoned professionals in their own right whose viewpoints are valuable to the Company;
- d) their independence has been clearly demonstrated and did not in any circumstance been jeopardized; and
- e) they did not enter into any related party transactions with the Group and do not have conflict of interest with the Group.

The Company does not implement a two-tier voting process as the Board is of the opinion that the tenure of service of the independent directors does not in any way jeopardize their independence.

#### **4. POLICIES**

Company policies set by the management will be tabled to the Board for review, deliberation and approval as to its appropriateness. After these policies were granted initial approval for coming into force, there will be reviews being carried out from time to time to ensure its relevance to the prevailing market conditions of the Group's businesses, corporate governance requirements as well as adequacy in management of risk factors faced by the Company.

#### **5. COMPANY SECRETARY**

The roles of Company Secretary have evolved to encompass the advisory role on compliance to and new development of corporate governance matters, in addition to keeping of statutory records and minutes of meeting (Board and Board committees) and filing of mandatory returns. The Company and the Board is supported by a well-qualified joint-Company Secretary.

5.1. Principally, Company Secretary plays the following roles, of which the list is not exhaustive:-

- a) recording of minutes of Board and Board committees meetings;
- b) maintaining and updating of statutory books, registers, meeting minutes and records of the Company;
- c) ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded;
- d) ensure that any change in the Group's statutory information should be duly completed in the relevant prescribed forms and lodged with the Registrar of Companies within the required period of time;
- e) updating and explaining to the Board on corporate governance requirements and the actual practices that meet the compliance requirements;
- f) advise the Board on changes in the Constitution of the Company and requirements of the Companies Act 2016; and
- g) advising the Board/Board committees on the requirements to issue announcements to Bursa Securities pertaining to compliance to or deviation from listing requirements, corporate developments and/or transactions that entail mandatory public announcements.

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## 6. BOARD COMPOSITION

### 6.1. INTRODUCTION

The Company is helmed by a Board comprising members of different background, including seasoned entrepreneurs, professional civil engineer, corporate law practitioners, corporate finance professional with accounting and auditing exposure. The Board presently comprises three (3) executive directors and three (3) independent non-executive directors, which complies to the MCG recommendation that at least half of the Board comprises independent directors.

### 6.2. BOARD MEMBERS

During the financial year ended 30 June 2019, the Board consists of six (6) Directors, namely:

Director	Designation
Datuk Dr. Ng Bee Ken	Independent Non-Executive Chairman
Pan Ding	Group Managing Director / Executive Director
an Dong	Executive Director
Dato' Justin Soo Sze Ching	Executive Director
Low Yan Seong	Independent Non-Executive Director
Wan Kamarul Zaman Bin Wan Yaacob	Independent Non-Executive Director

The Board opines that the current composition of Board members is of a balanced mix of professional background and industrial experience, of which the size is optimum too. Profile of the Board members is as set out on pages 3 to 5 of this Annual Report.

### 6.3. ANNUAL ASSESSMENT OF BOARD MEMBERS (SELF EVALUATION) AND ASSESSMENT ON PERFORMANCE OF BOARD COMMITTEES

During the financial year ended 30 June 2019, Directors of the Company performed self-evaluation and assessment on the performance of Board Committees.

The objectives of the self-evaluation of Directors are

- assessment on the overall understanding as a Director of a listed company and initiate improvement of Board effectiveness;
- assessment on the contribution of views, insights when carrying out the fiduciary duties as Director of a listed company, either in individual capacity or collectively as a Board; and
- assessment on the level of participation and commitment as Board members.

The Board is satisfied over the self-evaluation of Board members that due care has been exercised while Board members were carrying out their fiduciary duties.

In addition, MCG recommends that the Board shall undertake annual assessment of the independence of its independent directors. In line with this recommendation, the Board has outlined a policy to facilitate procedures for the annual independence assessment of the Group's Independent Directors.

The assessment on independent directors for the current financial year ended 30 June 2019 has been duly completed.

### 6.4. DIRECTORS' APPOINTMENT AND RE-ELECTION

In accordance with the provisions of the Constitution of the Company, Directors who are appointed during the period are required to retire at the Annual General Meeting following his appointment. One-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office provided always that an election of Directors shall take place each year and that all directors shall retire from office once at least in every three years. All directors who retire from office shall be eligible for re-election.

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## 7. DIRECTORS' TRAINING

MMLR requires that directors of listed companies are to keep themselves abreast of the relevant development on corporate governance and industrial knowledge that relate to the Group. Prior to their appointment, all directors have undergone the prerequisite requirement of attending the Mandatory Accreditation Programme (MAP) pursuant to requirement of Bursa Securities.

### 7.1 ANNUAL TRAINING REQUIREMENTS

The Board has empowered the directors to determine their own training requirements as they may deem fit and necessary to broaden their exposure in the relevant subject matters that are appropriate to contribute to the Group's success. The following are training courses attended by the directors during the financial year ended 30 June 2019:-

Datuk Dr. Ng Bee Ken	<ul style="list-style-type: none"> <li>▪ Seminar on the Malaysian Regulatory Framework on Prevention of Money Laundering and Terrorism Financing in Corporate World</li> <li>▪ Bursa Securities Advocacy on Diversity</li> <li>▪ Bursa Securities Thought Leadership Series</li> <li>▪ All China-International Wire and Cable Industry Trade Fair</li> </ul>
Pan Ding	<ul style="list-style-type: none"> <li>▪ Seminar on Internet Banking in China</li> </ul>
Dato' Justin Soo Sze Ching	<ul style="list-style-type: none"> <li>▪ 2019 Budget Tax Highlights</li> </ul>
Low Yan Seong	<ul style="list-style-type: none"> <li>▪ Contractor Integrity and Code of Ethic Course</li> </ul>
Wan Kamarul Zaman Bin Wan Yaacob	<ul style="list-style-type: none"> <li>▪ The Seminar on Value Investing</li> <li>▪ Industry 4.0 and its impact on the Malaysian Capital Market</li> </ul>

During the financial year, an executive director of the Company travelled extensively on business trips to overseas and therefore was unable to attend training programmes. Going forward, he will do his best to identify training programmes that are able to fit into his schedule.

## 8. GENDER DIVERSITY POLICY AND TARGET

The Company supports the notion that the Board should see some diversity not only on professional specialization of directors and senior management but also their gender. The Company reckons that female directors and senior management will be given an equitable chance if their qualification and professional skills meet the requirements of the Company.

## 9. REMUNERATION

### 9.1 DIRECTORS' REMUNERATION POLICY AND PROCEDURE

The RC is delegated by the Board to handle matters relating to the remuneration of Board members. The group has drawn up a policy on remuneration of the executive and non-executive directors (collectively known as "**Directors**"). The remuneration policy is drawn up to provide a proper, systematic and documented set of procedures as guidelines for the RC in determining the remuneration packages of Directors.

RC recognizes that for an effective talent management, there is a need to be fair in rewarding the Directors in order to attract, retain and motivate the talents. RC's role is to set remuneration levels which ensure that the Directors are fairly and adequately rewarded for their performance of roles and duties.

The RC comprises the following members, all of whom are independent directors:

#### CHAIRMAN

Wan Kamarul Zaman Bin Wan Yaacob	Independent Non-Executive Director
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#### MEMBERS

Datuk Dr. Ng Bee Ken	Independent Non-Executive Chairman
Low Yan Seong	Independent Non-Executive Director



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## 9.2 FACTORS TO DETERMINE THE REMUNERATION OF DIRECTORS

- a) Scope of responsibilities of Directors in accordance with their roles assumed in the Group and/or Company and the degree of complexity of these duties;
- b) Expertise, professional/industrial background of Directors;
- c) Management experience of Directors;
- d) Availability of similar talents as prospective candidates for directorship;
- e) Performance and contribution of the Directors towards achievement of the Group/Company;
- f) Market rates of Directors' salary/fees; and
- g) Market practices of other benefits such as payment of allowances, bonuses and benefits-in-kind.

## 9.3 REMUNERATION STRUCTURE OF DIRECTORS

### 9.3.1 REMUNERATION OF EXECUTIVE DIRECTORS

- a) All executive directors ("**ED**") are paid a fixed basic salary that commensurate with their expertise, professional/industrial background that have entailed their appointment as Directors; and
- b) All EDs are entitled to and will be paid meeting allowances for their attendance in meetings of the Board and/or Board Committees

The EDs shall abstain themselves from the deliberation and voting on of his remuneration packages but may attend the meeting of the RC by invitation.

### 9.3.2 REMUNERATION OF NON-EXECUTIVE DIRECTORS

- a) Non-Executive Directors ("**Non-ED**") are paid a fixed amount of director's fee, without participation in any long term provident plans or pension schemes. The quantum of fee is varied between a more senior Non-ED who also assumes the role as Chairman of the Board, and other ordinary Non-EDs who sit in the Board of the Company.
- b) All Non-EDs are entitled to and will be paid meeting allowances for their attendance in meetings of the Board and/or Board Committees.

The remuneration of Non-EDs is determined by the Board as a whole, based on recommendation tabled to the Board by RC. Similarly, the Non-ED concerned shall abstain from discussion of his remuneration package. The Board may review this policy from time to time to ensure its relevance to the prevailing conditions and circumstances.

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###### 10. DISCLOSURE ON DIRECTORS' REMUNERATION

The remuneration received by Directors for the financial year ended 30 June 2019 is tabulated as follows:-

#### Received from the Group

<b>Executive Directors</b>	<b>Salaries &amp; Bonus</b>	<b>Allowances</b>	<b>Defined Contribution</b>	<b>Total</b>
	RM	RM	RM	RM
Pan Ding	980,499	-	5,476	985,975
Pan Dong	979,290	-	5,476	984,766
Dato' Justin Soo Sze Ching	120,000	-	14,400	134,400
	2,079,789	-	25,352	2,105,141

<b>Independent Non-Executive Directors</b>	<b>Fee</b>	<b>Allowances</b>	<b>Defined Contribution</b>	<b>Total</b>
	RM	RM	RM	RM
Datuk Dr. Ng Bee Ken	60,000	10,000	-	70,000
Low Yan Seong	36,000	10,000	-	46,000
Wan Kamarul Zaman	36,000	9,000	-	45,000
	132,000	29,000	-	161,000

Grand total	2,211,789	29,000	25,352	2,266,141
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#### Received from the Company

<b>Executive Directors</b>	<b>Salaries &amp; Bonus</b>	<b>Allowances</b>	<b>Defined Contribution</b>	<b>Total</b>
	RM	RM	RM	RM
Pan Ding	-	-	-	-
Pan Dong	-	-	-	-
Dato' Justin Soo Sze Ching	-	-	-	-
	-	-	-	-

<b>Independent Non-Executive Directors</b>	<b>Fee</b>	<b>Allowances</b>	<b>Defined Contribution</b>	<b>Total</b>
	RM	RM	RM	RM
Datuk Dr. Ng Bee Ken	60,000	10,000	-	70,000
Low Yan Seong	36,000	10,000	-	46,000
Wan Kamarul Zaman	36,000	9,000	-	45,000
	132,000	29,000	-	161,000

Grand total	132,000	29,000	-	161,000
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## 11. REMUNERATION OF TOP MANAGEMENT

### Received from the Group

	Salaries & Bonus	Allowances	Defined Contribution	Total
	RM	RM	RM	RM
Pan Ding, Group Managing Director	980,499	-	5,476	985,975
Pan Dong, Executive Director	979,290	-	5,476	984,766
Dato' Justin Soo Sze Ching, Executive Director	120,000	-	14,400	134,400
	2,079,789	-	25,352	2,105,141

### Received from the Company

	Fee	Allowances	Defined Contribution	Total
	RM	RM	RM	RM
Pan Ding, Group Managing Director	-	-	-	-
Pan Dong, Executive Director	-	-	-	-
Dato' Justin Soo Sze Ching, Executive Director	-	-	-	-
	-	-	-	-
Grand total	2,079,789	-	25,352	2,105,141

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### 1. AUDIT COMMITTEE

The Audit Committee ("AC") is responsible in assisting the Board to review the adequacy and integrity of the Group's financial reporting, risk management and internal control systems. The AC reviews all financial statements before recommending the Board for approval. The detailed roles, functions and responsibilities of the Audit Committee can be found on the Terms of Reference on the Company's website [www.sinotop.com.my](http://www.sinotop.com.my).

### 2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges it is crucial for the Group to maintain a sound system of risk management and internal control ("RMIC"), which is capable of providing reasonable assurance that the Group's assets and shareholders' investments in the Group are safeguarded. Nonetheless, due its inherent nature, the Group's RMIC system can only provide reasonable but not absolute assurance against material misstatements, fraud or wilful circumvention of rules and procedures.

The Group sets up a risk management and internal control ("RMIC") framework to outline in an orderly manner identified risk factors and measures to manage these risks. The RMIC framework is a structured and organised approach to identify and manage appropriately risk factors affecting the Company.

A Statement on Risk Management and Internal Control of the Company is set out on pages 38 to 41 of this Annual Report.

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## **PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

### **1. INTERGRITY IN CORPORATE REPORTING**

Corporate reporting of the Company primarily comprises of financial results reporting, compliance-related reporting and corporate activities reporting.

#### **1.1. FINANCIAL REPORTING**

The Company presents quarterly public financial announcements in accordance with the MMLR. The Board is assisted by the Audit Committee in ensuring quality and timely release of financial reports. The Board is responsible to ensure that the financial statements conform to the applicable rules, regulations and accounting standards issued by the Malaysian Accounting Standards Board.

#### **1.2. COMPLIANCE-RELATED REPORTING**

Compliance-related reporting mainly concerns matters like announcement on book closure date, entitlement date and status updates on non-compliance to the public shareholding spread that requires at least 25% of the Company's shares must be held by public.

#### **1.3 CORPORATE ACTIVITIES REPORTING**

Corporate activities reporting relate to announcement of plans and progress status updates on corporate exercises of the Company.

#### **1.4 REGULATORY REQUIREMENTS AND INTERNAL POLICY ON DISCLOSURE**

##### **1.4.1. MAIN MARKET LISTING REQUIREMENTS ("MMLR")**

MMLR requires that listed companies have obligations to make continuing disclosures on the following:

- a) immediate disclosure of material information;
- b) clarification, confirmation or denial of rumours;
- c) unusual market activities; and
- d) quarterly disclosures of financial results and annual audited financial reports.

##### **1.4.2. MCCG**

Under the guidelines of MCCG, there are various recommendations on best practices of corporate governance the Group has duly adopted.

##### **1.4.3. CORPORATE DISCLOSURE POLICY ("CD")**

The Group has outlined a Corporate Disclosure Policy as guidance apart from reference to the MMLR, Companies Act 2016 and other relevant laws and regulations in providing transparent, timely and coherent disclosures of information to the investing public.

##### **1.4.3.1. EXTRACT OF CORPORATE DISCLOSURE POLICY**

The Group has drawn up a formal corporate disclosure policy that is aimed at providing a structured and clear set of guidelines based on the regulatory disclosure requirements on the disclosure obligations of a listed company.

##### **a) OBJECTIVES**

The corporate disclosure policy serves to bridge the communication gap between the Company and its shareholders and the investing public at large, as well as all other groups of stakeholders.

##### **b) SCOPE OF APPLICATION**

This corporate disclosure policy applies to all directors, management, officers and employees of the Company and its subsidiaries.

##### **c) OVERSIGHT BY THE BOARD**

Ultimately, the Board is responsible for the adherence to disclosure requirements under the applicable laws, regulations and rules. Hence, disclosure of all material information shall only be made after the Board has resolved to make such announcement and/or disclosure of material information.

d) **BASIS FOR DISCLOSURE**

Disclosure of information will be made when the management have assessed it and determined that such disclosure of information is required by law/rules/regulations and requirements governing the Group. Apart from that, materiality assessment would also determine whether disclosure is warranted.

Information is deemed as material when such information has impact over:-

- share price of the Company and/or market activities over its shares
- the decision of a holder of securities of the Company or an investor in determining his choice of action

e) **JUDGEMENTAL DECISION REGARDING MATERIALITY**

Materiality is a subjective matter. The Company will take the appropriate approach in assessing and deciding the materiality of the event and its likely impact on the Company's share price and trading activities in its shares. The Board, with due consultation with our Company Secretary, will determine whether such information is material and hence any immediate announcement (as stipulated in Paragraph 9.19 of the MMLR) will be warranted.

f) **CONSISTENCY AND FACTUAL**

The Company shall be consistent in applying methodology and approaches in deciding the materiality level of and factual contents of events.

g) **WITHHOLDING OF INFORMATION**

Material information will be temporarily withheld and kept confidential should the immediate disclosure of such information is detrimental to the interests of the Company. The Board of Sinotop shall decide on the appropriate timing for disclosure of such material information after appropriate assessment.

h) **PROMPT DISCLOSURE**

The Company will promptly disclose unfavourable information, applying the similar consistency principle on the disclosure of favourable information.

i) **AUTHORISED SPOKESPERSON OF THE GROUP**

The Company's authorized spokesperson would be the Chairman, Group Managing Director / Executive Director and any other delegated persons as authorized.

j) **RECORDS MAINTENANCE**

The Company will maintain a copy of the announcement and other forms of disclosure of information in our database. Such announcement and other disclosure materials will also be made available for public access on the Company's corporate website for a reasonable period of time.

## 2. **MEANINGFUL RELATIONSHIP WITH SHAREHOLDERS AND STAKEHOLDERS**

The Group has outlined a policy on communication as guidelines to handle relationship with various stakeholders and some in particular with shareholders. It uses various channels to promote and enhance shareholders and/or stakeholders communication. Sinotop established a Statement on Shareholders' Rights ("**Statement**") which clearly spell out the de-facto rights of shareholders. Salient terms of the said Statement are made accessible for reference at the Company's website, [www.sinotop.com.my](http://www.sinotop.com.my).

### 2.1 **CHANNELS OF COMMUNICATION WITH SHAREHOLDERS**

The Group utilizes the following communication channels to engage with stakeholders and/or shareholders:-

a) **ANNOUNCEMENT MADE ON BURSA SECURITIES WEBSITE**

The Group releases periodical announcements on Bursa Securities website, which are easily accessible to the public, shareholders and other stakeholders on computers, iPad and smart phones. The Company's corporate website will also be updated with all announcements made.

b) **DISSEMINATION OF INFORMATION ON THE COMPANY'S WEBSITE**

Other than periodical and ad-hoc announcements, the Group also discloses essential information on its website [www.sinotop.com.my](http://www.sinotop.com.my). Certain corporate policies and Board Charter are uploaded on the corporate website for easy access by the investing public and other interested parties. Shareholders and the public may opt to register for the Company's news alert in the website to receive posted news and announcements via email.

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### c) **DISTRIBUTION OF ANNUAL REPORTS TO SHAREHOLDERS**

The Group publishes annual reports for distribution to entitled shareholders whose names appear on the Record of Depositors on the date selected for determination of the distribution list, within the stipulated timeframe prior to holding of annual general meetings. Electronic version of the full report (contained in a CD) and the printed abridged version are disseminated to shareholders via ordinary postal service at their registered address in accordance with details in the shareholders register. The annual reports contain information from corporate to financial information of the Group. Shareholders will be updated on the Group's financials and corporate development through the issuance of annual reports.

## 3. **CONDUCT OF GENERAL MEETINGS**

General meeting ("GM") is the principal forum for dialogue and interaction with the shareholders of the Company. GM can be called on an annual basis, which is the annual general meeting or on an ad-hoc basis, i.e. extraordinary general meeting for the purpose of tabling important corporate proposals for poll voting by shareholders. Members of the Board will be present at the general meetings. Shareholders are encouraged to attend and participate actively in reciprocal ways with the Board and management of the Company at general meetings.

## **OTHER PRINCIPLES**

### 1. **ACCOUNTABILITY AND AUDIT**

#### 1.1 **ACCOUNTABILITY GUIDED BY THE CODE OF BUSINESS CONDUCT**

##### 1.1.1 **OVERVIEW**

A formal Code of Business Conduct ("CBC") has been established and mandated for adherence by staff of the Group at all levels. The objective of the CBC is to have a clearly documented set of guidelines pertaining to directives from the Board pertaining to values and spirits of ethical practices that are expected to be observed at all levels, from Board members to operational staff.

When dealing with situations where there is potential conflict of interests, all directors and employees are expected to act in good faith for the best interest of the Group at all times. Salient terms of Code of Business Conduct are made available on the Company's website at [www.sinotop.com.my](http://www.sinotop.com.my).

The CBC is subject to review from time to time to adapt to changes in the internal and external environment, including but not limited to amendments in rules, laws and regulations applicable to the Group and it was last reviewed on 25 October 2019.

##### 1.1.2 **GIST OF THE CBC**

- a) Core values of the Group
- b) Dealing with conflicts of interest
- c) Definition of related parties and related parties transactions
- d) Compliance to applicable law, regulations and rules
- e) Confidentiality of information
- f) Environment, health and safety
- g) Discrimination and harassment
- h) Group assets
- i) Resignation and termination of employment
- j) Whistle-blowing policy
- k) Communication and implementation of the CBC

##### 1.1.3 **BOARD'S COMMITTEMENT TOWARDS PRACTICING GOOD CORPORATE GOVERNANCE**

The Board is mindful over the practice and cultivation of a culture of observing and practicing corporate governance best practices.

#### 1.2 **FINANCIAL REPORTING**

##### 1.2.1 **ANNOUNCEMENT OF FINANCIAL RESULTS**

The Company makes quarterly announcement of financial results. The Board is assisted by the AC in ensuring quality and timely release of financial reports. The Board, collectively, is responsible to ensure that the financial statements conform to the applicable rules, regulations and accounting standards issued by the Malaysian Accounting Standards Board.

The Audit Committee goes through the financial reports and recommends to the Board for release to the general investing public and regulatory bodies. All announcements are tabled to the Board for approval prior to their official release.

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### 1.3 AUDIT

#### 1.3.1 RELATIONSHIP WITH AND ASSESSMENT OF THE EXTERNAL AUDITORS

##### a) THROUGH AUDIT COMMITTEE

The Board maintains a transparent and formal relationship with the external auditors through the Audit Committee. The Audit Committee meets with the external auditors at least twice a year without the presence of the executive directors and management for feedback of matters regarding the management.

##### b) ASSESSMENT OF THE EXTERNAL AUDITORS

The Company has put in place the policies and procedures to assess the suitability and independence of external auditors.

### 2. RESPONSIBILITY STATEMENT BY THE BOARD

In the course of preparing the annual financial statements of the Group and the Company, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the requirements of the applicable Approved Accounting Standards in Malaysia, the provisions in Companies Act 2016 and the MMLR.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Company present a true and fair view of the state of affairs of the Group and the Company as of the end of the financial year/period (where applicable) and the results and cash flows for the year/period then ended.

The Directors have also taken the necessary steps to ensure that a reasonably reliable control system ("**System**") is in place for the assets of the Group and the Company to be properly safeguarded. The System is designed with the objectives for the prevention and detection of fraud and other irregularities. Nevertheless, the System, by its inherent nature, can only provide reasonable but not absolute assurance against material misstatements, loss and fraud.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out in page 48 of this Annual Report.

### 3. ADDITIONAL COMPLIANCE INFORMATION

#### 3.1. AUDIT FEE

The amount of audit fee incurred by the Company and on group basis during the financial year ended 30 June 2019 are RM40,000 and RM220,000.

#### 3.2. NON AUDIT FEE

The amount of non audit fee incurred by the Company during the financial year ended 30 June 2019 is RM80,000. The non audit fee is basically fee for the on-going corporate exercise. There was no non audit fees incurred on group basis.

#### 3.3. UTILISATION OF PROCEEDS

Not applicable.

#### 3.4. MATERIAL CONTRACTS

##### 3.4.1. PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN BE TOP

The Company had entered into a conditional share sale agreement ("**Disposal SPA**") with Gifted Investments Limited ("**GIL**") on 2 May 2019 to dispose the entire equity interest in its wholly-owned subsidiary, Be Top Group Limited ("**Be Top**") for a total consideration of RM70 million.

On 2 August 2019 and 2 October 2019, the Company and GIL had mutually agreed to extend the cut-off date for three (3) months to 2 October 2019 and 2 January 2020 respectively to facilitate the fulfillment of conditions precedent in the Disposal SPA.



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#### **3.4.2. PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASIANMAX CORPORATION SDN. BHD.**

The Company had on 23 April 2019 entered into a conditional share sale agreement ("**Acquisition SSA**") with DJ to acquire the entire equity interest in Asianmax Corporation Sdn. Bhd. comprising 750,000 ordinary for a total consideration of RM96 million shares ("**Proposed Acquisition**"), to be satisfied by:-

- i) RM14.4 million in cash;
- ii) RM7.70 million by issuance of 28,518,519 new ordinary shares in Sinotop at an issue price of RM0.27 per share; and
- iii) RM73.90 million via issuance of 273,703,704 irredeemable convertible preference shares ("**ICPS**") at an issue price of RM0.27 per ICPS

Subsequently on 30 September 2019, the Company and Dato' Justin Soo Sze Ching (collectively referred to as "**Parties**") had mutually agreed to review, re-evaluate and re-negotiate the terms and conditions upon which the Proposed Acquisition is proposed to be implemented in view of prevailing market conditions. Accordingly, the Parties had mutually agreed to terminate Acquisition SSA ("**Termination**") on the even date.

Notwithstanding to and in furtherance to the Termination, the Parties have agreed to enter into good faith discussions and negotiations with a view towards agreeing on new/revised terms and conditions of the Proposed Acquisition, which shall be finalized and mutually agreed within a period of six (6) months from 30 September 2019 and which may potentially include changes to the structure and components of the Proposed Acquisition.

#### **3.5. RECURRENT RELATED PARTY TRANSACTIONS**

There was no recurrent related party transactions that need to be disclosed in accordance with the MMLR.

#### **3.6. COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF MCCG**

The Company complies with the Principles and Best Practices of the MCCG. The Company continues to look into areas where processes and procedures can be enhanced.

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## AUDIT COMMITTEE REPORT

### 1) COMPOSITION

As at the date of this Annual Report, the Audit Committee ("**Committee**") comprised the following members:

#### CHAIRMAN

Datuk Dr. Ng Bee Ken	Independent Non-Executive Chairman
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#### MEMBERS

Low Yan Seong	Independent Non-Executive Director
Wan Kamarul Zaman Bin Wan Yaacob	Independent Non-Executive Director

### 2) MEETINGS

Six (6) meetings were held during the financial year ended 30 June 2019. The summary of attendance of each member is as follows:

Members	Number of Meetings Attended
Datuk Dr. Ng Bee Ken	5/6
Low Yan Seong	6/6
Wan Kamarul Zaman Bin Wan Yaacob	6/6

The Group Managing Director, executive directors and certain senior management staff were invited to attend the Committee's meetings. The external auditors also attended the meetings by invitation to brief the Committee the nature and scope of their audit as well as presenting to the Committee the audit planning memorandum and audit review reports as well as their results on the evaluation of the system of internal controls.

The Committee had conducted private discussion sessions with the external auditors, without the presence of Executive Directors and management staff, during the financial year ended 30 June 2019.

### 3) SUMMARY OF WORK DONE BY THE COMMITTEE

The following works had been carried out by the Committee during the financial year ended 30 June 2019 in discharging its functions and duties:

- i) Reviewed the quarterly unaudited financial results and related announcements and recommended the same to the Board of Directors ("**Board**") for consideration and approval;
- ii) Reviewed and approved the Group's financial statements for the financial period ended 30 June 2018;
- iii) Reviewed and approved the audit plan and scope of work presented by the external auditors for the statutory audit of the Group's financial statements for the financial year ended 30 June 2019;
- iv) Conducted private discussion sessions with the external auditors, without the presence of Executive Directors and management;
- v) Reviewed the Statement on Risk Management and Internal Control before recommending to the Board for approval for insertion into the Company's Annual Report;
- vi) Reviewed the annual audited financial statements of the Group with the external auditors prior to the presentation to the Board for approval. The review focused particularly on changes of accounting policy, significant matters highlighted including financial reporting issues, significant and unusual events / transactions and how these matters are addressed and compliance with applicable approved accounting standards in Malaysia;
- vii) Reviewed on quarterly basis the summary of related party transactions;
- viii) Reviewed on quarterly basis the trade receivables and ageing analysis of the Group;
- ix) Reported to the Board on matters discussed and addressed at meetings of the Committee;
- x) Reviewed and discussed with the external auditors on significant issues noted in the course of their audit of the Group;
- xi) Reviewed and recommended to the Board the re-appointment of external auditors and their audit fees; and
- xii) Reviewed the internal audit reports of Top Textile (Suzhou) Co., Ltd

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#### 4) **SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION**

The Group recognizes the importance of independent review on core aspects provided by the internal auditors engaged through outsourcing practice. The internal audit review provides the Committee with a basis for their evaluation of the adequacy, integrity and effectiveness of the risk management and internal control (“**RMIC**”) system, currently deployed into operation by the Group.

The internal auditors are directed by the Board to report directly to the Committee on observations and findings of their annual internal audit review on selected operational aspects. The Committee has been made understood that internal audit review provides a reasonable assurance but not absolute guarantee over the integrity and proper functioning of the Group's RMIC system.

During the financial year with the recommendation of the Committee, the Group engaged Suzhou Huashui Yinxin Tax Consultancy Co., Ltd, which is based in Suzhou, Jiangsu Province of the People's Republic of China to assume the internal audit function of the Group. The engaged firm specializes in taxation, accounting and other related work within its permitted scope of services. It however is a firm whose professional competency extends beyond the core area of taxation, acquired primarily through years of tax consultancy works accomplished.

Suzhou Huashui Yinxin Tax Consultancy Co., Ltd. replaces Suzhou Hao Sheng Certified Public Accountants as the internal auditor (“**IA**”) for the Group after the latter carried out three (3) cycles of internal audit review. The Committee is of the view that it is a good practice to engage a different firm with an expectation that the new firm will bring about new insights.

In the current cycle of internal audit, the IA reviewed the Group's internal control aspects, covering the structure and core operational functions and activities. The IA evaluate the Group's internal control system from the perspective of ascertaining as to whether there is any significant deficiency that exists in the internal control system.

A report of the IA's findings and recommendations was presented to the Committee for review and deliberation. The Committee has been provided with a reasonable degree of comfort after the IA submitted their report which concluded that there has not been any significant deficiency in the Group's internal controls. The Committee acknowledged efforts put in by the management in maintaining an effective internal control system.

The cost incurred in outsourcing the internal audit function for the financial year ended 30 June 2019 is RM6,045.

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## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### INTRODUCTION

This Statement on Risk Management and Internal Control (“**RMIC**”) is drawn pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**MMLR**”) and was prepared in accordance with Statement On Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“**SRMIC Guidelines**”).

The Board reckons the importance of establishing a sound risk management and internal control system to provide reasonable assurance, but not absolute elimination, of risks that exist in the operations, financial management and reporting as well as regulatory compliance aspects of the Group’s operating environment (collectively known as the “**Overall Operating Environment**”). It shall be noted that the risk management and internal control system was designed to manage and monitor rather than to eliminate risks that could result in the Group not achieving its objectives.

The Group has an equity interest of 50% in a joint venture, namely HL Painting Co. which has not been dealt with as part of the Group for the purpose of applying the SRMIC Guidelines. Accordingly, the Board is pleased to provide the following statement, which outlines the nature and scope of Group internal controls during the financial year ended 30 June 2019.

### THE GOVERNING LAWS AND REGULATIONS

#### **MALAYSIAN CODE ON CORPORATE GOVERNANCE (“MCCG”) & CORPORATE GOVERNANCE GUIDE – THIRD EDITION ISSUED IN 2017 (“CG GUIDE”)**

The MCCG and CG Guide require that Board of Directors of listed issuers to maintain a sound risk management and internal control system to safeguard shareholders’ investments and the Group’s assets.

#### **1. ROLES AND RESPONSIBILITY OF THE BOARD OF DIRECTORS (“BOARD”)**

The Board is responsible for

##### **(i) OVERSIGHT AND ASSESSMENT OF GROUP RMIC FRAMEWORK (SYSTEM AND PROCEDURES)**

The Board holds an oversight role in the Group RMIC matters, in relation to the overall RMIC system and procedures, primarily to the key business and operational risk factors faced by the Group, as well as assessment of the impact on the Group’s exposure to these risks. This is the very first important step in efforts devoted in safeguarding the Group’s assets, shareholders’ and other stakeholders’ interests.

In the course of assessing the risk factors, the Board collectively determines the Group’s tolerance level to each risk factor, to ensure sustainability of the Group’s business continuity is not compromised.

##### **(ii) ENSURING APPROPRIATE AND TIMELY ACTIONS AND UPDATES**

The management is accountable to the Board for the initiation and implementation of risk management and internal control system. These encompass the efficient execution of appropriate, effective procedures (that captures relevant data and able to produce reports to alert the management on any potential breach of risk tolerance level).

After the initial stage of designing and implementing of the RMIC system, preservation of its integrity will be the next most important task. In contrast, the Board plays the role of ensuring the management are alert to risk threatening the Group and responds to situation promptly. The Board has made it a fixed agenda that it receives regular status updates in Board meetings on project progress, relevant preventive and/or remedial action plans (where applicable) as well as results of remedial actions taken. The Board revisits and follows up on aspects highlighted previously by the executive directors in subsequent AC and Board meetings.

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## 2. ROLES OF MANAGEMENT TEAM

The management team is responsible for

### (i) IDENTIFICATION OF SPECIFIC ISSUES, INITIATE AND IMPLEMENT RECTIFICATION PROCESSES & PROCEDURES

The management team of subsidiaries collectively are the key persons who identify, evaluate and assess the risk factors that exist in the Overall Operating Environment. Subsequent to performing evaluation and assessment of risk factors identified, the management team, after due discussion and with approval from executive directors, will device and implement appropriate measures to automate/compile exceptional reports from the RMIC system for review and resolve of risk issues. The management team is responsible for the continuous management and monitoring of various issues on business and/or operational risks within their respective delegated authority.

### (ii) REPORTING TO THE GROUP'S AUDIT COMMITTEE ("AC")

Executive directors of the Group report to the AC, in quarterly meetings and other ad hoc meetings, on findings and progress status updates on the overall RMIC system effectiveness in management decision-making. During the current reporting financial year, management team adhered to the same procedures adopted in the previous financial years. Nonetheless, the Group's RMIC framework has built in the expectation for changes and/or enhancement in procedures/processes whenever situations warrant such changes and/or enhancement for effective and efficient resolution of RMIC issues.

The Board will be updated with progress of the management and monitoring of key risk areas and is satisfied that the Management has initiated reasonable and adequate processes to mitigate undesirable impact on the Group which may arise.

## 3. ROLES OF THE AUDIT COMMITTEE

The AC was set up to provide oversight and scrutiny over the financial operations and reporting of the Group. A full description of the AC term of reference is disclosed on the Company's website [www.sinotop.com.my](http://www.sinotop.com.my).

## 4. ROLES OF INTERNAL AUDITOR

The IA reports directly to the AC, and by extension, to the Board, to provide a reasonable independent assurance, but not absolute guarantee, on the adequacy and effectiveness of the Group's internal control system and its overall control environment. The IA plays an important role of evaluating and assessing the presence, effectiveness and integrity of risk management and internal control system and mechanisms put in place. IA will make enhancement recommendations for the Management and Board to consider.

During the financial year with the recommendation of the AC, the Group engaged Suzhou Huashui Yinxin Tax Consultancy Co., Ltd, which is based in Suzhou, Jiangsu Province of the People's Republic of China to assume the internal audit function of the Group. The engaged firm specializes in taxation, accounting and other related work within the permitted scope of services. It however is a firm whose professional competency extends beyond the core area of taxation, acquired primarily through years of tax consultancy works accomplished.

Suzhou Huashui Yinxin Tax Consultancy Co., Ltd replaces Suzhou Hao Sheng Certified Public Accountants as the internal auditor ("IA") for the Group after the latter carried out three (3) cycles of internal audit review. The AC is of the view that it is a good practice to engage a different firm with an expectation that the new firm will bring about new insights.

In the current cycle of internal audit, the IA reviewed the Group's internal control aspects, covering the structure and core operational functions and activities. The IA evaluate the Group's internal control system from the perspective of ascertaining as to whether there is any significant deficiency that exist in the internal control system.

A report of the IA's findings and recommendations was presented to the AC for review and deliberation. The AC has been provided with a reasonable degree of comfort after the IA submitted their report which concluded that there has not been any significant deficiency in the Group's internal controls.

## 5. STRATEGIES TO IDENTIFY AND ADDRESS RISKS

### i) **ESTABLISHMENT OF A RISK MANAGEMENT & INTERNAL CONTROL FRAMEWORK**

A Risk Management and Internal Control Framework has been established for the purpose of defining the essential elements of a sound and effective RMIC system, identification of risks, assessment & monitoring and detailed description of the risk factors that affect the overall operating environment of the Group.

The RMIC framework serves as a set of comprehensive structured mechanisms (including documentation) relating to the risk management direction and internal control system of the Group. The RMIC framework encompasses a customised Enterprise Resource Planning system that have been deployed into application since 2014, company policies that govern the operational divisions, Board Charter and Code of Business Conduct that are guidelines for the effective functioning of the Group as a whole.

The framework is subject to and continually being reviewed, from time to time, when new risk issues emerge, resulted from changes either in the internal or external environment, or as highlighted by the internal and/or external auditors.

### ii) **PERIODICAL PROGRESS STATUS UPDATES**

The Group's Management is directed by the Board to update periodically, at quarterly meetings (and other ad hoc meetings, where applicable), the progress status of measures taken within the guidelines of the RMIC framework, in response to mitigate adverse effect of identified risk factors that have significant impact on the Group's business objectives. Apart from progress status reporting of existing risk factors, the management will also report to the AC new risk factors updates at meetings, email communication is another formalised manner of managing information flow.

Day-to-day operations of the Group is delegated to the Group's Management, and therefore the Management is in the best position and holds the irreplaceable role of reporting to the AC, risk factors that evolve / identified in the course of managing the Group's daily business operations.

### iii) **REVIEW AND UPDATE OF RISK MANAGEMENT POLICIES (WHERE APPLICABLE)**

The Company's policies are reviewed by the Management to assess its effectiveness in meeting the risk mitigation/prevention objectives. Company policies will be reviewed from time to time and updated when situation warrants the updating to remain relevant in the prevailing condition (when the review is carried out).

### iv) **REPORT FROM THE INTERNAL AND EXTERNAL AUDITORS ("AUDITORS")**

The Board review feedback from the external and internal auditors pertaining to any absence, weaknesses or deficiencies in the practices that pose significant undesirable consequences to the Group.

In the course of performing audit procedures to obtain audit evidences, the external auditors gather information on their observations about the deficiencies in the Group's internal control system and highlights these deficiencies in the Report of Deficiencies in Internal Control ("**RDIC**"). The management studies weaknesses of the Group's internal control system, highlighted by the External Auditors in the RDIC before furnishing clarification and/or indication to rectify such weaknesses, where practicable. Comments from the Auditors will form the basis where corrective measures are to be implemented.

## 6. KEY PROCESSES / FEATURES OF INTERNAL CONTROL SYSTEM

- (i) Conduct of a yearly internal audit review on major operational areas, for the purpose of obtaining an independent appraisal on the adequacy and effectiveness of the existing internal control system (structure and mechanisms);
- (ii) Use of ERP system to enhance the efficiency of processes, flow, data capture and retrieval (for accounting records and performance analysis purposes);
- (iii) Establishment of reporting hierarchy and channels to facilitate immediate or timely escalation of issues, from front liners at the production plant to management levels, for effective and/or efficient resolution;
- (iv) Open management style culture practiced by the Managing Director, Executive and Non-Executive Directors encourages proactive interaction with senior and middle management staff. This enables timely escalation of issues to the Board and the Board Committees, which helps in making the internal control system more responsive to changes in the operating environment;
- (v) The Board meets at least once every quarter to deliberate and be updated on issues that may have significant impact on the Group's financial performance and other aspects. The Executive Directors present to the Board and Board Committees findings in the Group's operating units and rectification measures initiated/planned to mitigate possible financial and non-financial losses; and
- (vi) The Group has a Code of Business Conduct which serves as guidance to all employees, about the rules, best practices and attitude that they are expected to observe when carrying out their duties. Employees are expected to act in the best interest of the Group, failing which may result in stern disciplinary actions being taken.

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#### **7. LIMITATION OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

A risk management and internal control system is designed to mitigate rather than to eliminate risks. Therefore, in view of the inherent limitation of the risk management and internal control system, the Board reckons that the Group's system is unable to provide absolute assurance against events such as poor judgement in decision-making, circumvention of control processes, management overriding control processes and other unforeseen circumstances.

#### **8. ASSURANCE PROVIDED BY THE EXECUTIVE DIRECTORS**

In line with the Guidelines, the Board has received assurance from the Executive Directors dated 27 August 2019 that the risk management and internal control system of the Group is adequate and is operating effectively.

#### **CONCLUSION**

The risk management and internal control systems described above have been in place for the financial year under review and up to the approval of this statement for inclusion in the annual report.

The Board believes that the Group's risk management and internal control system is adequate to provide a reasonable (though not absolute) assurance that deficiencies and weaknesses in the Group's internal control system have reasonably been identified and rectified. Nonetheless, the Board remains committed in continually enhancing the risk management and internal control system in order to achieve its primary objectives of safeguarding shareholders' investments, Group's assets and interest of other stakeholders, namely suppliers, customers and regulators.

#### **REVIEW OF THE RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT BY THE EXTERNAL AUDITOR**

Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 on the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

This statement is issued in accordance with a resolution of the Board dated 25 October 2019.

## **DIRECTORS' REPORT**

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The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

## **PRINCIPAL ACTIVITIES**

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year except for the discontinuance of the production and sale of fabric products segment as disclosed in Note 17 to the financial statements.

## **RESULTS**

	<b>The Group</b> RM'000	<b>The Company</b> RM'000
Loss after taxation for the financial year		
- continuing operations	(1,097)	(86,430)
- discontinued operations	(72,770)	-
	<hr/>	<hr/>
	(73,867)	(86,430)
	<hr/>	<hr/>
Attributable to:-		
Owners of the Company	(73,867)	(86,430)
	<hr/>	<hr/>

## **DIVIDENDS**

No dividend was recommended by the directors for the financial year.

## **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.



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### **DIRECTORS' REPORT**

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#### **ISSUES OF SHARES AND DEBENTURES**

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

#### **OPTIONS GRANTED OVER UNISSUED SHARES**

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

#### **BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

#### **CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

## **DIRECTORS' REPORT**

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### **VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

### **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

### **CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

### **ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than the loss on re-measurement of asset arising from the discontinuance of the production and sale of fabric products segment as disclosed in Note 17 and Note 26 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

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### DIRECTORS' REPORT

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#### DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Pan Ding  
Datuk Ng Bee Ken  
Low Yan Seong  
Pan Dong  
Wan Kamarul Zaman Bin Wan Yaacob  
Dato' Soo Sze Ching

The names of directors of the Company's subsidiaries who served during the financial year until the date of this report are similar to those disclosed above.

#### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:-

	< ----- Number of Ordinary Shares ----- >			
	At 1.7.2018 '000	Bought '000	Sold '000	At 30.6.2019 '000
<b>The Company</b>				
<i>Indirect Interests</i>				
Pan Ding*	225,125	-	-	225,125
Pan Dong*	225,125	-	(225,125)	-
Dato' Soo Sze Ching#	60,000	-	-	60,000

\* - Deemed interest by virtue of their direct substantial shareholdings in Gifted Investments Limited.

# - Deemed interest by virtue of his direct substantial shareholdings in Noble Pinnacle Sdn. Bhd.

By virtue of their shareholdings in the Company, Pan Ding and Dato' Soo Sze Ching are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

## **DIRECTORS' REPORT**

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### **DIRECTORS' BENEFITS**

Since the end of the previous financial period, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **DIRECTORS' REMUNERATION**

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 29 to the financial statements.

### **INDEMNITY AND INSURANCE COST**

During the financial year, there was no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

### **SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 35 to the financial statements.

### **SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

The significant events occurring after the reporting period are disclosed in Note 36 to the financial statements.

### **HOLDING COMPANY**

The holding company is Gifted Investments Limited, a company incorporated in The British Virgin Islands.

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**DIRECTORS' REPORT**

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**AUDITORS**

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia), will retire at the forthcoming Annual General Meeting and do not seek re-appointment.

The auditors' remuneration are disclosed in Note 24 and Note 26 to the financial statements.

Signed in accordance with a resolution of the directors dated 25 October 2019.

**Pan Ding**

**Datuk Ng Bee Ken**

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Pan Ding and Datuk Ng Bee Ken, being two of the directors of Sinotop Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 55 to 132 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2019 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 25 October 2019.

**Pan Ding**

**Datuk Ng Bee Ken**

**STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Pan Ding, being the director primarily responsible for the financial management of Sinotop Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 132 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned  
Pan Ding, Passport Number: E56281078  
at The People's Republic of China  
on this 25 October 2019

**Pan Ding**

Before me

Noorashikin Mohd Bardam  
Consular Officer

**SINOTOP HOLDINGS BERHAD**  
(Incorporated in Malaysia)  
Company No: 198401002327 (114842 - H)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SINOTOP HOLDINGS BERHAD**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Sinotop Holdings Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 132.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SINOTOP HOLDINGS BERHAD (CONT'D)**

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matter
<p>1) <u>Re-measurement of Assets of the Disposal Group Classified as Held For Sale and Impairment Assessment of Investment in a Subsidiary</u></p> <p>As disclosed in Note 17 to the financial statements, the Company has entered into a conditional sale and purchase agreement ("SPA") to dispose of the entire equity interest in Be Top Group Limited ("Be Top"), which holds 100% equity interest in Top Textile (Suzhou) Co., Ltd. ("Top Textile") ("collectively referred to as the Be Top Group") for a total consideration of RM70.00 million ("Proposed Disposal").</p> <p>The Proposed Disposal meets the criteria for classification to disposal group held for sale under MFRS 5 - Non-current Assets Held for Sale and Discontinued Operations ("MFRS 5").</p> <p>The Group has performed an assessment to re-measure the assets classified as held for sale and has recognised a loss of re-measurement of assets amounting to RM69.57 million in the profit or loss of the Group.</p> <p>The Company also recognised an additional impairment loss of RM85.48 million in its profit or loss to write down its cost of investment in a subsidiary to its recoverable amount.</p> <p>We focused on this area because the losses are significant to the financial statements of the Group and of the Company.</p>	<p><u>Our audit procedures, amongst others, included the following:-</u></p> <p><u>At group level</u></p> <p>(a) We reviewed the SPA and other related documents of the Proposed Disposal;</p> <p>(b) We evaluated Directors' assessment on the re-measurement of assets classified as held for sale;</p> <p>(c) We re-performed the computation of the loss on re-measurement of assets classified as held for sale; and</p> <p>(d) We evaluated the appropriateness of the presentation of the assets classified as held for sale and the results presented as discontinued operations.</p> <p><u>At entity level</u></p> <p>We performed a review of the impairment losses by comparing the carrying value against the recoverable amount. The assessment of recoverable amount is determined based on fair values less costs to sell, which is the disposal consideration.</p>



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SINOTOP HOLDINGS BERHAD (CONT'D)**

**Key Audit Matters (Cont'd)**

Key Audit Matters	How our audit addressed the key audit matter
<p>2) <u>Recoverability of Trade Receivables</u></p> <p>As disclosed in Note 17 to the financial statements, long credit terms are extended to certain customers.</p> <p>The assessment of the adequacy of the allowance for impairment losses involved judgement, which includes analysing historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms.</p> <p>We focused on this area due to the inherent subjectivity that is involved in making judgement in relation to credit exposures to assess the recoverability of trade receivables.</p>	<p><u>Our audit procedures, amongst others, included the following:-</u></p> <p>(a) We obtained an understanding of:-</p> <ul style="list-style-type: none"> <li>- the Group's control over the receivable collection process;</li> <li>- how the Group identifies and assesses the impairment of receivables; and</li> <li>- how the Group makes the accounting estimates for impairment.</li> </ul> <p>(b) We reviewed the ageing analysis of receivables and testing the reliability thereof;</p> <p>(c) We considered the history of cash payments, and subsequent receipts from the customers;</p> <p>(d) We made inquiries of management regarding the action plans to recover overdue amounts;</p> <p>(e) We tested the adequacy of the Group's allowance for impairment losses against trade receivables by assessing the relevant aging report and debts past due taking into account our own knowledge of recent collection experience; and</p> <p>(f) We also considered sales trend during the financial year for trade receivables, on a test basis.</p>

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SINOTOP HOLDINGS BERHAD (CONT'D)**

**Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SINOTOP HOLDINGS BERHAD (CONT'D)**

**Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINOTOP HOLDINGS BERHAD (CONT'D)**

#### **Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 6 to the financial statements.

#### **OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Malaysia PLT**  
LLP0018817-LCA & AF 1018  
Chartered Accountants

30 October 2019

Kuala Lumpur

**Ooi Song Wan**  
02901/10/2020 J  
Chartered Accountant

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2019**

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries	6	-	-	750	156,227
Investment in a joint venture	7	-	6,020	-	-
Property, plant and equipment	8	-	42,332	-	-
Land use rights	9	-	6,378	-	-
Investment property	10	-	4,068	-	-
		-	58,798	750	156,227
<b>CURRENT ASSETS</b>					
Land use rights	9	-	170	-	-
Inventories	11	-	13,309	-	-
Trade receivables	12	2,637	52,588	-	-
Other receivables, deposits and prepayments	13	893	7,124	16	64
Contract assets	14	16,162	-	-	-
Short-term investments	15	-	36,600	-	-
Fixed deposits with licensed banks	16	2,100	1,263	2,100	-
Cash and bank balances		25	24,163	9	582
		21,817	135,217	2,125	646
Assets classified as held for sale	17	119,312	-	70,000	-
		141,129	135,217	72,125	646
<b>TOTAL ASSETS</b>		<b>141,129</b>	<b>194,015</b>	<b>72,875</b>	<b>156,873</b>

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2019 (CONT'D)**

		<b>The Group</b>		<b>The Company</b>	
	Note	<b>2019</b> RM'000	<b>2018</b> RM'000	<b>2019</b> RM'000	<b>2018</b> RM'000
<b>EQUITY AND LIABILITY</b>					
<b>EQUITY</b>					
Share capital	18	118,470	118,470	118,470	118,470
Reserves	19	(52,674)	63,781	(87,901)	(1,471)
		65,796	182,251	30,569	116,999
Reserves classified as held for sale	17	40,338	-	-	-
<b>TOTAL EQUITY</b>		<b>106,134</b>	<b>182,251</b>	<b>30,569</b>	<b>116,999</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	20	18,647	6,806	-	-
Contract liability	14	-	^	-	-
Other payables and accruals	21	5,856	4,503	5,833	2,650
Amount owing to subsidiaries	22	-	-	36,473	37,224
Current tax liabilities		72	455	-	-
		24,575	11,764	42,306	39,874
Liabilities classified as held for sale	17	10,420	-	-	-
<b>TOTAL LIABILITY</b>		<b>34,995</b>	<b>11,764</b>	<b>42,306</b>	<b>39,874</b>
<b>TOTAL EQUITY AND LIABILITY</b>		<b>141,129</b>	<b>194,015</b>	<b>72,875</b>	<b>156,873</b>

^ - less than RM1,000

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

		<b>The Group</b>		<b>The Company</b>	
		<b>1.7.2018 to 30.6.2019</b>	<b>1.1.2017 to 30.6.2018</b>	<b>1.7.2018 to 30.6.2019</b>	<b>1.1.2017 to 30.6.2018</b>
	Note	RM'000	RM'000	RM'000	RM'000
<b>CONTINUING OPERATIONS</b>					
REVENUE	23	16,236	10,895	34	12
COST OF SALES		(15,664)	(9,118)	-	-
GROSS PROFIT		572	1,777	34	12
OTHER INCOME		80	-	421	1,254
		652	1,777	455	1,266
ADMINISTRATIVE EXPENSES		(1,649)	(2,150)	(1,394)	(1,030)
OTHER EXPENSES		(14)	(21)	(85,491)	(21)
(LOSS)/PROFIT BEFORE TAXATION	24	(1,011)	(394)	(86,430)	215
INCOME TAX EXPENSE	25	(86)	(156)	-	-
(LOSS)/PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		(1,097)	(550)	(86,430)	215
<b>DISCONTINUED OPERATIONS</b>					
(LOSS)/PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS	26	(72,770)	672	-	-
(LOSS)/PROFIT AFTER TAXATION		(73,867)	122	(86,430)	215
OTHER COMPREHENSIVE EXPENSE					
<u>Items that Will be Reclassified Subsequently to Profit or Loss</u>					
Foreign currency translation differences		(2,250)	(11,531)	-	-
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR/PERIOD		(76,117)	(11,409)	(86,430)	215

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)**

		<b>The Group</b>		<b>The Company</b>	
		<b>1.7.2018 to 30.6.2019</b>	<b>1.1.2017 to 30.6.2018</b>	<b>1.7.2018 to 30.6.2019</b>	<b>1.1.2017 to 30.6.2018</b>
	Note	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		(73,867)	122	(86,430)	215
<b>TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:-</b>					
Owners of the Company		(76,117)	(11,409)	(86,430)	215
(LOSS)/EARNINGS PER SHARE (SEN)	27				
Basic:					
- continuing operations		(0.28)	(0.14)		
- discontinued operations		(18.43)	0.17		
Diluted:					
- continuing operations		(0.28)	(0.14)		
- discontinued operations		(18.43)	0.17		



# SINOTOP HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Non-Distributable				Attributable to Owners of the Company RM'000
		Share Capital RM'000	Statutory Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Distributable Retained Profit/ (Accumulated Losses) RM'000	
<b>The Group</b>						
Balance at 1.1.2017		394,899	15,644	54,119	(241,188)	223,474
Profit after taxation for the financial period		-	-	-	122	122
Other comprehensive expense for the financial period:						
- Foreign currency translation differences		-	-	(11,531)	-	(11,531)
Total comprehensive expenses for the financial period		-	-	(11,531)	122	(11,409)
Transfer to statutory reserve		-	53	-	(53)	-
Distributions to owners of the Company:						
- Capital reduction	18	(246,615)	-	-	246,615	-
- Capital repayment	18	(29,814)	-	-	-	(29,814)
		(276,429)	-	-	246,615	(29,814)
Balance at 30.6.2018		118,470	15,697	42,588	5,496	182,251

The annexed notes form an integral part of these financial statements.

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)**

	The Group	Note	Non-Distributable			Distributable Retained Profit/ (Accumulated Losses) RM'000	Attributable to Owners of the Company RM'000
			Share Capital RM'000	Statutory Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Reserves Classified as Held For Sale RM'000	
Balance at 30.6.2018/1.7.2018			118,470	15,697	42,588	-	182,251
Loss after taxation for the financial year			-	-	-	-	(73,867)
Other comprehensive expense for the financial year:							
- Foreign currency translation differences			-	-	(2,250)	-	(2,250)
Total comprehensive expenses for the financial year			-	-	(2,250)	-	(76,117)
Discontinued operations	17		-	-	(40,338)	40,338	-
Balance at 30.6.2019			118,470	15,697	-	40,338	106,134

The annexed notes form an integral part of these financial statements.

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)**

<b>The Company</b>	Note	Share Capital RM'000	(Accumulated Losses)/ Retained Profit RM'000	Equity Attributable to Owners of the Company RM'000
Balance at 1.1.2017		394,899	(248,301)	146,598
Profit after taxation/Total comprehensive income for the financial period		-	215	215
Distributions to owners of the Company:				
- Capital reduction	18	(246,615)	246,615	-
- Capital repayment	18	(29,814)	-	(29,814)
		(276,429)	246,615	(29,814)
Balance at 30.6.2018/1.7.2018		118,470	(1,471)	116,999
Loss after taxation/Total comprehensive expenses for the financial year		-	(86,430)	(86,430)
Balance at 30.6.2019		118,470	(87,901)	30,569

The annexed notes form an integral part of these financial statements.

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	<b>The Group</b>		<b>The Company</b>	
	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/Profit before taxation				
- continuing operations	(1,011)	(394)	(86,430)	215
- discontinued operations	(71,410)	2,984	-	-
Adjustments for:-				
Allowance for impairment loss on investments in subsidiaries	-	-	85,477	-
Allowance for impairment losses on trade receivables	6,558	2,330	-	-
Amortisation of land use rights	70	262	-	-
Depreciation of property, plant and equipment	1,410	7,101	-	-
Inventories written down	429	-	-	-
Inventories written off	-	43	-	-
Loss on disposal of property, plant and equipment	-	2,676	-	-
Property, plant and equipment written off	2,024	-	-	-
Loss on re-measurement to fair value less costs to sell	69,572	-	-	-
Share of results of a joint venture	(1,300)	593	-	-
Unrealised (gain)/loss on foreign exchange	(819)	4	(411)	(1,254)
Interest income	(2,724)	(2,642)	(34)	(12)
Writeback of allowance for impairment losses on trade receivables	(5)	(1,493)	-	-
Operating profit/(loss) before working capital changes	2,794	11,464	(1,398)	(1,051)
Decrease in inventories	1,419	2,621	-	-
Decrease/(Increase) in trade and other receivables	14,161	7,120	48	(53)
Increase/(Decrease) in trade and other payables	23,511	1,454	3,183	(76)
(Increase)/Decrease in amount owing by subsidiaries	-	-	(340)	32,269
Increase in contract assets	(16,162)	-	-	-
<b>CASH FROM OPERATIONS</b>	<b>25,723</b>	<b>22,659</b>	<b>1,493</b>	<b>31,089</b>
Income tax paid	(1,677)	(2,814)	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>24,046</b>	<b>19,845</b>	<b>1,493</b>	<b>31,089</b>

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)**

		<b>The Group</b>		<b>The Company</b>	
		<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
	<b>Note</b>				
<b>CASH FLOWS (FOR)/FROM</b>					
<b>INVESTING ACTIVITIES</b>					
Additional investment in an existing subsidiary		-	-	-	(740)
Refund of an investment property		-	1,466	-	-
Additional investment in a joint venture		-	(2,264)	-	-
Withdrawal/(Placement) of fixed deposits with tenure more than 3 months		178	(1,263)	-	-
Purchase of property, plant and equipment		(13,560)	(11,873)	-	-
Purchase of short-term investments		(56,793)	(37,740)	-	-
Interest received		2,724	2,642	34	12
Proceeds from disposal of property, plant and equipment		-	515	-	-
Proceeds from disposal of short-term investments		36,270	-	-	-
Proceeds from disposal of other investment		-	14,503	-	-
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>		<b>(31,181)</b>	<b>(34,014)</b>	<b>34</b>	<b>(728)</b>
<b>NET CASH FOR FINANCING ACTIVITIES</b>					
Capital repayment		-	(29,814)	-	(29,814)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(7,135)</b>	<b>(43,983)</b>	<b>1,527</b>	<b>547</b>
<b>EFFECTS OF FOREIGN EXCHANGE TRANSLATION</b>		<b>(272)</b>	<b>(2,578)</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD</b>		<b>24,163</b>	<b>70,724</b>	<b>582</b>	<b>35</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD</b>	<b>28</b>	<b>16,756</b>	<b>24,163</b>	<b>2,109</b>	<b>582</b>

# **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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### **1. GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	802, 8 <sup>th</sup> Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	Fenhu Economic Development Zone, Wujiang City, Jiangsu Province, The People's Republic of China ("PRC") 215212.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 25 October 2019.

### **2. HOLDING COMPANY**

The holding company is Gifted Investments Limited, a company incorporated in The British Virgin Islands.

### **3. PRINCIPAL ACTIVITIES**

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year except for the discontinuance of the production and sale of fabric products segment as disclosed in Note 17 to the financial statements.

### **4. BASIS OF PREPARATION**

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

## SINOTOP HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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#### 4. BASIS OF PREPARATION (CONT'D)

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

**MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140 – Transfers of Investment Property

Annual Improvements to MFRS Standards 2014 – 2016 Cycles

- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held to maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with the 'expected credit loss' model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The measurement of financial assets under MFRS 9 is consistent to the Group's current practice and the new classification of financial assets under MFRS 9 is disclosed in Note 34.3 to the financial statements.

MFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. In addition, more guidance has been added in MFRS 15 to deal with specific scenarios. The timing and amount of revenue recognised under MFRS 15 is consistent to the Group's current practice.

## SINOTOP HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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#### 4. BASIS OF PREPARATION (CONT'D)

- 4.2 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/or 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
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	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 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.



## SINOTOP HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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#### 5. SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

###### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

###### **(a) Depreciation of Property, Plant and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 8 to the financial statements.

###### **(b) Impairment of Non-financial Assets**

The Group determines whether their non-financial asset is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of non-financial assets as at the reporting date are disclosed in the respective notes to the financial statements.

###### **(c) Fair Value Estimates for Unquoted Financial Asset**

The Group carries financial asset that are not traded in an active market at fair value. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The amount of fair value changes would differ if the Group uses different valuation methodologies and assumptions, and eventually affect profit and/or other comprehensive income. The carrying amount of this financial asset as at the reporting date are disclosed in Note 17 to the financial statements.

## SINOTOP HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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#### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

###### *Key Sources of Estimation Uncertainty (Cont'd)*

###### **(d) Write-down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 11 to the financial statements.

###### **(e) Impairment of Trade Receivables and Contract Assets**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Note 12 and Note 14 to the financial statements.

###### **(f) Impairment of Non-Trade Receivables**

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables as at the reporting date are disclosed in Note 13 to the financial statements.

###### **(g) Revenue Recognition for Construction Contracts**

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets as at the reporting date are disclosed in Note 14 to the financial statements.

## SINOTOP HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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#### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

###### *Key Sources of Estimation Uncertainty (Cont'd)*

###### **(h) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

###### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

###### **(a) Classification between Investment Properties and Owner-occupied Properties**

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment properties.

##### 5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

## **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.2 BASIS OF CONSOLIDATION (CONT'D)**

###### **(a) Business Combinations**

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

When the reverse acquisition accounting is used, the difference between the nominal value of accounting acquiree and the Company and the par value of the enlarged issued and paid-up share capital of the Company after the acquisition of the business is treated as a reverse acquisition reserve. The reverse acquisition reserve is adjusted against suitable reserves of the accounting acquiree to the extent that laws or statutes do not prohibit the use of such reserves.

###### **(b) Non-controlling Interests**

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.2 BASIS OF CONSOLIDATION (CONT'D)**

###### **(c) Changes in Ownership Interests in Subsidiaries Without Change of Control**

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

###### **(d) Loss of Control**

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 (2018 - MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

##### **5.3 FUNCTIONAL AND FOREIGN CURRENCIES**

###### **(a) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

## **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)**

###### **(b) Foreign Currency Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

###### **(c) Foreign Operations**

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in joint ventures that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in joint ventures that includes a foreign operation while retaining joint control, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

## **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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## **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **5.4 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

#### **(a) Financial Assets**

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

##### *Debt Instruments*

#### **(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

## SINOTOP HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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#### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 5.4 FINANCIAL INSTRUMENTS (CONT'D)

###### (a) Financial Assets (Cont'd)

###### *Debt Instruments (Cont'd)*

###### (i) Amortised cost (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

###### (ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

###### (iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

###### *Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.



## **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.4 FINANCIAL INSTRUMENTS (CONT'D)**

###### **(b) Financial Liabilities**

###### **(i) Financial Liabilities at Fair Value through Profit or Loss**

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability is recognised directly in other comprehensive income and is not subsequently reclassified to profit or loss upon the derecognition of the financial liability.

###### **(ii) Other Financial Liabilities**

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

###### **(c) Equity Instruments**

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

# **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **5.4 FINANCIAL INSTRUMENTS (CONT'D)**

##### **(d) Statutory Reserve**

The Company's subsidiary in the PRC is required to maintain certain statutory reserves by appropriating from profit after taxation in accordance with the relevant laws and regulations in the PRC and articles of association of the subsidiary before declaration or payment of dividends. The reserves form part of the equity of the Company. The statutory reserve fund can be used to increase the registered capital and eliminate future losses of the subsidiary, but it cannot be distributed to shareholders except in the event of a solvent liquidation of the subsidiary.

The appropriation to the statutory surplus reserve represents 10 percent of the profit after taxation of each individual PRC subsidiary. In accordance with the laws and regulations in the PRC, the appropriations to statutory reserve cease when the balances of the reserve reach 50 percent of the registered capital of the subsidiary. The statutory reserve is not distributable by way of dividends.

##### **(e) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.4 FINANCIAL INSTRUMENTS (CONT'D)**

###### Accounting Policies Applied Until 30 June 2018

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 July 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with the previous accounting policies as summarised below:-

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives were also classified as held for trading unless they were designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on re-measurement recognised in profit or loss.
- Trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.
- Available-for-sale financial assets were non-derivative financial assets not classified in any of the other categories. After initial recognition, available-for-sale financial assets were remeasured to fair value at each reporting date with any gain and loss recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve was reclassified from equity into profit or loss. Interest income calculated for a debt instrument using the effective interest method was recognised in profit or loss. Investments in equity instruments whose fair value cannot be reliably measured were measured at cost less accumulated impairment losses, if any.

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.5 INVESTMENTS IN SUBSIDIARIES**

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

##### **5.6 JOINT ARRANGEMENTS**

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

##### **(a) Joint Operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement. The Group accounts for each of its interest in the joint operations the assets, liabilities, revenue and expenses (including its share of those held or incurred jointly with the other investors) in accordance with the applicable accounting standards.

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.6 JOINT ARRANGEMENTS (CONT'D)**

**(b) Joint Ventures**

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to the end of reporting period. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9 (2018 - MFRS 139). Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.7 PROPERTY, PLANT AND EQUIPMENT**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets net of the estimated residual values over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Factory buildings	50 years
Plant and machinery	12 years
Office equipment	5 years
Motor vehicles	5 years
Renovation	5 years

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.8 CAPITAL WORK-IN-PROGRESS**

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken (if any) to finance the acquisition of the assets to the date that the assets are complete and put into use.

##### **5.9 LAND USE RIGHTS**

All land in the PRC is owned by the State or collectives. Individuals and companies are permitted to acquire land use rights for general or specific purposes. In the case when land is used for industrial purposes, the land use rights are granted for a period of 50 years. The rights may be renewed at the expiration of the initial and any subsequent terms according to the relevant Chinese laws. Granted land use rights are transferable and may be used as security for borrowings and other obligations.

The cost of acquisition of land use rights is capitalised and amortised on a straight-line basis over the lease term of the land of 50 years. The portion of the land use rights to be amortised over the next 12 months is reflected as current assets. The amortisation expense is recognised in the profit or loss.

##### **5.10 INVESTMENT PROPERTIES**

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.11 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

##### **5.12 CONTRACT ASSET AND CONTRACT LIABILITY**

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 - Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

##### **5.13 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

##### **5.14 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss. In addition, equity accounting of equity-accounted joint venture ceases once classified as held for sale or distribution.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.



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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.15 IMPAIRMENT**

###### **(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, trade receivables and contract assets.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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#### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 5.15 IMPAIRMENT (CONT'D)

###### (a) Impairment of Financial Assets (Cont'd)

###### Accounting Policy Applied Until 30 June 2018

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 July 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information on the impairment of the Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that events had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

###### (b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.16 EMPLOYEE BENEFITS**

###### **(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

###### **(b) Defined Contribution Plans**

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

##### **5.17 INCOME TAXES**

###### **(a) Current Tax**

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

###### **(b) Deferred Tax**

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.17 INCOME TAXES (CONT'D)**

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

##### **(c) Value Added Tax ("VAT")**

The Group's sales of goods in the PRC are subject to VAT at the applicable tax rate for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the consolidated statements of financial position.

Revenue, expenses and assets are recognised net of the amount of VAT except:-

- (i) where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of VAT included.

##### **5.18 OPERATING SEGMENTS**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.19 EARNINGS PER ORDINARY SHARE**

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

##### **5.20 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.21 REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

##### **(a) Sale of Goods**

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

##### **(b) Rendering of Services**

Revenue from providing services is recognised over time in the period in which the services are rendered.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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#### **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **5.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)**

###### **(c) Construction Services**

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using most likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

##### **5.22 REVENUE FROM OTHER SOURCES AND OTHER INCOME**

###### **(a) Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

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**NOTES TO THE FINANCIAL STATEMENTS  
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	<b>The Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares in Malaysia, at cost		
At 1 July 2018/1 January 2017	750	10
Addition during the financial year/period	-	740
At 30 June	750	750
Unquoted shares outside Malaysia, at cost	328,125	328,125
Quasi loan	57,000	57,000
	385,875	385,875
Classified as held for sale (Note 17)	(385,125)	-
	750	385,875
Accumulated impairment losses	-	(229,648)
	750	156,227
Accumulated impairment losses:-		
At 1 July 2018/1 January 2017	(229,648)	(229,648)
Addition during the financial year/period	(85,477)	-
Classified as held for sale (Note 17)	315,125	-
At 30 June	-	(229,648)

Quasi loan represents advances of which the settlement is neither planned nor likely to occur in the foreseeable future. This amount was, in substance, a part of the Company's net investment in the subsidiaries. The quasi loan was stated at cost less accumulated impairment losses, if any.



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The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Subsidiaries of the Company				
Gorgeous Goldhill Sdn. Bhd.^	Malaysia	100	100	Project management services and infrastructure construction.
Be Top Group Limited*	The British Virgin Islands	100	100	Investment holding.
Subsidiary of Be Top Group Limited				
Top Textile (Suzhou) Co., Ltd. ("Top Textile")*	PRC	100	100	Investment holding, production of customised woven loom-state fabrics made from cotton, synthetic and mixed yarn.

\* These subsidiaries are classified as non-current asset held for sale as disclosed in Note 17 to the financial statements.

^ This subsidiary was audited by other firm of chartered accountants.

The Company has assessed the recoverable amount of the investment in subsidiaries and determined that an impairment loss should be recognised for Be Top Group Limited as the Board of Directors has approved a plan to dispose of the subsidiaries. A total impairment loss of RM85,477,000 (2018 - Nil), representing the write-down of the investments to their recoverable amounts, was recognised in "Other Expenses" line item of the statements of profit or loss and other comprehensive income of the Company.

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	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	RM'000	RM'000
Unquoted investment in a joint venture outside Malaysia, at cost		
At 1 July 2018/1 January 2017	6,020	4,655
Addition during the financial period	-	2,264
Share of post-acquisition results	1,300	(593)
Foreign currency translation differences	(77)	(306)
Classified as held for sale (Note 17)	(7,243)	-
	<hr/>	<hr/>
At 30 June	-	6,020
	<hr/>	<hr/>

The details of the joint venture are as follows:-

Name of Joint Venture	Principal Place of Business	Effective Equity Interest		Principal Activities
		<b>2019</b>	<b>2018</b>	
		%	%	
HL Painting Co. ("Han Ling")*	PRC	50	50	Packaging of plastic and glass made products

\* Held through Top Textile (Suzhou) Co., Ltd. and is classified as non-current asset held for sale as disclosed in Note 17 to the financial statements.

The summarised financial information for the joint venture is as follows:-

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	RM'000	RM'000
<u>At 30 June</u>		
Non-current assets	8,003	6,667
Current assets	12,450	9,705
Current liabilities	(7,173)	(5,552)
	<hr/>	<hr/>
Net assets	13,280	10,820
	<hr/>	<hr/>
	<b>1.7.2018</b>	<b>1.1.2017</b>
	<b>to</b>	<b>to</b>
	<b>30.6.2019</b>	<b>30.6.2018</b>
	RM'000	RM'000
Revenue	15,410	7,415
Profit/(Loss) for the financial year/period	2,599	(1,186)
	<hr/>	<hr/>

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****8. PROPERTY, PLANT AND EQUIPMENT**

<b>The Group</b>	<b>At 1.7.2018 RM'000</b>	<b>Additions RM'000</b>	<b>Written Off RM'000</b>	<b>Depreciation Charges RM'000</b>	<b>Foreign Currency Translation Differences RM'000</b>	<b>Classified as Held for Sale (Note 17) RM'000</b>	<b>At 30.6.2019 RM'000</b>
<b>2019</b>							
<i>Carrying Amount</i>							
Factory buildings	20,498	-	-	(213)	(248)	(20,037)	-
Plant and machinery	8,727	-	(2,019)	(1,029)	(97)	(5,582)	-
Office equipment	592	-	-	-	(7)	(585)	-
Motor vehicles	872	-	(5)	(130)	(10)	(727)	-
Renovation	171	-	-	(38)	(2)	(131)	-
Factory equipment	-	1,272	-	-	(4)	(1,268)	-
Capital work-in-progress	11,472	12,288	-	-	(178)	(23,582)	-
	42,332	13,560	(2,024)	(1,410)	(546)	(51,912)	-

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Company No: 198401002327 (114842 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2017 RM'000	Additions RM'000	Disposals RM'000	Depreciation Charges RM'000	Foreign Currency Translation Differences RM'000	At 30.6.2018 RM'000
<b>The Group</b>						
<b>2018</b>						
<i>Carrying Amount</i>						
Factory buildings	22,506	-	-	(795)	(1,213)	20,498
Plant and machinery	18,155	44	(3,091)	(5,646)	(735)	8,727
Office equipment	631	-	-	(5)	(34)	592
Motor vehicles	1,546	-	(100)	(507)	(67)	872
Renovation	334	-	-	(148)	(15)	171
Capital work-in-progress	-	11,829	-	-	(357)	11,472
	43,172	11,873	(3,191)	(7,101)	(2,421)	42,332

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>The Group</b>	<b>At Cost RM'000</b>	<b>Accumulated Depreciation RM'000</b>	<b>Carrying Amount RM'000</b>
<b>2018</b>			
Factory buildings	25,711	(5,213)	20,498
Plant and machinery	54,396	(45,669)	8,727
Office equipment	5,913	(5,321)	592
Motor vehicles	2,513	(1,641)	872
Renovation	2,137	(1,966)	171
Capital work-in-progress	11,472	-	11,472
	<b>102,142</b>	<b>(59,810)</b>	<b>42,332</b>

**9. LAND USE RIGHTS**

	<b>The Group</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>
At cost:-		
At 1 July 2018/1 January 2017	8,479	8,972
Foreign currency translation differences	(103)	(493)
Classified as held for sale*	(8,376)	-
At 30 June	-	8,479
Accumulated amortisation:-		
At 1 July 2018/1 January 2017	(1,931)	(1,775)
Amortisation charge	(70)	(262)
Foreign currency translation differences	23	106
Classified as held for sale*	1,978	-
At 30 June	-	(1,931)
	-	6,548
Carrying amounts:-		
Amortisation due:		
- not later than one year	-	170
- later than one year	-	6,378
	-	6,548

\* The carrying amount of RM6,398,000 has been reclassified to assets classified as held for sale disclosed in Note 17 to the financial statements.

Amortisation is provided to write off the cost of the land use rights over the leasehold period of 50 years.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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**10. INVESTMENT PROPERTY**

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At cost:-		
At 1 July 2018/1 January 2017	4,068	5,810
Refund	-	(1,466)
Foreign currency translation differences	(49)	(276)
Classified as held for sale (Note 17)	(4,019)	-
	<hr/>	<hr/>
At 30 June	-	4,068
	<hr/>	<hr/>

The investment property represents a commercial office building which was completed in the previous financial period. The carrying amount of the investment property approximated its fair value in the previous financial period.

**11. INVENTORIES**

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Raw materials	-	5,579
Finished goods	-	7,730
	<hr/>	<hr/>
	-	13,309
	<hr/>	<hr/>
Recognised in profit or loss:-		
Inventories recognised as cost of sales (Note 26)	100,657	194,035
Inventories written off	-	43
	<hr/>	<hr/>

**SINOTOP HOLDINGS BERHAD**

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Company No: 198401002327 (114842 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****12. TRADE RECEIVABLES**

	<b>The Group</b>	
	<b>2019</b> RM'000	<b>2018</b> RM'000
Trade receivables	2,637	55,187
Allowance for impairment losses	-	(2,599)
At 30 June	<u>2,637</u>	<u>52,588</u>
Allowance for impairment losses:-		
At 1 July 2018/1 January 2017	(2,599)	(4,953)
Additions during the financial year/period	(6,558)	(2,330)
Writeback during the financial year/period	5	1,493
Written off during the financial year/period	-	2,985
Foreign currency translation differences	53	206
Classified as held for sale	9,099	-
At 30 June	<u>-</u>	<u>(2,599)</u>

The Group's normal trade credit terms ranged from 30 to 270 (2018 - 30 to 270) days. The analysis is as follows:-

	<b>The Group</b>	
	<b>2019</b> RM'000	<b>2018</b> RM'000
Trade receivables:		
- credit term of 30 days	2,637	3,839
- credit term of 90 days	-	33,302
- credit term of 120 days	-	41
- credit term of 180 days	-	8,248
- credit term of 270 days	-	7,158
	<u>2,637</u>	<u>52,588</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

		<b>The Group</b>		<b>The Company</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Notes receivable from customers	(a)	-	4,947	-	-
Other receivables		852	882	-	49
		852	5,829	-	49
Deposits	(b)	3	1,282	2	2
Prepayments		16	13	14	13
Goods and services tax recoverable		22	-	-	-
		<u>893</u>	<u>7,124</u>	<u>16</u>	<u>64</u>

- (a) In the previous financial period, the notes receivable represent bank acceptance bills issued by banks on behalf of third parties, which are redeemable at their face value upon maturity. The notes receivable are transferable prior to maturity and do not bear any interest.

Top Textile (Suzhou) Co., Ltd., an indirect subsidiary of the Company had made advances to certain trade association members during the previous financial period, in exchange for equivalent collateral notes receivable issued by financial institutions. These notes receivable received were fully used as payment to suppliers within a month. There was no outstanding balance for notes receivable of this nature at the end of the previous reporting period.

- (b) In the previous financial period, included in deposits of the Group was an amount of approximately RM1,279,000 being advances made to suppliers in respect of the Group's purchases of raw materials. The advances to suppliers were unsecured and interest-free. The amount owing was offset against purchases from the suppliers.



**NOTES TO THE FINANCIAL STATEMENTS  
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**14. CONTRACT ASSETS/(LIABILITY)**

	<b>The Group</b>	
	<b>2019</b> RM'000	<b>2018</b> RM'000
Contract assets relating to construction contracts	16,162	-
Contract liability relating to a construction contract	-	^

- (a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date. The amount will be invoiced within 12 months.
- (b) The contract liability was presented as "amount owing to a contract customer" in the previous financial period.
- (c) The changes to contract assets and contract liability balances during the financial year are summarised below:-

	<b>The Group</b>	
	<b>2019</b> RM'000	<b>2018</b> RM'000
At 1 July 2018/1 January 2017	(^)	-
Revenue recognised in profit or loss during the financial year/period	16,202	9,936
Billings to customers during the financial year/period	(40)	(9,936)
At 30 June	16,162	(^)
Represented by:-		
Contract assets	16,162	-
Contract liability	-	(^)
	16,162	(^)

^ - less than RM1,000

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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**15. SHORT-TERM INVESTMENTS**

	<b>The Group</b>	
	<b>2019</b> RM'000	<b>2018</b> RM'000
Unquoted investment		
At 1 July 2018/1 January 2017	36,600	-
Additions during the financial year/period	56,793	37,740
Withdrawal during the financial year	(36,270)	-
Foreign currency translation differences	(509)	(1,140)
Classified as held for sale (Note 17)	(56,614)	-
	<hr/>	<hr/>
At 30 June	-	36,600

The short-term investments represent the Group's investments in wealth management products of certain banks in the PRC which are designated to provide investors with a stream of income.

**16. FIXED DEPOSITS WITH LICENSED BANKS**

The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates of 3.15% (2018 - 1.21%) per annum and 3.15% (2018 - Nil) per annum respectively. The fixed deposits have maturity periods of 1 month (2018 - 12 months) and 1 month (2018 - Nil) for the Group and the Company respectively.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****17. ASSETS CLASSIFIED AS HELD FOR SALE**

On 12 December 2018, the Company announced the proposed disposal of its foreign assets for cash via an open tender exercise. The foreign assets of the Company comprise its investments in its wholly-owned subsidiary, namely Be Top Group Limited ("Be Top") and the wholly-owned subsidiary of Be Top, namely Top Textile (Suzhou) Co., Ltd. ("Top Textile") ("Foreign Assets"). The foreign assets represent the production and sale of fabric products segment of the Group.

At the end of the current reporting period, the assets, liabilities and reserves of the production and sale of fabric products segment have been presented in the consolidated statement of financial position as "Assets classified as held for sale", "Reserves classified as held for sale" and "Liabilities classified as held for sale", and its results are presented separately on the consolidated statement of profit or loss and other comprehensive income as "(Loss)/Profit after taxation from discontinued operations". The disposal is expected to be completed within one year from the reporting date.

The assets, liabilities and reserves of the disposal group are as follows:-

	<b>The Group 2019 RM'000</b>
<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Investment in a joint venture (Note 7)	7,243
Property, plant and equipment (Note 8)	51,912
Land use rights (Note 9)	6,398
Investment property (Note 10)	4,019
	<hr/> 69,572
Loss on re-measurement of assets classified as held for sale*	(69,572)
	<hr/>
<b>CURRENT ASSETS</b>	
Inventories	11,305
Trade receivables^	31,443
Other receivables and deposits	4,234
Short-term investments (Note 15)	56,614
Fixed deposits with licensed banks	1,085
Cash and bank balances	14,631
	<hr/>
Assets classified as held for sale	<hr/> <b>119,312</b> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

**17. ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D)**

	<b>The Group 2019 RM'000</b>
<b>RESERVE</b>	
Foreign exchange translation reserve	40,338
Reserve classified as held for sale	<u>40,338</u>
<b>LIABILITIES</b>	
Trade payables	2,682
Other payables and accruals	7,590
Current tax liabilities	148
Liabilities classified as held for sale	<u>10,420</u>
<p>* The carrying amount of the non-current asset is measured at the lower of its carrying amount and fair value less costs to sell. The loss on re-measurement to fair value less costs to sell of RM69,572,000 is recognised in profit or loss as disclosed in Note 26 to the financial statements.</p> <p>^ The normal trade credit term extended to customers ranged from 30 to 270 days on which four customers were granted a credit term of 180 days while one customer was granted a credit term of 270 days.</p>	
	<b>The Company 2019 RM'000</b>
<b>ASSET</b>	
Investments in subsidiaries (Note 6)	385,125
Accumulated impairment losses (Note 6)	(315,125)
Asset classified as held for sale	<u>70,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****18. SHARE CAPITAL**

	<b>The Group/The Company</b>			
	<b>2019</b> Number Of Shares ('000)	<b>2018</b>	<b>2019</b> RM'000	<b>2018</b> RM'000
<b>Issued and Fully Paid-Up</b>				
Ordinary Shares				
At 1 July 2018/1 January 2017	394,899	1,974,496	118,470	394,899
Capital reduction	-	-	-	(246,615)
Capital repayment	-	-	-	(29,814)
Share consolidation	-	(1,579,597)	-	-
	<u>394,899</u>	<u>394,899</u>	<u>118,470</u>	<u>118,470</u>

- (a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.
- (b) In the previous financial period, the Proposed Capital Reduction and Repayment took effect on 30 March 2017. In addition, the 394,899,274 consolidated shares as a result of the Proposed Share Consolidation was listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on 31 March 2017.
- (c) The capital repayment was made to the entitled shareholders and completed on 13 April 2017.

**19. RESERVES**

		<b>The Group</b>		<b>The Company</b>	
		<b>2019</b> RM'000	<b>2018</b> RM'000	<b>2019</b> RM'000	<b>2018</b> RM'000
Statutory reserve	(a)	15,697	15,697	-	-
Foreign exchange translation reserve	(b)	-	42,588	-	-
(Accumulated losses)/Retained profit		(68,371)	5,496	(87,901)	(1,471)
		<u>(52,674)</u>	<u>63,781</u>	<u>(87,901)</u>	<u>(1,471)</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****19. RESERVES (CONT'D)****(a) Statutory Reserve**

The statutory reserve represents amounts transferred from profit after taxation of the subsidiary established in the PRC in accordance with the PRC laws and regulations as explained in Note 5.4(d) to the financial statements.

**(b) Foreign Exchange Translation Reserve**

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency. This reserve has been classified as held for sale disclosed in Note 17 to the financial statements.

**20. TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 60 to 90 (2018 - 60 to 90) days.

**21. OTHER PAYABLES AND ACCRUALS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	RM'000	RM'000	RM'000	RM'000
Other payables	3,424	520	3,424	247
Accruals	2,432	3,590	2,409	2,403
Advances from customers	-	248	-	-
	5,856	4,358	5,833	2,650
VAT payables	-	145	-	-
	<u>5,856</u>	<u>4,503</u>	<u>5,833</u>	<u>2,650</u>

**22. AMOUNT OWING TO SUBSIDIARIES**

The amount owing represents non-trade balance and is unsecured. The amount owing is repayable on demand and to be settled in cash.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****23. REVENUE**

	<b>The Group</b>		<b>The Company</b>	
	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
<u>Revenue from Contracts with Customers</u>				
Contract revenue	16,102	9,936	-	-
Rendering of services	100	947	-	-
<u>Revenue from other sources</u>				
Other income	34	12	34	12
	<u>16,236</u>	<u>10,895</u>	<u>34</u>	<u>12</u>

The information on the disaggregation of revenue is disclosed in Note 31 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****24. (LOSS)/PROFIT BEFORE TAXATION**

	<b>The Group</b>		<b>The Company</b>	
	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
(Loss)/Profit before taxation is arrived at after charging/(crediting):-				
Allowance for impairment losses on investments in subsidiaries	-	-	85,477	-
Auditors' remuneration:				
- audit fees	60	45	40	40
- non-audit fee:				
- current financial year/period	280	73	280	73
- overprovision in the previous financial period	(80)	-	(80)	-
Directors' remuneration (Note 29)	296	827	161	221
Staff costs:				
- short-term employee benefits	205	588	134	148
- defined contribution benefits	26	71	17	19
Unrealised gain on foreign exchange	-	-	(411)	(1,254)
Total interest income on financial assets measured at amortised cost	(34)	(12)	(34)	(12)



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****25. INCOME TAX EXPENSE**

	<b>The Group</b>		<b>The Company</b>	
	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
Current tax expense				
- for the financial year/period	1,446	2,466	-	-
- underprovision in the previous financial year	-	2	-	-
	<u>1,446</u>	<u>2,468</u>	<u>-</u>	<u>-</u>
Represented by:-				
Current tax expense on continuing operations	86	156	-	-
Current tax expense on discontinued operations (Note 26)	<u>1,360</u>	<u>2,312</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>1,446</u>	<u>2,468</u>	<u>-</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****25. INCOME TAX EXPENSE (CONT'D)**

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	<b>The Group</b>		<b>The Company</b>	
	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
(Loss)/Profit after taxation	(73,867)	122	(86,430)	215
Total income tax expense	1,446	2,468	-	-
Results from continuing and discontinued operations before income tax expense	(72,421)	2,590	(86,430)	215
Tax at the statutory tax rate of 24%	(17,381)	622	(20,743)	52
Tax effects of:-				
Non-deductible expenses	18,845	1,840	20,842	249
Non-taxable income	-	-	(99)	(301)
Effects of differential in tax rates of subsidiaries	(18)	4	-	-
Underprovision in the previous financial year	-	2	-	-
Income tax expense for the financial year/period	1,446	2,468	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 - 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

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**NOTES TO THE FINANCIAL STATEMENTS  
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As disclosed in Note 17 to the financial statements, the Company is in the process of disposing of its production and sale of fabric products segment which is expected to be completed within one year from the reporting date.

An analysis of the results of the discontinued operations is as follows:-

	<b>The Group</b>	
	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
Revenue	109,876	206,611
Cost of sales (Note 11)	(100,657)	(194,035)
Gross profit	9,219	12,576
Other income	4,587	5,405
	13,806	17,981
Distribution and marketing expenses	(866)	(3,274)
Administrative expenses	(7,067)	(6,071)
Other expenses	(9,011)	(5,059)
Share of results in a joint venture, net of tax	1,300	(593)
Results from operating activities (Note 26(a))	(1,838)	2,984
Income tax expense (Note 25)	(1,360)	(2,312)
Results from operating activities, net of tax	(3,198)	672
Loss on re-measurement to fair value less costs to sell	(69,572)	-
(Loss)/Profit after taxation from discontinued operations	(72,770)	672
Transfer to statutory reserve	-	(53)
	(72,770)	619
Attributable to:-		
Owners of the Company	(72,770)	672

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**NOTES TO THE FINANCIAL STATEMENTS  
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(a) Included in the results from operating activities are the following:-

	<b>The Group</b>	
	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
Allowance for impairment losses on trade receivables	6,558	2,330
Amortisation of land use rights	70	262
Auditors' remuneration:		
- audit fees:		
- current financial year/period	180	225
- underprovision in the previous financial year	-	38
- non-audit fee:		
- underprovision in the previous financial period	80	-
Depreciation of property, plant and equipment	1,410	7,101
Directors' remuneration (Note 29)	1,969	406
Inventories written down	429	-
Inventories written off	-	43
Loss on disposal of property, plant and equipment	-	2,676
(Gain)/Loss on foreign exchange:		
- realised	-	11
- unrealised	(819)	4
Property, plant and equipment written off	2,024	-
Rental income from investment property	(634)	-
Staff costs (including other key management personnel as disclosed in Note 29)		
- short-term employee benefits	11,305	15,935
- defined contribution benefits	710	1,032
Interest income on:		
- financial assets measured at amortised cost	(151)	(310)
- financial assets measured mandatorily at fair value through profit or loss	(2,539)	(2,320)
Writeback of allowance for impairment losses on trade receivables	(5)	(1,493)

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(b) The cash flows attributable to the discontinued operations are the following:-

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	RM'000	RM'000
Net cash from operating activities	22,603	21,005
Net cash for investing activities	(31,215)	(65,147)
Net cash for discontinued operations	<u>(8,612)</u>	<u>(44,142)</u>

**27. (LOSS)/EARNINGS PER SHARE**

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
<b>Continuing operations</b>		
Loss attributable to owners of the Company (RM'000)	<u>(1,097)</u>	<u>(550)</u>
Number of ordinary shares in issue ('000)	<u>394,899</u>	<u>394,899</u>
Basic loss per share (Sen)	<u>(0.28)</u>	<u>(0.14)</u>
<b>Discontinued operations</b>		
(Loss)/Profit attributable to owners of the Company (RM'000)	<u>(72,770)</u>	<u>672</u>
Number of ordinary shares in issue ('000)	<u>394,899</u>	<u>394,899</u>
Basic (loss)/earnings per share (Sen)	<u>(18.43)</u>	<u>0.17</u>

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

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The cash and cash equivalents comprise the following:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	RM'000	RM'000	RM'000	RM'000
<b>Continuing operations</b>				
Fixed deposits with licensed banks	2,100	-	2,100	-
Cash and bank balances	25	647	9	582
	2,125	647	2,109	582
<b>Discontinued operations</b>				
Fixed deposits with licensed banks	1,085	1,263	-	-
Cash and bank balances	14,631	23,516	-	-
	15,716	24,779	-	-
Less: Fixed deposit with tenure of more than 3 months	(1,085)	(1,263)	-	-
	14,631	23,516	-	-
Cash and cash equivalents	16,756	24,163	2,109	582

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The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year/period are as follows:-

	<b>The Group</b>		<b>The Company</b>	
	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
<b>Continuing operations</b>				
<u>Directors of the Company</u>				
Short-term employee benefits:				
- fees	132	198	132	198
- salaries, bonuses and other benefits	150	564	29	23
	<u>282</u>	<u>762</u>	<u>161</u>	<u>221</u>
Defined contribution benefits	14	65	-	-
Total directors' remuneration	<u>296</u>	<u>827</u>	<u>161</u>	<u>221</u>
<b>Discontinued operations</b>				
<u>Directors of the Company</u>				
Short-term employee benefits				
- salaries, bonuses and other benefits	1,959	390	-	-
Defined contribution benefits	10	16	-	-
	<u>1,969</u>	<u>406</u>	<u>-</u>	<u>-</u>
Total directors' remuneration	<u>1,969</u>	<u>406</u>	<u>-</u>	<u>-</u>
<u>Other Key Management Personnel</u>				
Short-term employee benefits	283	368	-	-
Defined contribution benefits	5	8	-	-
	<u>288</u>	<u>376</u>	<u>-</u>	<u>-</u>
Total compensation for other key management personnel	<u>288</u>	<u>376</u>	<u>-</u>	<u>-</u>

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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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, holding company, joint venture, key management personnel and entities within the same group of companies.

**(b) Significant Related Party Transactions and Balances**

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions, bank balances and fixed deposits with the related parties during the financial year/period:-

(i) The significant transactions of the Group with its related parties are as follows:-

	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
Wujiang Rural Commercial Bank ("WRC")^		
- Interest income	2,507	2,331
Asianmax Corporation Sdn. Bhd.*		
- Services rendered	-	248

(ii) The significant outstanding balances of the Group with its related parties are as follows:-

	<b>30.6.2019 RM'000</b>	<b>30.6.2018 RM'000</b>
WRC^		
- Bank balance	1,787	10,341
- Short-term investments	54,234	36,600
- Fixed deposits	1,085	1,263
Asianmax Corporation Sdn. Bhd.*	-	135

^ Mr. Pan Ding is the executive director and a major shareholder of the Group. He was appointed as a member to the Board of Directors of WRC since 9 March 2015. In accordance with MFRS 124 Related Party Disclosures, by virtue of his appointment to the Board of Directors of WRC, WRC is a related party of the Group.

\* Dato' Soo Sze Ching is a substantial shareholder.



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#### 30. RELATED PARTY DISCLOSURES (CONT'D)

##### (b) Significant Related Party Transactions and Balances (Cont'd)

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

#### 31. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main reportable segments as follows:-

Reportable segments	Description
Production and sale of fabric products	Involved in the production of customised woven loom-state fabrics made from cotton, synthetic and mixed yarn.
Project management services and infrastructure construction	Provision of project management services and construction of infrastructure.
Investment holding	Involved in investment holding and management services.

- (a) The Group assesses the performance of the reportable segments based on their profit before interest expenses and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Investment-related activities are managed on a group basis by the central treasury function and are not allocated to reportable segments.

- (b) Each reportable segment assets is measured based on all assets of the segment other than tax-related assets (if any).
- (c) Each reportable segment liabilities is measured based on all liabilities of the segment other than tax-related liabilities.
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items.

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	<b>Production and Sale of Fabric Products (Discontinued) RM'000</b>	<b>Project Management Service and Infrastructure Construction (Continuing) RM'000</b>	<b>Investment Holding (Continuing) RM'000</b>	<b>Group RM'000</b>
<b>2019</b>				
<b>Revenue</b>				
External revenue	109,876	16,202	34	126,112
Consolidated revenue				126,112
Represented by:-				
Revenue recognised at a point of time				
- Sales of goods	109,876	-	-	109,876
Revenue recognised over time				
- Contract revenue	-	16,102	-	16,102
- Rendering of services	-	100	-	100
Revenue from other sources	-	-	34	34
				126,112
<b>Results</b>				
Segment (loss)/profit	(1,838)	353	(86,430)	(87,915)
Consolidated adjustment				15,494
Consolidated loss before taxation				(72,421)
Segment (loss)/profit includes the following:-				
Interest income on:				
- financial assets measured at amortised cost	(151)	-	(34)	(185)
- financial assets measured mandatorily at fair value through profit or loss	(2,539)	-	-	(2,539)
Allowance for impairment losses on trade receivables	6,558	-	-	6,558
Amortisation of land use rights	70	-	-	70
Depreciation of property, plant and equipment	1,410	-	-	1,410
Inventories written down	429	-	-	429
Property, plant and equipment written off	2,024	-	-	2,024
Rental income from investment property	(634)	-	-	(634)
Share of results of a joint venture	(1,300)	-	-	(1,300)
Unrealised gain on foreign exchange	(819)	-	-	(819)
Writeback of allowance for impairment loss on trade receivables	(5)	-	-	(5)

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	<b>Production and Sale of Fabric Products (Discontinued) RM'000</b>	<b>Project Management Service and Infrastructure Construction (Continuing) RM'000</b>	<b>Investment Holding (Continuing) RM'000</b>	<b>Group RM'000</b>
<b>2019</b>				
<b>Assets</b>				
Segment assets	119,312	19,692	2,125	141,129
Consolidated total assets				141,129
<b>Liabilities</b>				
Segment liabilities	10,272	18,670	5,833	34,775
Current tax liabilities				220
Consolidated total liabilities				34,995
<b>2018</b>				
<b>Revenue</b>				
External revenue	206,611	10,883	12	217,506
Consolidated revenue				217,506
<b>Results</b>				
Segment profit	2,984	645	215	3,844
Consolidated adjustment				(1,254)
Consolidated profit before taxation				2,590
Segment profit includes the following:-				
Interest income on:				
- financial assets measured at amortised cost	(310)	-	(12)	(322)
- financial assets measured mandatorily at fair value through profit or loss	(2,320)	-	-	(2,320)
Allowance for impairment losses on trade receivables	2,330	-	-	2,330
Amortisation of land use rights	262	-	-	262
Depreciation of property, plant and equipment	7,101	-	-	7,101
Inventories written off	43	-	-	43
Loss on disposal of property, plant and equipment	2,676	-	-	2,676
Unrealised loss on foreign exchange	4	-	-	4
Writeback of allowance for impairment loss on trade receivables	(1,493)	-	-	(1,493)

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The information on the disaggregation of revenue is not presented for the comparative period as the Group has applied MFRS 15 using the modified retrospective application.

	<b>Production and Sale of Fabric Products (Discontinued) RM'000</b>	<b>Project Management Service and Infrastructure Construction (Continuing) RM'000</b>	<b>Investment Holding (Continuing) RM'000</b>	<b>Group RM'000</b>
<b>2018</b>				
<b>Assets</b>				
Segment assets	188,712	4,657	646	194,015
Consolidated total assets				<u>194,015</u>
<b>Liabilities</b>				
Segment liabilities	4,759	3,900	2,650	11,309
Current tax liabilities				455
Consolidated total liabilities				<u>11,764</u>

**31.2 GEOGRAPHICAL INFORMATION**

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

	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>
<b>Revenue</b>		
<b>Continuing operations</b>		
Malaysia	16,236	10,895
<b>Discontinued operations</b>		
PRC	109,876	196,249
Outside PRC	-	10,362
	<u>109,876</u>	<u>206,611</u>
	<u>126,112</u>	<u>217,506</u>

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The information on the disaggregation of revenue based on geographical region is summarised below:-

<b>2019</b>	<b>At a point of time RM'000</b>	<b>Over time RM'000</b>	<b>Other sources RM'000</b>	<b>Group RM'000</b>
<b>Continuing operations</b>				
Malaysia	-	16,202	34	16,236
<b>Discontinued operations</b>				
PRC	109,876	-	-	109,876
	<u>109,876</u>	<u>16,202</u>	<u>34</u>	<u>126,112</u>

No information is presented for the comparative period as the Group has applied MFRS 15 using the modified retrospective application.

**31.3 MAJOR CUSTOMERS**

The following are major customers with revenue equal to or more than 10% of the Group's total revenue (consist of continuing and discontinued operations):-

	<b>Revenue</b>		<b>Segment</b>
	<b>1.7.2018 to 30.6.2019 RM'000</b>	<b>1.1.2017 to 30.6.2018 RM'000</b>	
Customer #1	17,769	29,837	Production and Sale of Fabric Products (Discontinued Operations)
Customer #2	12,611	-	Production and Sale of Fabric Products (Discontinued Operations)
	<u>30,380</u>	<u>29,837</u>	

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	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Discontinued operations:		
Construction of property, plant and equipment	10,045	17,394
Purchase of investment in a joint venture	-	244
	<u>10,045</u>	<u>17,638</u>

**33. FOREIGN EXCHANGE RATES**

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Chinese Renminbi	0.6026	0.6100
Hong Kong Dollar	0.5304	0.5145
United States Dollar	4.1420	4.0375

**34. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**34.1 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's policies in respect of the major areas of treasury activity are as follows:-

**(a) Market Risk****(i) Foreign Currency Risk**

In the previous financial period, the Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Chinese Renminbi ("RMB") and Hong Kong Dollar ("HKD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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During the current financial year, the continuing operations of the Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the previous reporting period is summarised below:-

*Foreign Currency Exposure*

<b>The Group</b>	United States Dollar RM'000	Chinese Renminbi RM'000	Hong Kong Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
<b>2018</b>					
<u>Financial assets</u>					
Trade receivables	1,712	47,037	-	3,839	52,588
Other receivables	-	5,027	-	802	5,829
Short-term investments	-	36,600	-	-	36,600
Fixed deposits with licensed banks	-	1,263	-	-	1,263
Cash and bank balances	1	23,473	43	646	24,163
	1,713	113,400	43	5,287	120,443
<u>Financial liabilities</u>					
Trade payables	-	3,113	-	3,693	6,806
Other payables and accruals	-	1,511	-	2,847	4,358
	-	4,624	-	6,540	11,164
Net financial assets/ (liabilities)	1,713	108,776	43	(1,253)	109,279
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	(108,776)	-	1,253	(107,523)
Currency exposure	1,713	-	43	-	1,756

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#### 34. FINANCIAL INSTRUMENTS (CONT'D)

##### 34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (a) Market Risk (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

###### *Foreign Currency Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the previous reporting period, with all other variables held constant:-

**The Group  
2018  
RM'000**

###### **Effects on (Loss)/Profit After Taxation**

USD/RM - strengthened by 20%	+ 260
- weakened by 20%	- 260
HKD/RM - strengthened by 20%	+ 7
- weakened by 20%	- 7

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###### (ii) Interest Rate Risk

The Group does not have any interest-bearing borrowings and hence, is not exposed to interest rate risk.

###### (iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.



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#### 34. FINANCIAL INSTRUMENTS (CONT'D)

##### 34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

###### (i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amount owing by a (2018 - two) customer which constituted approximately 100% (2018 - 39%) of its trade receivables at the end of the reporting period.

###### (ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

###### (iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

###### *Trade Receivables and Contract Assets*

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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**34. FINANCIAL INSTRUMENTS (CONT'D)****34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses (Cont'd)***Trade Receivables and Contract Assets (Cont'd)*

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than a year, are deemed credit impaired.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

<b>The Group</b>	<b>Gross Amount RM'000</b>	<b>Lifetime Loss Allowance RM'000</b>	<b>Carrying Amount RM'000</b>
<b>2019</b>			
Pass due:			
- more than 90 days	2,637	-	2,637
Trade receivables	2,637	-	2,637
Contract assets	16,162	-	16,162
	18,799	-	18,799

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In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables is as follows:-

<b>The Group</b>	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
<b>2018</b>				
Not past due:				
- credit term of 90 days	26,636	-	-	26,636
- credit term of 120 days	3	-	-	3
- credit term of 180 days	5,648	-	-	5,648
	32,287	-	-	32,287
Past due:				
- less than 3 months	3,354	-	-	3,354
- 3 to 6 months	2,357	-	-	2,357
- over 6 months	17,189	-	(2,599)	14,590
	22,900	-	(2,599)	20,301
	55,187	-	(2,599)	52,588

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Note 12 and Note 14 to the financial statements respectively.

*Other Receivables*

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

*Fixed Deposits with Licensed Banks, Cash and Bank Balances*

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

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Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and adequate working capital to meet its obligations as and when they fall due.

*Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

<b>The Group</b>	<b>Carrying Amount RM'000</b>	<b>Contractual Undiscounted Cash Flows RM'000</b>	<b>Within 1 Year RM'000</b>
<b>2019</b>			
<u>Non-derivative Financial Liabilities</u>			
Trade payables	18,647	18,647	18,647
Other payables and accruals	5,856	5,856	5,856
	<b>24,503</b>	<b>24,503</b>	<b>24,503</b>
<b>2018</b>			
<u>Non-derivative Financial Liabilities</u>			
Trade payables	6,806	6,806	6,806
Other payables and accruals	4,358	4,358	4,358
	<b>11,164</b>	<b>11,164</b>	<b>11,164</b>
<b>The Company</b>			
<b>2019</b>			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	5,833	5,833	5,833
Amount owing to subsidiaries	36,473	36,473	36,473
	<b>42,306</b>	<b>42,306</b>	<b>42,306</b>
<b>2018</b>			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	2,650	2,650	2,650
Amount owing to subsidiaries	37,224	37,224	37,224
	<b>39,874</b>	<b>39,874</b>	<b>39,874</b>

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****34. FINANCIAL INSTRUMENTS (CONT'D)****34.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

As the Group does not have any borrowings from financial institutions, the debt-to-equity ratio is not presented as it does not provide a meaningful indicator of risk of borrowings.

**34.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	<b>2019</b>	
	<b>The Group</b>	<b>The Company</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Asset</b>		
<u>Amortised Cost</u>		
Trade receivables	2,637	-
Other receivables	852	-
Fixed deposits with licensed banks	2,100	2,100
Cash and bank balances	25	9
	<hr/>	<hr/>
	5,614	2,109
	<hr/>	<hr/>
<b>Financial Liability</b>		
<u>Amortised Cost</u>		
Trade payables	18,647	-
Other payables and accruals	5,856	5,833
Amount owing to subsidiaries	-	36,473
	<hr/>	<hr/>
	24,503	42,306
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

**34. FINANCIAL INSTRUMENTS (CONT'D)**

**34.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)**

	<b>2018</b>	
	<b>The Group</b>	<b>The Company</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>		
<u>Fair Value through Profit or Loss: Held-for-trading</u>		
Short-term investments	36,600	-
<u>Loans and Receivables Financial Assets</u>		
Trade receivables	52,588	-
Other receivables	5,829	49
Fixed deposits with licensed banks	1,263	-
Cash and bank balances	24,163	582
	<b>83,843</b>	<b>631</b>
<b>Financial Liability</b>		
<u>Other Financial Liabilities</u>		
Trade payables	6,806	-
Other payables and accruals	4,358	2,650
Amount owing to subsidiaries	-	37,224
	<b>11,164</b>	<b>39,874</b>

**34.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS**

	<b>2019</b>	
	<b>The Group</b>	<b>The Company</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Asset</b>		
<u>Amortised Cost</u>		
Net gains recognised in profit or loss	34	34

**SINOTOP HOLDINGS BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****34. FINANCIAL INSTRUMENTS (CONT'D)****34.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)**

	<b>2018</b>	
	<b>The Group</b>	<b>The Company</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>		
<u>Fair Value through Profit or Loss: Held-for-trading</u>		
Net gain recognised in profit or loss	2,320	-
<u>Loans and Receivables Financial Assets</u>		
Net (loss)/gain recognised in profit or loss	(515)	12

**34.5 FAIR VALUE INFORMATION**

At the end of the reporting period, there were no financial instruments carried at fair values in the statements of financial position.

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the previous reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
<b>The Group</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2018</b>								
<u>Financial Asset</u>								
Short-term investments	-	36,600	-	-	-	-	36,600	36,600

## **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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#### **35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

- (a) The Company is not in compliance with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Marketing Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Public Spread Requirement").

On 26 February 2019, the Company has announced that Bursa Securities has rejected the Company's application for further extension of time to comply with the Public Spread Requirement.

Based on the Records of Depositors as at 26 August 2019, the Company's public shareholding spread was 20.81%.

The Company endeavours to continue working on its rectification plans to address the shortfall in the Public Spread Requirement including the on-going corporate proposals undertaking by the Company.

- (b) On 12 December 2018, the Company announced a proposed disposal of its foreign assets for cash via an open tender exercise. The foreign assets of the Company comprise its investments in its wholly-owned subsidiary, namely Be Top Group Limited ("Be Top") and the wholly-owned subsidiary of Be Top, namely Top Textile (Suzhou) Co., Ltd. ("Top Textile"). The eventual manner of the proposed disposal may be effected by way of disposal of the equity interest in Top Textile and/or Be Top or by disposing of the assets and liabilities of Top Textile and/or Be Top depending on the bidders' proposed mode to effect the proposed disposal.
- (c) On 8 March 2019, Pan Dong ceased to be a major shareholder of the Company by virtue of him disposing his entire shareholding in Gifted Investments Limited.
- (d) On 1 April 2019, the Company announced that:-
- (i) the binding term sheet dated 20 April 2018 entered into between the Company and Dato' Soo Sze Ching ("DJ") for the proposed acquisition by the Company of at least 60% equity interest and/or up to the entire equity interest in Asianmax Corporation Sdn. Bhd. ("ACSB") has expired; and
  - (ii) the Company accepted a letter of offer dated 28 March 2019 issued by DJ ("Letter of Offer") for the proposed acquisition by the Company of the entire equity interest in ACSB from DJ for an indicative total purchase consideration of RM96 million ("Proposed Acquisition"). The Proposed Acquisition would exclude Johnson Fluid Engineering Sdn. Bhd., a subsidiary of ACSB as at the date of the Letter of Offer.



## **SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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#### **35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)**

- (e) On 23 April 2019, the Company entered into a conditional share sale agreement ("SSA") with DJ in relation to the Proposed Acquisition. In addition, the Company also proposes to undertake proposed amendments to the Constitution of the Company to facilitate the issuance of irredeemable convertible preference shares in the Company as part consideration for the Proposed Acquisition.
- (f) On 2 May 2019, the Company entered into a conditional sale and purchase agreement ("SPA") with Gifted Investments Limited ("GIL") for the proposed disposal by the Company to GIL of the entire equity interest in Be Top for a total consideration of RM70,000,000 ("Proposed Disposal").

As at the date of the SPA, the bidding bond amounting to RM3,000,000 which forms part of the cash payment for the Proposed Disposal has been paid by GIL to the Company and the balance of RM67,000,000 shall be satisfied in the following manner:

- (i) the amount owing by the Company to Be Top, amounting to RM20,944,465.45 and Top Textile, amounting to RM15,540,037.49 (subject to further adjustment upon completion of Proposed Disposal) shall be transferred to GIL on the completion date;
- (ii) a sum of RM12,000,000 shall be paid by GIL to the Company on the completion date of the SPA; and
- (iii) a sum of RM18,515,497.06 (subject to adjustment on the completion date) shall be paid by GIL to the Company on or before 6 months from the completion date of the SPA with an extension of a further 6 months period subject to mutual agreement by the parties.

In addition to the Proposed Disposal, the Company also proposed to undertake the following proposals:

- (i) proposed reduction of the Company's share capital pursuant to Section 117 of the Companies Act 2016 after the completion of the Proposed Disposal ("Proposed Capital Reduction"); and
- (ii) proposed consolidation of every 7 existing ordinary shares in the Company ("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.

**SINOTOP HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 198401002327 (114842 - H)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019****36. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

- (a) On 30 September 2019, the Company and DJ have mutually agreed to terminate the SSA in relation to the Proposed Acquisition dated 23 April 2019. Following the termination, the Company and DJ shall enter into good faith discussions and negotiations with a view towards agreeing on new/revised terms and conditions of the Proposed Acquisition, which shall be finalised and mutually agreed within a period of 6 months following the date of the aforementioned letter and which may potentially include changes to the structure and components of the Proposed Acquisition.
- (b) On 2 October 2019, the Company and GIL mutually agreed to extend the cut-off date of the SPA for the Proposed Disposal by a further period of 3 months to 2 January 2020 to facilitate the fulfilment of the conditions precedent in the SPA.

**37. COMPARATIVE FIGURES**

The Company has changed its financial year end from 31 December to 30 June effective from the previous reporting period. Consequently, the comparative figures are for the previous 18 months period from 1 January 2017 to 30 June 2018. The current financial statements are for a period of 12 months from 1 July 2018 to 30 June 2019. Due to the change in the financial year end, the amounts presented in the financial statements are not entirely comparable.

The following figures have been reclassified to conform with the presentation of the current financial year:-

	As Previously Reported RM'000	As Restated RM'000
<b>The Group</b>		
Statement of Financial Position (Extract):-		
Short-term investments	-	36,600
Fixed deposits with licensed banks	37,863	1,263
Statement of Cash Flows (Extract):-		
Net cash for investing activities	(20,674)	(34,014)
<b>The Company</b>		
Statement of Cash Flows (Extract):-		
Net cash (for)/from operating activities	(1,180)	31,089
Net cash from/(for) financing activities	2,455	(29,814)

**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
Company No: 198401002327 (114842-H)

**LIST OF PROPERTIES HELD BY THE GROUP**  
**AS AT 30 JUNE 2019**

Location	Description	Area	Use of the land / building	Tenure	Net Book Value	
					RMB '000	RM'000
Huaying Village, Lili Town, Wujiang City, Jiangsu Province, PRC (Now known as Fenhui Economic Development Zone, Wujiang City, Jiangsu Province, PRC)	Land	81,790 square meters	Industrial	50 years expiring on 20/4/2056	10,617	6,398
	Factory Building and employees' dormitory	30,195 square meters	Industrial	50 years expiring on 20/4/2057	33,251	20,037
	A warehouse building	Work-in-progress	Industrial	-	39,133	23,582
Wujiang City Chamber of Commerce Center Ren Min Lu Nan Chang An Lu Xi	One floor of Wujiang City Chamber of Commerce Center	1,500 square meters	Office	expiring on 23/11/2052	6,669	4,019

Notes:-

The exchange rate used in the translation of the above financial information is summarised as below:-

RMB 1: RM0.6026 at 30 June 2019

**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
Company No: 198401002327 (114842-H)

## ANALYSIS OF SHAREHOLDINGS AT 15 OCTOBER 2019

Total number of issued shares : 394,899,274 Ordinary Shares  
Class of Shares : Ordinary shares  
Voting Right : One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Holders		Number of Shares		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	598	1	30,295	75	0.01	0.00
100 – 1000	560	5	240,371	2,875	0.06	0.00
1,001 – 10,000	890	12	4,418,673	64,153	1.12	0.02
10,001 – 100,000	559	6	18,743,075	205,010	4.75	0.05
100,001 to less than 5%	113	6	57,346,047	28,723,700	14.52	7.27
5% and above	1	1	60,000,000	225,125,000	15.19	57.01
<b>Total</b>	<b>2,721</b>	<b>31</b>	<b>140,778,461</b>	<b>254,120,813</b>	<b>35.65</b>	<b>64.35</b>

### SUBSTANTIAL SHAREHOLDERS (Based on the Register of Substantial Shareholders)

Name	Direct		Indirect	
	Number of Shares	% of Issued Share Capital	Number of Shares	% of Issued Share Capital
Gifted Investments Limited	225,125,000	57.01	-	-
Pan Ding	-	-	225,125,000*	57.01
Noble Pinnacle Sdn Bhd	60,000,000	15.19	-	-
Dato' Justin Soo Sze Ching	-	-	60,000,000 <sup>#</sup>	15.19
Lim Yoke Eng	-	-	60,000,000 <sup>#</sup>	15.19
Hsu, Ching-Fu	25,217,840	6.39	-	-

### DIRECTORS' SHAREHOLDINGS (Based on the Register of Directors' Shareholdings)

Pan Ding	-	-	225,125,000*	57.01
Dato' Justin Soo Sze Ching	-	-	60,000,000 <sup>#</sup>	15.19

**Note:**

\* Deemed interested through Gifted Investments Limited by virtue of Section 8 of the Companies Act 2016

<sup>#</sup> Deemed interested through Noble Pinnacle Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016

**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
Company No: 198401002327 (114842-H)

**ANALYSIS OF SHAREHOLDINGS**  
**THIRTY (30) LARGEST SHAREHOLDERS AS AT 15 OCTOBER 2019**

	<b>Name of Shareholders</b>	<b>Number of Shares</b>	<b>%</b>
1	Gifted Investments Limited	225,125,000	57.01
2	Noble Pinnacle Sdn Bhd	60,000,000	15.19
3	Ng Chun Kooi	17,683,997	4.48
4	Hsu, Ching-Fu	13,130,700	3.33
5	HSBC Nominees (Asing) Sdn Bhd Exempt AN For BNP Paribas Singapore Branch (A/C Clients-FGN)	12,087,140	3.06
6	CGS-CIMB Nominees (Asing) Sdn. Bhd. Exempt AN For CGS-CIMB Securities (Singapore) Pte. Ltd. (Ret All Clients)	2,360,000	0.60
7	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Cher Keam (E-SRB/KKG)	2,017,000	0.51
8	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koon Poh Tat	2,000,000	0.51
9	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Saw Soon Yee (Penang-CL)	1,650,000	0.42
10	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Chuen Ket	1,544,200	0.39
11	Wong Foong Yoke	1,448,160	0.37
12	Gan Bee Sin	1,330,000	0.34
13	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ng Kong Chee (M02)	1,148,700	0.29
14	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Siok Wee (7004890)	1,109,000	0.28
15	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chong Yu Lien	1,069,020	0.27
16	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Neo Eng Hui (7001308)	850,320	0.22
17	Chong Kooi Lan	821,100	0.21
18	Ng Kong Chee	713,000	0.18
19	Chee Wei Heng	650,000	0.16
20	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Kong Chee	600,000	0.15
21	Ng Sai Pui	575,000	0.15
22	Lim Chun Seen	572,600	0.15
23	Wong Foong Mooi	529,800	0.13
24	Gan Tuck Cheng	500,440	0.13
25	Lee Tiong Heng	500,000	0.13
26	Ng Kong Chee	500,000	0.13
27	Go Suu Ken	420,005	0.11
28	Citigroup Nominees (Asing) Sdn Bhd Exempt AN For UBS AG Singapore (Foreign)	415,500	0.11
29	Tan Siok Wee	411,800	0.10
30	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koon Poh Tat (8062495)	400,000	0.10

**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)

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**NOTICE OF THE THIRTY-FIFTH ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Thirty-Fifth Annual General Meeting of the Company will be held at Tawau Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on 26 November 2019 at 2.30 p.m. to transact the following businesses:-

**AGENDA****As Ordinary Business:**

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of Directors and Auditors thereon. *(Please refer to Note 1)*
2. To approve the payment of Directors' fees and benefits for the financial year ended 30 June 2019. *Ordinary Resolution 1*
3. To re-elect the following Directors who retire in accordance with the Company's Constitution:
  - (a) Mr. Pan Ding *Ordinary Resolution 2*
  - (b) Encik Wan Kamarul Zaman Bin Wan Yaacob *Ordinary Resolution 3*
4. To appoint auditors and to authorise the Directors to fix their remuneration. *Ordinary Resolution 4*

**As Special Business:**

5. To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

**PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE CHAIRMAN** *Ordinary Resolution 5*

"THAT Datuk Dr. Ng Bee Ken who has served the Board as Independent Non-Executive Chairman of the Company for a cumulative term of more than nine (9) years be and is hereby retained as Independent Non-Executive Chairman of the Company."

**PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR** *Ordinary Resolution 6*

"THAT Encik Wan Kamarul Zaman Bin Wan Yaacob who has served the Board as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as Independent Non-Executive Director of the Company."

**PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR** *Ordinary Resolution 7*

"THAT Mr. Low Yan Seong who has served the Board as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as Independent Non-Executive Director of the Company."

**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)

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**AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016**

“THAT subject always to the Companies Act 2016 (“Act”) and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 75 of the Act, to allot shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being.”

*Ordinary Resolution 8*

6. To consider and if thought fit, to pass the following Special Resolution, with or without modifications:-

*Special Resolution 1*

**PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY**

“THAT the new set of the Constitution of the Company in the form and manner as set out in Appendix A attached herewith be and is hereby approved and adopted as the new Constitution of the Company, in substitution for, and to the exclusion of, the existing Constitution of the Company AND THAT the Directors be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to the adoption of the new Constitution of the Company.”

7. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

**KANG SHEW MENG**  
**SEOW FEI SAN**  
Secretaries

Petaling Jaya

31 October 2019

**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)

Company No: 198401002327 (114842-H)

**NOTES TO THE NOTICE OF THE THIRTY-FIFTH ANNUAL GENERAL MEETING:**

1. *The members' approval on the Audited Financial Statements is not required pursuant to the provision of Section 340(1) of the Companies Act 2016 and hence, the matter will not be put for voting.*
2. *Only depositors whose names appear in the Record of Depositors as at 18 November 2019 shall be regarded as members and entitled to attend, speak and vote at the Meeting.*
3. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his / her behalf. A proxy may but need not be a member of the Company.*
4. *A member may appoint up to two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he / she shall specify the proportions of his / her holdings to be represented by each proxy.*
5. *Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
6. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
7. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised or in some other manner approved by its directors.*
8. *The instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or certified copy must be deposited at the Company's registered office at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*



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## 9. Explanatory Notes:

**Ordinary Resolution 1****Payment of Directors' Fees and Benefits**

*Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board of Directors ("Board") agreed that the members' approval shall be sought at the Thirty-Fifth Annual General Meeting ("AGM") on the Directors' fees and benefits.*

*Details of the Directors' fees and benefits (meeting allowance) payable to the Non-Executive Directors for the financial year ended 30 June 2019 are disclosed in the Corporate Governance Overview Statement as contained in Annual Report 2019.*

**Ordinary Resolution 4****Authority to Appoint Auditors**

*Crowe Malaysia PLT has expressed their intention not to seek for re-appointment as Auditors of the Company and their term of office shall cease at the conclusion of the Thirty-Fifth AGM pursuant to Section 273(b) of the Companies Act 2016.*

*As at the date of printing of this Annual Report, the Board is still in the midst of finalising the nomination of new auditors. The Company will notify the members the name of the new audit firm as soon as the nomination is finalised and completed. This proposed Ordinary Resolution 4 is to seek the authority from the members for the Directors to appoint auditors and to fix their remuneration.*

**Ordinary Resolution 5****Proposed Retention of Independent Non-Executive Chairman**

*The proposed Ordinary Resolution 5 is proposed pursuant to recommendation of the Malaysian Code of Corporate Governance and if passed, will allow Datuk Dr. Ng Bee Ken to be retained and continue to act as Independent Non-Executive Chairman of the Company.*

*The full details of the Board's justifications for the retention of Datuk Dr. Ng Bee Ken as Independent Non-Executive Chairman is set out in the Corporate Governance Overview Statement as contained in Annual Report 2019.*

*Datuk Dr. Ng Bee Ken was appointed on Board of the Company on 27 January 2006. As at the date of printing of this Annual Report, he had served on the Board for a period of more than 9 years.*

**SINOTOP HOLDINGS BERHAD** (Incorporated in Malaysia)  
Company No: 198401002327 (114842-H)

### **Ordinary Resolutions 6 and 7**

#### **Proposed Retention of Independent Non-Executive Directors**

*The proposed Ordinary Resolutions 6 and 7 are proposed pursuant to recommendation of the Malaysian Code of Corporate Governance and if passed, will allow Encik Wan Kamarul Zaman Bin Wan Yaacob ("Encik Wan") and Mr. Low Yan Seong ("Mr. Low") to be retained and continue to act as Independent Non-Executive Directors of the Company.*

*The full details of the Board's justifications for the retention of both Encik Wan and Mr. Low as Independent Non-Executive Directors is set out in the Corporate Governance Overview Statement as contained in Annual Report 2019.*

*Encik Wan and Mr. Low were appointed on Board of the Company on 28 June 2010. As at the date of printing of this Annual Report, both of them had served on the Board for a period of 9 years.*

### **Ordinary Resolution 8**

#### **Authority to Allot Shares Pursuant to Section 75 of the Companies Act 2016**

*The Proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to allot not more than 10% of the total number of issued shares of the Company subject to approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.*

*As at the date of printing of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Thirty-Fourth AGM held on 28 November 2018 and which will lapse at the conclusion of the Thirty-Fifth AGM.*

*The authority will provide flexibility to the Company for any possible fundraising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisitions, repayment of bank borrowings, etc.*

### **Special Resolution 1**

#### **Proposed Adoption of New Constitution of the Company**

*The Proposed Special Resolution 1, if passed, will give full effect to the proposed amendments to the Constitution of the Company by substituting the existing Constitution with the new set of Constitution as set out in Appendix A.*

*The rationale of the proposed adoption of a new Constitution is to ensure continued compliance and to bring the Constitution of the Company in line with the following laws and regulations:-*

- *Amended Bursa Malaysia Securities Berhad Main Market Listing Requirements which was issued on 29 November 2017; and*
- *Companies Act 2016 which came into effect on 31 January 2017.*

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CDS Account No.	No. of Shares Held

I/We \_\_\_\_\_ (BLOCK LETTERS)

NRIC No. /Company No. \_\_\_\_\_ of \_\_\_\_\_

being (a) Member(s) of SINOTOP HOLDINGS BERHAD (114842-H) hereby appoint the following person(s):

No.	Name & NRIC No. of proxy	No. of shares to be represented by proxy
1.		
2.		

or failing him/her,

1.		
2.		

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held at Tawau Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on 26 November 2019 at 2.30 p.m. and at any adjournment thereof and to vote as indicated below:-

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Special Resolution 1		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019

\_\_\_\_\_  
Signature / Seal of Member

**Notes:**

- The members' approval on the Audited Financial Statements is not required pursuant to the provision of Section 340(1) of the Companies Act 2016 and hence, the matter will not be put for voting.
- Only depositors whose names appear in the Record of Depositors as at 18 November 2019 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his / her behalf. A proxy may but need not be a member of the Company.
- A member may appoint up to two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he / she shall specify the proportions of his / her holdings to be represented by each proxy.
- Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised or in some other manner approved by its directors.
- The instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or certified copy must be deposited at the Company's registered office at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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AFFIX  
STAMP

The Company Secretary

**SINOTOP HOLDINGS BERHAD** (114842-H)  
802, 8th Floor, Block C  
Kelana Square, 17 Jalan SS 7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan

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**SINOTOP HOLDINGS BERHAD** (114842-H)  
802, 8th Floor, Block C, Kelana Square,  
17 Jalan SS7/26, 47301 Petaling Jaya,  
Selangor Darul Ehsan.